

**BUSINESS FOR DEVELOPMENT:
IMPLICATIONS FOR EXPORT STRATEGY-MAKERS**

EL SALVADOR

**ELECTRONIC COMMERCE” BASIS FOR COMPETITIVENESS
IN EL SALVADOR**

Cancún, Mexico – September 2003

The Government of El Salvador, aware of the fact that an economy is more competitive when its business environment leads to sustained productivity growth, has designed a series of mechanisms to strengthen public infrastructure and improve business competitiveness. Programs containing a series of support tools are these mechanisms' means for becoming a reality, such as: legislation / reforms, training on specific topics (quality, technological innovation, commercial promotion, among others), technical assistance, information, partnering, and co-financing, among others.

At the same time, the surge of new communications and information technology have had a positive impact on Central America, since the total number of Internet registered users increased 160% between 2000-2003. In the particular case of El Salvador, Internet users were 40,000 in 2000, whereas by July 2003 the number had jumped to 300,000 users, accounting for an increase of 650%.

The National Private Enterprise Association (ANEP, Spanish acronym), a leading organization of the Salvadoran private sector, annually presents a country agenda to government agencies at the Private Sector National Meeting (ENADE, Spanish acronym). These documents have proposed several measures for the modernization of public management through the use of information technology, which are geared towards improving public efficiency and transparency in their relationship with productive sectors.

From the topics proposed, progress has been made in the creation of an electronic system for paying import taxes and initial work has started for electronic payment of income and value added taxes. These proposals are expected to be addressed shortly, as the simplification of government management processes that companies have to perform using information technology and providing public institutions with on-line information systems that transparently provide the necessary information to participate in government acquisitions, even advancing to electronic bid processes.

The joint work between the government and the business sector in these areas will allow the country to progress in the construction of an electronic government.

GOVERNMENT STRATEGY FOR COMPETITIVENESS AND ELECTRONIC COMMERCE

The National Competitiveness Program (PNCES, Spanish acronym), attached to the Ministry of Economy (MINEC, Spanish acronym), was created in 1997 with the purpose of improving El Salvador's business environment, and one of its main objectives was to strengthen the private sector's technological capacity and to develop the means for facilitating a dialogue and improving an understanding among different sectors of society on competitiveness related topics.

PNCES' main objective is to create the necessary conditions for competitiveness to germinate and become a reality in our country, and it operates as an interactive promoter between different sectors of society, among them the productive sector and the government, with the purpose of identifying, recommending and coordinating specific projects that help increase Salvadoran businesses' competitiveness and export opportunities in international markets.

And thus MINEC, with PNCES' support, has developed a series of instruments such as: Competitive Intelligence (CI), Trade Point, FOEX, and shortly the Export Promotion Agency. Likewise, MINEC is fostering co-financing programs with the Technical Assistance Fund (FAT, Spanish acronym) and BONOMYPE, which become tool kits for business management. And working in parallel and within the framework of attracting and promoting investments is the National Commission on Investment Promotion (PROESA, Spanish acronym), with National Investment Office (ONI, Spanish acronym) support, which facilitates the establishment of investments in the country.

1. The Office of Competitive Intelligence (CI)

Is an organizational unit that focuses on partnering efforts, taking into account basic development factors that contribute to an efficient management of strategic information in decision-making processes that support the formulation of competitive policies at country level. It also analyzes the Salvadoran export offer and product positioning in strategic markets, with emphasis on those with which there are trade agreements.

2. Trade Point

Is an export facilitator center through specialized foreign commerce services that supported by an access portal to global networks allows the exchange of information, identification of business opportunities and international projection of participating businesses.

Trade Point has become an important office for small and medium size businesses since it provides them with business information for their participation in international markets. It also fosters access to specialized foreign commerce information at reasonable costs, and provides technical information such as import regulations and procedures, safety and hygiene regulations, packing and label regulations, international contracts, fairs and exhibitions, technical standards, distribution channels, export procedures, competitors and suppliers.

3. Export Promotion Fund (FOEX, Spanish acronym)

Is the office responsible for promoting the development of exports by small and medium size Salvadoran businesses, PYME (Spanish acronym), through the allocation of non-reimbursable financial resources for the execution of export individual and partnering projects. FOEX has among its objectives to foster export developments, to promote and position among PYMEs and similar organizations an export promotion fund model, generating and facilitating export projects.

