GOBIERNO DE
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Digital Technologies

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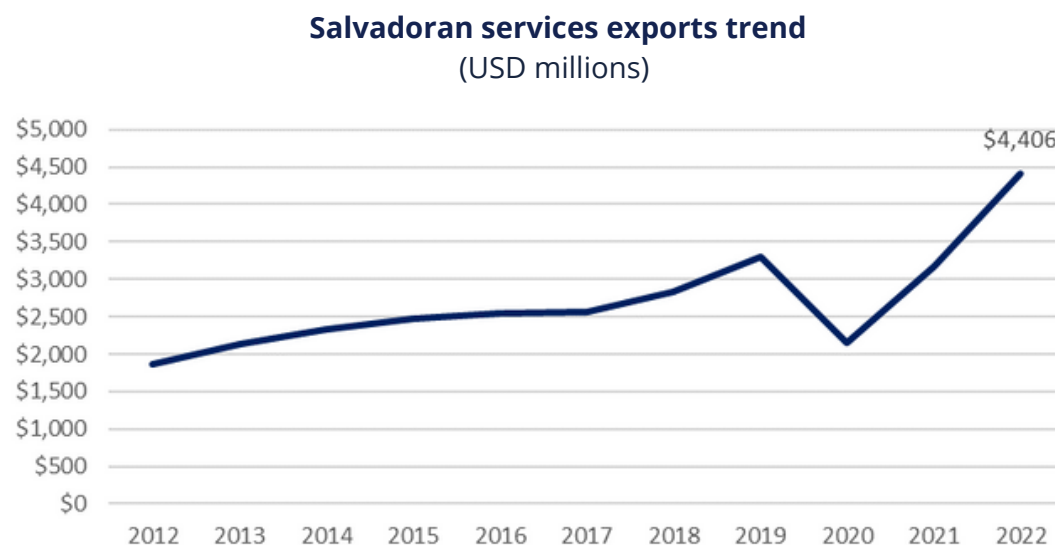GOBIERNO DE
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Contact:

Jessica Bukele
Investment Promotion Specialist

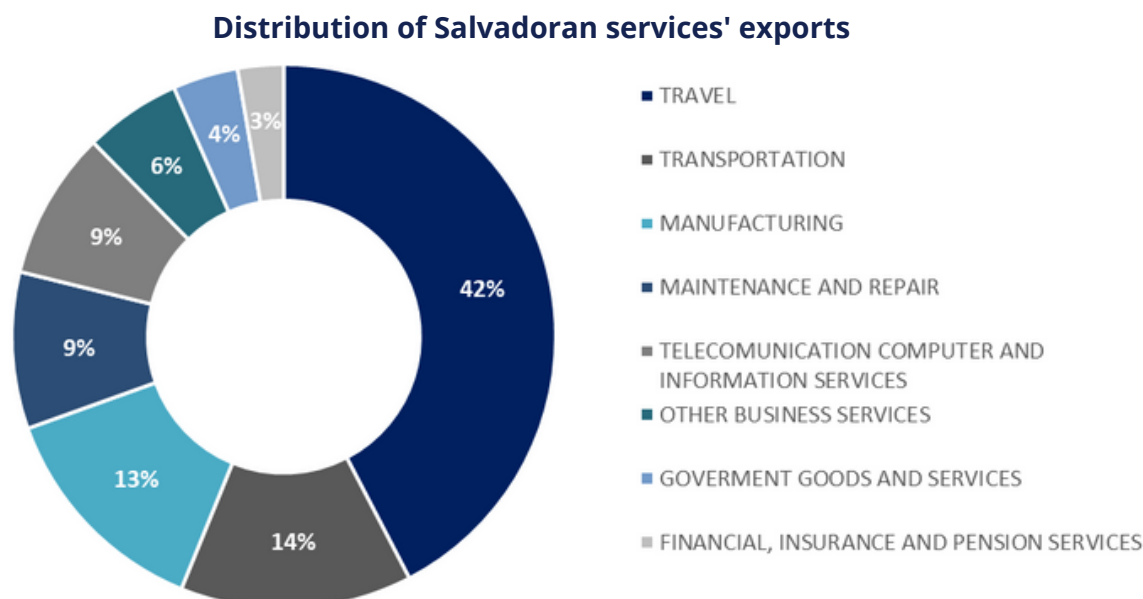jessica.bukele@investelsalvador.com

Performance of the services sector in the country's productive structure

The Services sector has gained great importance for El Salvador in recent years. At the end of 2022, exports of services reached US$4,406 million.[5] Likewise, during the last 5 years (2018 - 2022) services' exports have reached an accumulated amount of more than US$ 15.9 million and there has been a clear and consistent upward trend (disregard the year of the COVID 19 pandemic). The following graph shows the evolution of the sector's exports over the last decade.

