



Business Opportunities in El Salvador's Export Market

The compact between the Millennium Challenge Corporation and the Government of El Salvador (GOES) was signed in September 2014, and is expected to enter into force in 2015¹. This is El Salvador's second MCC compact and it focuses on increasing the productivity of export-oriented sectors by strengthening El Salvador's investment climate, human capital and logistical infrastructure. This compact represents a commitment from GOES to partner with the private sector and to implement the necessary reforms to stimulate more investment.

Companies can explore opportunities presented through El Salvador's MCC compact by:

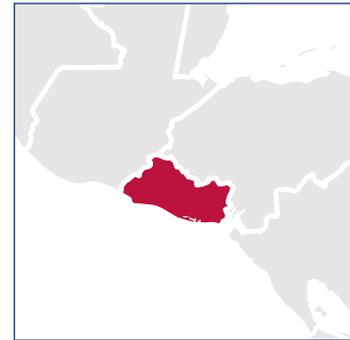
- ★ Bidding on the public-private partnerships that will be developed and tendered under the compact;
- ★ Participating in the El Salvador Investment Challenge—a \$75 million grant program to support export-driven growth by funding public services that private investments need to be competitive, such as public infrastructure, worker training and funding for research and development;
- ★ Exploring business opportunities created as a result of MCC's investments in private sector regulatory reform, transportation and logistics and human capital; and
- ★ Bidding on procurement opportunities under the compact.

Why Invest in El Salvador

El Salvador's central geographic location enables quick access to major cities in North and South America. The country is on the same time zone as U.S. Central Standard Time (CST), uses the U.S. dollar as its currency, and offers a natural two oceans logistics corridor, with proximity to the transpacific maritime route and to the Panama Canal.

- ★ El Salvador is a steady and growing market for U.S. goods and services. U.S. companies can take advantage of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) to increase exports to El Salvador, but also through El Salvador to the rest of Central America.

El Salvador at a Glance



Population: 6.34 million
GDP Annual Growth: 1.7%
GNI Per Capita, PPP: \$7,490
Net FDI Inflows: \$81 million
Population Growth Rate: 0.7%
Population Below \$1.25/day: 2.5%
Source: World Bank 2013

El Salvador was selected by the U.S. Government to participate in Partnership for Growth, which focuses support and private sector engagement efforts from across the U.S. Government on key constraints to growth in developing countries. El Salvador is one of only four countries worldwide with which the United States is developing this partnership. In El Salvador, PFG objectives include addressing crime and insecurity as well as low productivity in tradables.²

¹ Compact signing commits funds to a country for purposes outlined in the compact; entry into force starts a five-year implementation period for the compact.

² For more information, the PFG Joint Country Action Plan may be found at: http://photos.state.gov/libraries/elsalvador/92891/octubre2011/Joint_Country_Action_Plan.pdf

- ★ Among the top sectors 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.
- ★ Approximately 60 percent of the labor force is 39 years or younger, making it a predominantly young and highly productive country.

El Salvador is Committed to Improving its Investment Climate and Export Productivity

El Salvador participates in multiple trade agreements that provide preferential access to more than 1.2 billion consumers in 44 countries around the world. El Salvador has trade agreements with Central America, Chile, Colombia, Cuba, Dominican Republic, European Union, Mexico, Panama, Taiwan, United States, and Venezuela. Furthermore, El Salvador is in negotiations to sign trade agreements with Belize, Canada, Ecuador, and Peru.

To increase trade under these agreements, El Salvador worked with MCC to develop a five-year compact program to improve key factors needed to increase productivity of its export sector - namely its investment climate, human capital and logistical infrastructure.

Investment Opportunities

El Salvador's **\$277 million MCC compact** consists of **three projects** that may provide the private sector with a platform to engage in the Salvadoran market. MCC encourages the private sector to co-invest or build upon these investments:

- 1. Investment Climate Project (\$42.4 million)**—Enhancing the investment climate by:
 - * Streamlining and improving key regulations that represent major constraints to investment;
 - * Bringing two or three public-private partnership transactions to market; and
 - * Sponsoring the El Salvador Investment Challenge to provide funding for public services required by export-oriented investors.
- 2. Human Capital Project (\$100.7 million)**—Improving the quality of education and matching student skills with the demands of firms involved in international trade by:
 - * Strengthening the national education system;
 - * Supporting the transition to full-time, inclusive schools; and
 - * Reforming technical and vocational education to better match supply with demand.
- 3. Logistical Infrastructure Project (\$109.6 million)**—Reducing transportation and logistics costs by:
 - * Expanding the coastal highway between the airport and two seaports; and
 - * Improving the El Amatillo border crossing with Honduras.

Opportunities to Enter the Market

The GOES is in the process of implementing a new public-private partnership law. In connection with developing the new public-private partnership legislation, the GOES is identifying projects in its public-private partnership pipeline that offer the best value for money. It is anticipated that these projects will be brought to market prior to 2020. The GOES is currently considering developing two potential projects—the expansion of the El Salvador International Airport and the development of a wind farm in the Metapan region—as public-private partnerships under the compact.

The \$75 million El Salvador Investment Challenge (“*Apuesta por InversionES*”) presents a unique opportunity for new or existing investors in El Salvador to identify public infrastructure and services that

potential private investment in the export sector need in order to be viable and competitive. For more information on the El Salvador Investment Challenge, please visit: <http://www.proesa.gob.sv/inversiones/apuesta-por-inversiones>.