4. Technical Assistance Fund (FAT, Spanish acronym)

FAT assists the business community in acquiring technical assistance or specialized counseling in any area that is needed, be it production, marketing or management, and it provides direct economic support in paying for consultancies on acquisition of modern technologies that improve their business activity and production processes.

5. Future Export Promotion Agency

Its mission will be to support the development of the export process and the internationalization of El Salvador's businesses by opening new markets and incorporating new companies and products. Its main objectives are to promote and diversify the export of Salvadoran goods and services with emphasis on those with the greatest added value, to encourage and support the start of export management activities by national companies by supporting their internationalization and integration into foreign markets.

6. National Commission on Investment Promotion (PROESA, Spanish acronym)

It is the state entity specialized on the promotion and accessibility of foreign investment, which main purpose is to contribute in the generation of more and better employment opportunities in the country through an increase in foreign investment as complement to national investment, as well as through export diversification and increase.

PROESA's job focuses on identifying potential investors in target sectors, facilitating business, labor and economic information through the promotion of El Salvador at specialized

fairs and official missions. Additionally, PROESA monitors the business climate of investments already established in the country with the purpose of eliminating obstacles encountered in their daily activities.

7. National Investments Office (ONI, Spanish acronym)

It is an agency of the Ministry of Economy that operates as a single window and facilitates the necessary authorizations for investing in El Salvador. ONI's main objective is to facilitate a business climate that allows the productive sector to increase its competitiveness in order to successfully perform in a changing and globalized world, assuring investors a fair and equal treatment.

The Government's strategy related to competitiveness is aimed at increasing companies' levels of productivity and promoting their export activities with the purpose of achieving greater international and local market share. This effort is complemented by an electronic commerce policy that is coherent with global trends that at the same time lowers the cost of doing business. Thus, the Government has established the following programs as part of that strategy:

i. INFOCENTROS DE EL SALVADOR

Infocentros have been established in El Salvador with the purpose of providing the population with access to new means of communications and information through technology. There is a national network of 40 infocenters that generate employment and advancement opportunities, offering training on several areas and thus fostering business development and creating an electronic commerce platform that improves, with the development of contents and applications, the standard of living of the Salvadoran people.

ii. Export Center (CENTREX, Spanish acronym)

The Export Center (CENTREX), attached to the Central Reserve Bank, provides export permits on line. The Salvadoran financial system operates most of its services on line, which allows a reduction in the cost of doing business for companies.

iii. Teledispatch

The Ministry of the Treasury (ISO 9000) office of General Customs Directorate has established an innovative Teledispatch program for processing import documents, recognizing electronic signatures and custom's tax payment on line through the financial system. Following are details of this program.

iv. Electronic Commerce Bill

Due to the surge of Internet it has become indispensable a general law to facilitate the development of electronic commerce in order to provide the necessary assurance to all participating sectors in this new economy, without prejudice to users' guarantees. The introduction of new technologies in society shall stimulate the business fabric, and at the same time properly protect users' rights.

A bill on electronic commerce has been prepared in order to have the legislative support and solve all concerns related to conducting business through the Internet, as well as for the use of innovative means that pretend to speed up certain type of transactions. The main purpose of the bill is to regulate the use of data messages and electronic transactions, whatever the form used, in order to provide them with legitimacy through existing electronic security procedures that bring integrity, security, authorship, and authenticity to them.

PROGRESS OF ELECTRONIC COMMERCE IN EL SALVADOR

1. **Electronic Commerce Strategic Directorate (DIESCO, Spanish acronym)**

The Chamber of Commerce and Industry of El Salvador, through its Electronic Commerce Strategic Directorate (DIESCO IN EL SALVADOR), a non-profit organization, fully committed to research new technologies and services, is currently jointly promoting / developing several services / projects with other private and government entities with the purpose of consolidating Electronic Commerce in El Salvador.

2. These services / projects are being developed with the purpose of supporting the commerce, industrial, financial and government sectors with technological tools and solutions necessary to face the new demands from international markets, for which EANCOM/EDIFACT/XML standards are being used. Internet Teledispatch System for imports documentation at customs.