Salvadoran services exports trend
(USD millions)

Source: Investment promotion agency of El Salvador with data from the Central Reserve Bank of El Salvador – BCR.

By the end of 2022, exports in this sector were divided as shown in the graph below.

Distribution of Salvadoran services' exports

- TRAVEL
- TRANSPORTATION
- MANUFACTURING
- MAINTENANCE AND REPAIR
- TELECOMUNICATION COMPUTER AND INFORMATION SERVICES
- OTHER BUSINESS SERVICES
- GOVERMENT GOODS AND SERVICES
- FINANCIAL, INSURANCE AND PENSION SERVICES

Source: Investment promotion agency of El Salvador with data from the Central Reserve Bank of El Salvador – BCR.

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

Services sector overview

The service sector in El Salvador is represented by companies of various sizes that have placed their trust in our people and are generating more than 65,000 direct jobs and working for clients of international stature.

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

In the same way, thanks to a qualified labor force, with a vocation for service and neutral accents in Spanish and English, the country is an extremely attractive destination for companies that wish to establish their contact centers here. The cultural affinity of its people with the large markets of America is a characteristic of high added value for companies in the area of call centers.

Regarding logistics operations, thanks to the closeness and excelent trade relations with a diversity of markets in the region (42 countries in the world), the country has high potential for distribution, consolidation, and transportation companies, among others. The modern port, airport and road network infrastructure available in the country allows for interconnection and rapid response times to market needs.

Given the opportunities for growth and investment that have been identified in the service sector, in the development of this guide, relevant data is presented in terms of labor, employment and operating costs. Similarly, the advantages of investing in each sector and the incentives offered to investors who decide to place their trust in El Salvador are presented.

Digital technologies in the country's productive structure

Delimitation of the Digital Technologies subsector

For the purposes of this document, digital technology services are considered software development activities, web development, mobile development, among other related activities.

In order to analyze the commercial evolution of the sector, computer and information services are taken as a reference. Regarding employment data, information was used for the following ISIC codes linked to the sector:

- **5820:** Publishing of computer programs

- **6201:** Computer programming

- **6202:** Computer consulting and management of computer facilities.

- **6209:** Other information technology and computer services activities.

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

- **6312:** Website

- **6399:** Other information service activities

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There are more than 25.9 thousand students enrolled in careers related to information technology

1.6 thousand new technicians and professionals in this field are incorporated every year.

The country has **computer engineering, video game development, database management, systems, among others, as well as studies in these areas at the technical level.** Similarly, at the level of secondary education, the country has the following related baccalaureates: **computer systems, technological infrastructure and computer services and software development.**

