



El salvador solar incentives

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On June 1, 2019, President Nayib Bukele assumed office. His administration immediately pledged to eliminate cumbersome bureaucracy and improve security conditions to attract investment and create jobs. Early accomplishments included increased dialogue with the private sector and reduced homicide rates, which increased business confidence. El Salvador and the United States signed a Growth in the Americas memorandum of understanding in January 2020 to promote private investment. The COVID-19 pandemic has unfortunately complicated implementation of reforms and dampened investment.

Commonly cited challenges to doing business in El Salvador include the discretionary application of laws and regulations, lengthy and unpredictable permitting procedures, as well as customs delays. In recent years, El Salvador has lagged its regional peers in attracting foreign direct investment (FDI). The sectors with the largest investment have historically been textiles and retail establishments, though investment in energy has increased in recent years.

As a small energy-dependent country with no Atlantic coast, El Salvador relies on free trade. It is a member of the Central American Dominican Republic Free Trade Agreement (CAFTA-DR) and the United States is El Salvador's top trading partner. Proximity to the U.S. market is a competitive advantage for El Salvador. As most Salvadoran exports travel by land to Guatemalan and Honduran ports, regional integration is crucial for competitiveness. Although El Salvador officially joined the Customs Union established by Guatemala and Honduras in 2018, the Bukele administration announced in January 2020 that it would prioritize bilateral trade facilitation with Guatemala.

The Bukele administration has taken initial steps to facilitate trade - a major priority of the textile, retail, and other U.S. companies invested in El Salvador. In July 2019, the government of El Salvador (GOES) relaunched the National Trade Facilitation Committee (NTFC), which had not met since its creation in 2017. The NTFC produced the first jointly developed private-public action plan to reduce trade barriers. The plan contains 60 strategic measures focused on simplifying procedures, reducing trade costs, and improving connectivity and border infrastructure. Companies are hopeful the plan would help reduce costs and make El Salvador more attractive for further investment.

Policies Toward Foreign Direct Investment

The GOES recognizes that attracting FDI is crucial to improving the economy. El Salvador does not have laws or practices that discriminate against foreign investors. The GOES does not screen or prohibit FDI. However, FDI levels are still paltry and lag behind regional neighbors, except for Nicaragua. The Central Bank reported net FDI inflows of \$437.7 million at the end of September 2019.

The Exports and Investment Promotion Agency of El Salvador (PROESA) supports investment in eight main sectors: textiles and apparel; business services; tourism; aeronautics; agro-industry; light manufacturing; logistic and infrastructure networks; and healthcare services. PROESA provides information for potential investors about applicable laws, regulations, procedures, and available incentives for doing business in El Salvador. Website:

The National Association of Private Enterprise (ANEP), El Salvador's umbrella business/private sector organization, has established an ongoing dialogue with relevant GOES ministries.

In June 2019, the GOES created the Secretariat of Commerce and Investment, a position within the President's Office responsible for the formulation of trade and investment policies, as well as coordinating the Economic Cabinet.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign citizens and private companies can freely establish businesses in El Salvador.

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