



Consejo Empresarial Salvadoreño
para el Desarrollo Sostenible
CEDES

New study evaluates Industrias La Constancia's impact on the economy of El Salvador

***June 2012** – A recent study on founding member of Salvadoran Business Council for Sustainable Development (CEDES), Industrias La Constancia (ILC), shows that thanks to its sustainable development activities the company has had an important impact on the country's economy.*

The study was developed by the Public Policy Center of ESEN, a prestigious Business and Economics School in Central America. It was intended to show the multiplier effect on the nation's economy of ILC's income-generating activities. It demonstrated that for every dollar generated by ILC's activities, the impact on the Salvadoran economy is multiplied by a factor of 4.8.

Throughout its history, ILC has been committed to using best practice in business to tackle global challenges. For more than 100 years, the company has demonstrated a leadership and consistency in efforts to apply technology for social benefits that has today made it one of the top companies in the country. Through its sustainable development policies, the company seeks to ensure a better future for its staff as well as its customers. This is reflected in the recent study.

The importance of the study lies in its efforts to quantify the contribution that companies make to the economy of the country. To achieve this, the study adopted as its benchmarks job creation, salary obligations, and tax duties. It then evaluated ILC's impact on all three to assess the company's impact on the nation's economy. It also examined the indirect effects of ILC's activities. So, for example, the study showed that every time ILC buys inputs and services from its suppliers or sells products to its distributors, this has the effect of generating revenues that can be used to pay salaries to its own employees and those of its suppliers. This in turn allows the recipients to purchase goods and services from other industries. The effect of this is to stimulate the local economy and create a multiplier effect.

ILC's business model is possibly more sustainable than that of other companies because its operations are driven by concerns for sustainable development in which positive social, economic and environmental impacts are prioritized. So, for example, in 2010, ILC employed over 62,900 people in productive, commercial and distribution activities, either directly or indirectly. The effect of this was to stimulate the small business sector, estimated to account for 2.5% of the local labor force. The ESEN study also shows that thanks to a one-million dollar investment by ILC, the company was able to create 955 new jobs in a year. Without such investment, the number of jobs created throughout the value chain would only be 51. ILC's multiplier effect in job creation is therefore 18.7.

The company's main contribution to the economy comes from its fiscal obligations, which are considerable: 50 companies the size of ILC could together generate El Salvador's entire tax revenue.

In addition, 40 companies similar in size to ILC could provide jobs for the entire Salvadoran labor force, while 150 companies the size of ILC would match El Salvador's GDP.

ILC's investments in El Salvador, therefore produce a series of substantial positive impacts on



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the national economy that directly benefit its employees and families, members of the value chain, clients, consumers, and communities.

The study shows that ILC is a key agent for the country's economy. Its importance rests in its ability to create jobs, execute projects that benefit small businesses and improve the livelihoods of poorer communities, and generate revenue for the country through its value chain.

Commenting on the results of the study, Aldo Vallejo, Vice-president of Corporate Affairs, explained that the results of the case study mean that ILC has a huge responsibility to the country. In turn, this provides incentives for the company to continuously improve and develop its work ethic under a business model that seeks to be in harmony with social, economic, and environmental development imperatives in El Salvador.

This study also shows that taken together, all the members of Salvadoran Business Council for Sustainable Development (CEDES) have the potential to make a huge contribution to the country's economy.

The full study can be downloaded from the website: <http://www.cedes.org.sv>

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