Labor availability

Enrolled in and graduated from careers related to technology

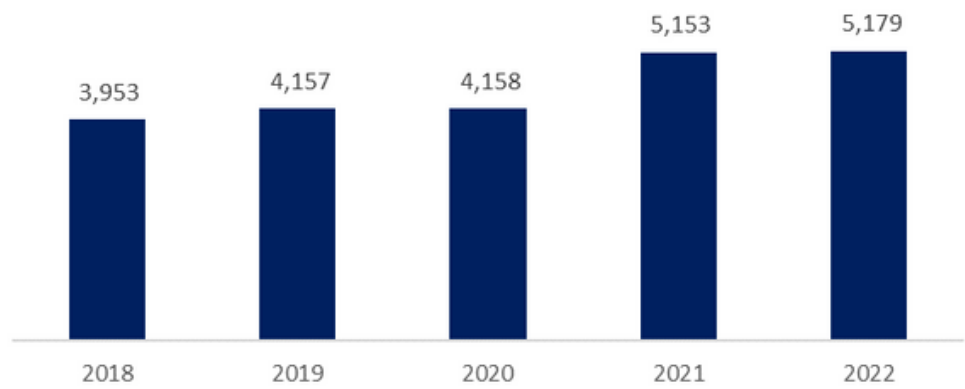|	Enrolled	Graduates
Master in Software Architecture	88	7
Master in Networks	21	7
Systems engineering	13,049	456
Computer engineering	3,484	192
Systems technician	2,104	406
Computer bachelor	1,979	162
Informatics engineering	1,350	35
Coputer technician	1,106	140
Software technician	828	109
Software development engineering	730	N.D.
Network technician	544	66
Multimedia Technician	288	N.D
Systems bachelor	241	31
Video game development engineering	179	N.D.
Ingeniería en gestión de bases de datos	166	N.D.
Application development technician	65	7
Total	**25,934**	**1,625**

Source: Ministry of Education, National Directorate of Higher Education. Report 2020 SINIEES

Job generation

The Information Technology sector generated an average of 5,179 jobs during 2022. The sector has registered continuous growth in recent years, with an average annual rate of more than 6% between 2018 and 2022.

Evolution of employment generated by the information technology subsector
2018 - 2022

Source: Ministry of Economy, 2022 and Data from the Salvadoran Social Security Institute - ISSS

Currently, the number of participating companies in the sector is over 460. The following table shows the 5 most important companies in the sector in terms of job creation.

Top 5 companies

Company	Average number of employees
APPLAUDO STUDIOS	468
OE SYSTEM SA DE CV	227
RSM US	139
SITES	111
RULESWARE	96

Source: Ministry of Economy, 2022 and Data from the Salvadoran Social Security Institute - ISSS.

Advantages of investing in Information Technology

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

Some of the opportunities to invest and do business in El Salvador are shown below:

Outstanding human talent

- Highly trained staff
- Low turnover rate
- Development of solutions in any language or platform, for web and mobile platforms
- outstanding work ethic
- fast learning curve

Investment opportunities

Information technology services:

- Software development

- Web development

- Mobile Design

- UX/UI design

- DevOps

- QA

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Operating costs

Below are shown, by way of example, average salaries for some of the most requested positions by companies in the sector.

Position	Salary (median)	Average salary
Business Analyst	$1,800.00	$1,818.80
Software developer	$1,787.50	$1,752.90
Junior Software Developer	$1,225.00	$1,216.50
Information Technology Manager	$3,000.00	$3,018.35
Systems Engineer	$1,487.50	$1,470.00
Project manager	$2,500.00	$2,535.00
Infrastructure and Facilities Technician	$487.5	$493.60
Support Technician	$650.00	$654.00
Graphic Animator	$790.00	$818.75
Native Mobile App Developer	$1,600.00	$1,572.00
HTML Mobile Application Developer	$990.00	$1,010.00
C# developer	$2,312.50	$2,300.00
React developer	$2,675.00	$2,687.50
Java developer	$2,312.50	$2,300.00