For additional information:

MCC

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Procurement information

<http://www.mcc.gov/pages/business/compactprocurements>

El Salvador's MCC Compact

<http://www.mcc.gov/pages/countries/program/el-salvador-investment-compact>

Annex 1: El Salvador FY15 Scorecard

El Salvador FY15

Population: 6,340,000

GNI/Cap: \$3,720 (LMIC)

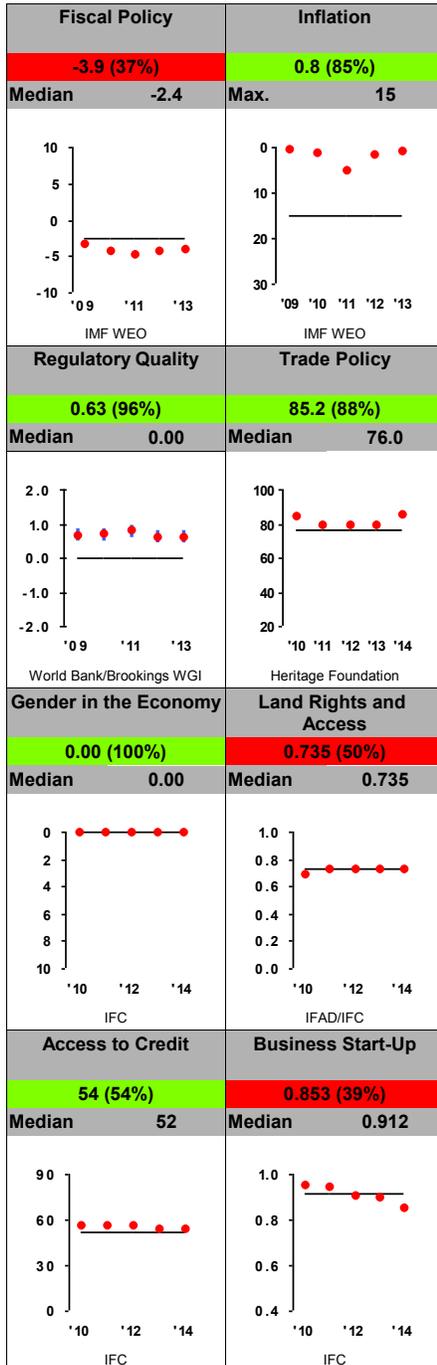
Control of Corruption

Democratic Rights

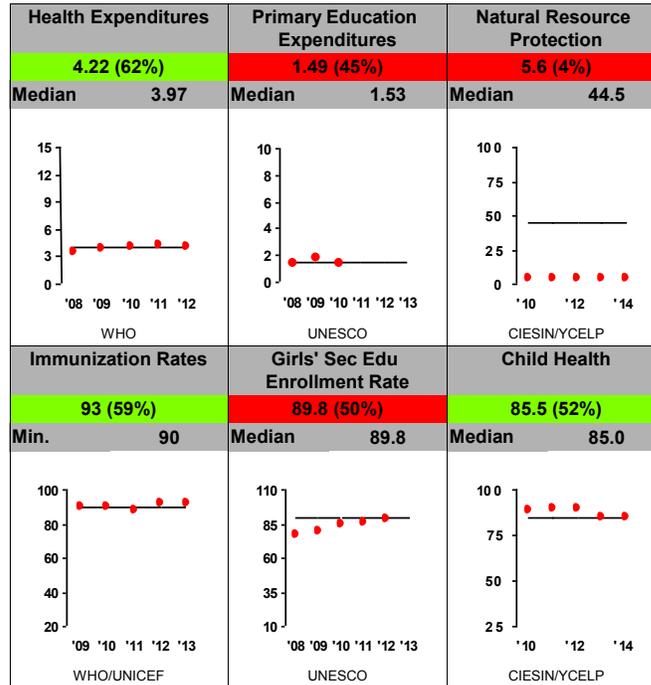
Pass Half Overall



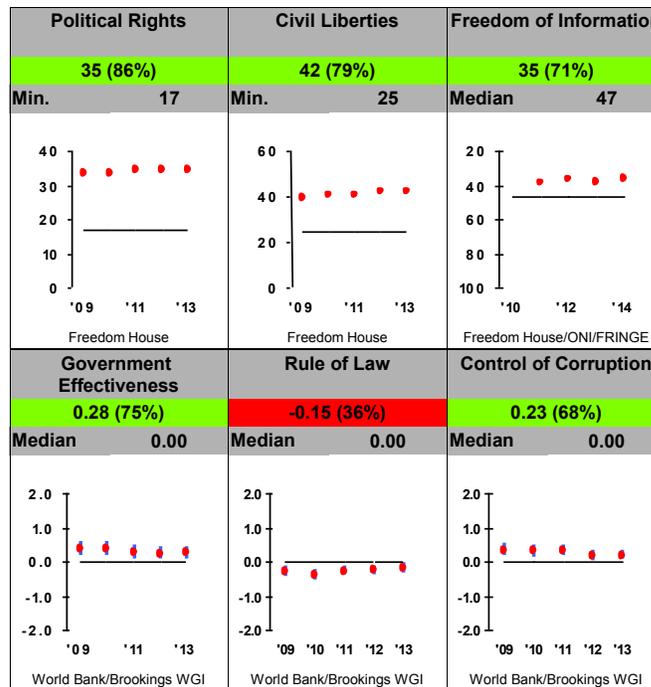
Economic Freedom



Investing in People



Ruling Justly



For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov/selection