Such system started operations in March 1999, under the scheme of a private data network, VAN, but it was until January 2002 that it released the Teledispatch service through Internet. To date, there are more than 350 importers / exporters business users that perform real transactions via Internet with Customs; among the direct importers / exporters are couriers, freight forwarders, drawback operations, and industrial companies.

Following are the system's main benefits:

- The transaction can be performed at any time and day
- Reduction of customs' warehousing period, from 96 to 24/48 hours
- Reduction of mistakes in required information
- Reduction of users' operational costs

The use of electronic signature and digital certification has been implemented for the purpose of assuring electronic transactions via Internet. The entire process is done in real time and from the banks' web sites, and thus the importer saves on the trip to the bank, standing in line, certifying checks, and does not have to be subjected to the banks' service hours.

Electronic payment of custom's duties through the Internet:

The Chamber of Commerce and Industry of El Salvador, jointly with the Ministry of the Treasury and through the general directorates of the Treasury and Customs and the financial system – banks such as: Cuscatlan, Americano, Citibank, Salvadoreño and de Comercio – have implemented the first stage of electronic payment of import duties – import Value Added Tax and tariffs – via Internet through the Teledispatch system; the second stage will allow electronic payment of VAT and partial Income Taxes.

Users are required to perform all documentation and registration of the merchandise through the Teledispatch system, thus when he enters the electronic banking systems the data is validated with custom's system to assure the bank that the payment transaction is correct.

3. **Electronic Certification Services – [Certic@mara](#)**

A traditional economy without autographically signed documents is unthinkable; an electronic economy, without digitally signed documents is equally unthinkable. This problem has close relationship with legal issues when trying to prove the authenticity of an electronic document.

It is necessary to develop an applicative security model in order to provide security to electronic transactions, such as the use of digital certificates and digital signatures, which allow us to perform safe electronic transactions in their different fashions. The main role of

Certic@mara (www.diescoean.com.sv) is to certify / authenticate the issuer and receiver of an electronic transaction. It does not certify the information contained in the transaction itself, but only users. Among its services are: issuance, management and revoking of digital certificates, as well as consultation on certificates issued, providing the security that was missing to perform transactions through Internet and to use electronic commerce.

The use of digital certificates in El Salvador has started with the implementation of the Teledispatch System through Internet, the only means authorized by the General Customs Directorate (DGRA, Spanish acronym), to process import documentation; thus, the use of digital certificates and electronic signature is mandatory to provide security elements to the process of importing goods and services.

4. Electronic Product Catalog in Internet, CABASNet

In March of this year, the organization EAN de Centro America decided to implement an Electronic Product Catalog at regional level, using as basis the electronic product catalog (www.cabasnet.org) developed by the counterpart EAN Colombia. One of the catalog's purposes is to align general, commercial, and logistic information of products that are marketed between a supplier (manufacturer / distributor) and its clients (retail), so both use the same language in their commercial transactions.

The use of a regional catalog brings benefits into the chain of supply, such as the reduction of credit notes, reduction of mistakes in the generation of purchase orders, invoices, enhanced efficiency to negotiations between buyer and seller and others, which will help the development / consolidation of other electronic commerce services in the region.

To date, pilot plans have already been performed in Guatemala, El Salvador, Costa Rica, and Panama, where the main supermarket chains from those countries are participating, such as: La Fragua, CSU, Selectos and La Casa de la Carne, and the main suppliers for such chains, such as: Procter, Unilever, C. Imberton, Comensal, Kraft, Kimberly, Nestlé and Decoinsa.

5. Web Sites of the type company / final consumer

In El Salvador there are services that have been operating since several years ago focused on the relationship company / final consumer, we can mention among them: Virtual Store of Almacenes Siman, GEVESA, Pizza Hut, Banks' financial services of E Banking from institutions such as: Banco Cuscatlan, Banco Salvadoreño, Banco Agricola, Banco de Comercio, Banco Americano and Credomatic, Web services for Salvadorans abroad, mainly the US such as the Virtual Store of Almacenes Siman, Panaderia Santa Eduviges, Transexpress, guanacos.com, and the news services of written press of elsalvador.com and laprensagrafica.com.