Source: Study of salaries and benefits 2019-2022, Mercado Salarial

El Salvador is more competitive in labor costs than other locations that are also benchmarks for the sector in the region.
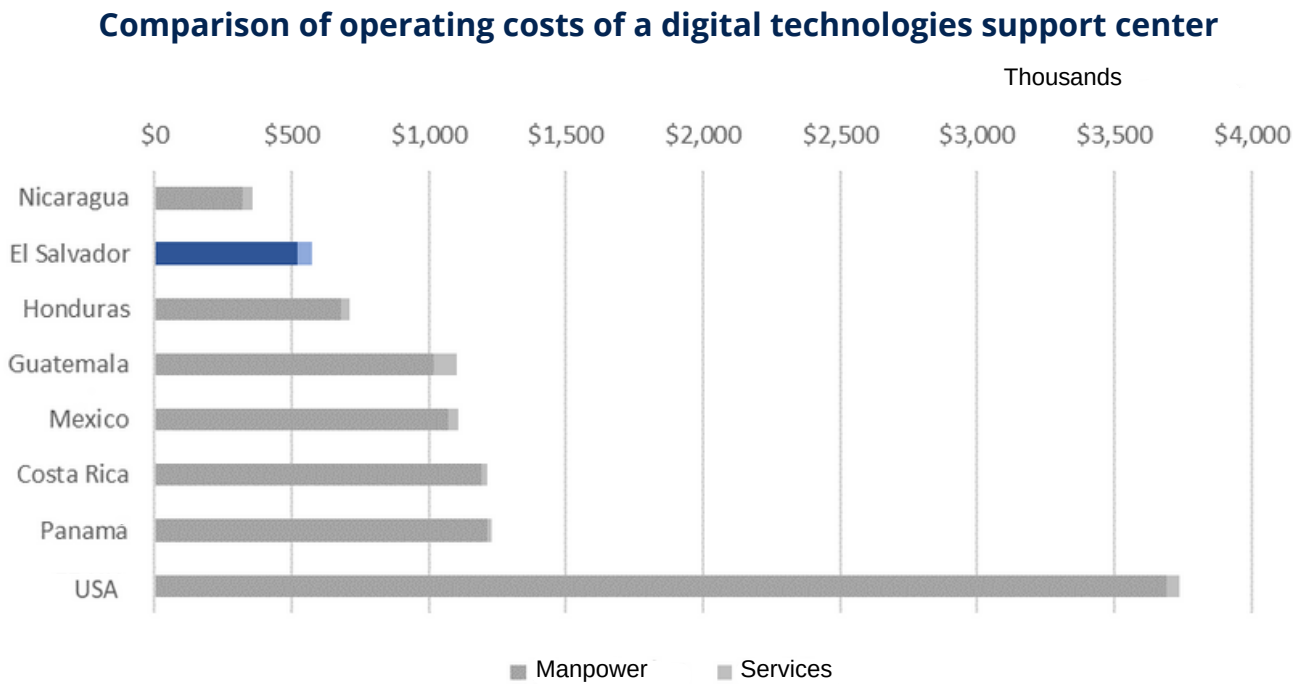
As shown in the following table, a junior software developer in Costa Rica and Guatemala costs companies 40% and 11% more than in El Salvador, respectively. For its part, hiring a graphic animator is 38% more expensive in Costa Rica and 11% more expensive in Guatemala than in El Salvador.

Operating costs

Position	El Salvador	Guatemala	Costa Rica
Junior Software Developer	$1,216.5	$1,347.5	$1,704.0
Systems engineer	$1,470.0	$1,544.5	$1,703.5
Graphic Animator	$818.8	$909.5	$1,134.0
Native mobile app developer	$1,572.0	$1,505.0	$1,700.5

Source: Study of salaries and benefits 2019, Mercado Salarial

As shown in the comparative graph below, El Salvador is the second country with the lowest operating costs in Central America, and also below Mexico, when considering labor costs and public services for a digital technology support center, according to fDi Benchmark, a service of the Financial Times Limited 2023.

Comparison of operating costs of a digital technologies support center

Source: fDi Benchmark

Success story

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

"We strongly believe that our focus, dedication and depth of experience has been the key factor in Rulesware's track record of successfully and rapidly delivering Pega projects, always driving the desired results for our valued clients. And much of that experience and dedication comes from from our El Salvador office.

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

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

Logan McCune, People and Culture Manager

Tax incentives

International Services Law

Provides tax incentives to companies dedicated to providing services for foreign clients. To enjoy these benefits, companies may establish themselves in parks or service centers.

Service park: Limited areas considered outside the national customs territory, where service exporters are installed and operate under the benefits of this law.

Service Centers: When a company - in an eligible activity specified in this law - for physical or technical reasons, cannot operate within 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.

Incentivized activities

Information technology services, understood as those services provided by a company benefited by this Law, to legal persons domiciled outside the national territory, in the design and development of software, systems and computer applications.

Information technology activities incentivized may allocate 30% of their services to the national market.

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

Benefits

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

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

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

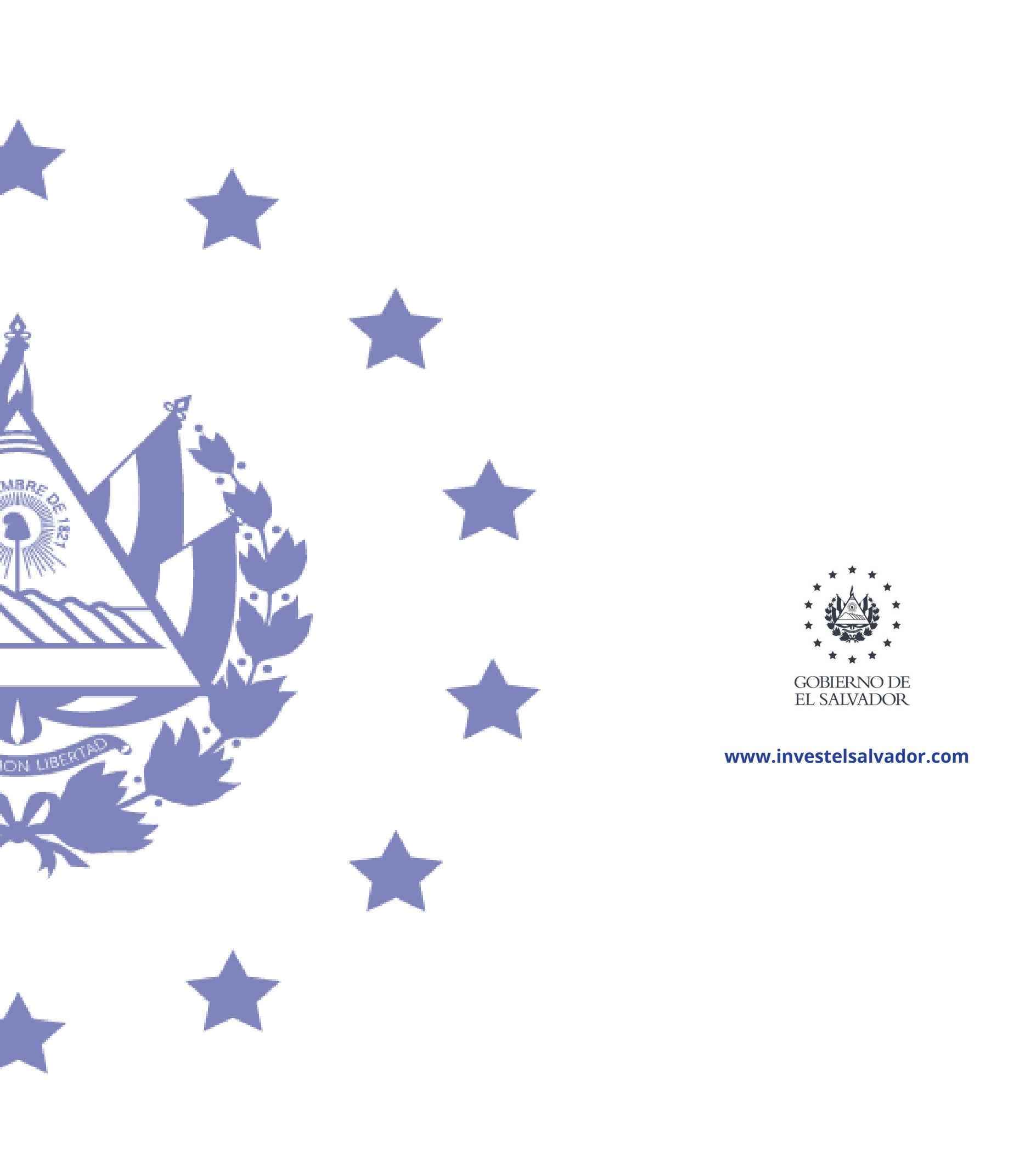GOBIERNO DE
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Requirements

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

Requirements for information technology companies:

Activity	Local market limit	New investment*	Minimum permanent jobs
Information technologies	30%	If you are in a service park: **USD $150,000** If authorized as a service center: **USD $250,000**	If it is in a service park: **10 jobs** If authorized as a service center: **20 jobs**

*New investment to be made in the first 6 months of operations.

Transitory provisions to the International Services Law are currently in force, which are intended to allow direct users of parks and service centers to carry out their activities outside the facilities until December 31, 2023.

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