

# 2025 El Salvador Investment Climate Statement

## Executive Summary

El Salvador's proximity to the United States, preferential trade terms under the Central American Dominican Republic Free Trade Agreement (CAFTA-DR), use of the U.S. dollar as legal tender, dramatically improved security, and continued efforts to streamline business formation and promote investment strengthen the country's position as an investment destination. In April 2025, the U.S. Department of State updated the Travel Advisory for El Salvador to Level 1 ("Exercise Normal Precautions") to reflect the significant drop in violent crime.

President Bukele was selected to a second five-year term with nearly 85 percent of the vote in February 2024 elections. The government has leveraged its control of the Legislative Assembly to prioritize job creation and economic growth.

Exceptional growth in tourism, led by U.S. citizens, has made El Salvador one of the fastest growing tourism destinations in the world. The Legislative Assembly adopted in 2025 a budget reflecting the government's intent to impose greater fiscal discipline, eliminating new debt for public expenditure. Public debt management operations, including an innovative \$1 billion debt conversion and conservation operation backed by the U.S. Development Finance Corporation (DFC), have improved liquidity and reduced country risk.

The government launched an ambitious \$1.4 billion economic reform program with the International Monetary Fund (IMF) in February that unlocked additional multilateral development bank financing. Successful implementation of reforms over the 40-month program period would likely further improve the business climate, while failure to achieve agreed metrics or reach key milestones could weigh on economic sentiment.

International cryptocurrency firms have announced plans to relocate to El Salvador, likely due to the government's:

- public embrace of cryptocurrency,
- favorable regulations, and
- tax incentives.

The informal sector continues to make up an estimated 70 percent of the economy, and Salvadorans abroad send annual remittances worth one quarter of El Salvador's \$34 billion GDP (approximately 94 percent from the United States). Challenges for investors include:

- a labor force often lacking in skills needed for the 21st century global economy,
- inconsistent regulation of energy markets leading to questions about the consistent availability of energy, and
- weak cybersecurity and digital infrastructure.

## **Section 1. Openness to, and Restrictions upon, Foreign Investment**

### **Policies toward Foreign Direct Investment**

The government seeks to attract foreign direct investment (FDI). El Salvador does not have laws or practices discriminating against foreign investors, nor does the government screen or prohibit FDI. However, FDI levels remain among the lowest in Central America. The Central Bank reported net 2024 FDI inflows of \$639.6 million (1.8 percent of GDP), but this represents an 11 percent decrease from the previous year. Spain (\$285 million), the United States (\$113 million), and Panama (\$100 million) were the three largest sources of FDI in 2024.

The government's National Trade Facilitation Committee, a public-private working group, continued to implement its strategy for promoting trade and attracting FDI. In 2024, the group focused on:

- streamlining and digitizing forms and procedures to foster a competitive business climate;
- modernizing logistics infrastructure;

- coordinating border management agencies and responsibilities;
- advancing legal reforms to support international trade;
- promoting transparency of public information; and
- building capacity.

The National Trade Facilitation Committee adopted a 2025 Action Plan to expand progress in these areas.

El Salvador's [Investment and Export Promotion Agency \(INVEST\)](#) supports investment in eight main sectors:

- software development,
- aeronautics,
- auto parts manufacturing,
- tourism infrastructure,
- pharmaceuticals and medical devices,
- Bitcoin and digital assets,
- manufacture and assembly of electrical components, and
- food and beverage.

INVEST provides information to potential investors about applicable laws, regulations, procedures, available incentives; produces market analyses; and connects investors with companies operating in El Salvador. U.S. investors have traditionally invested in manufacturing, retail services, and electricity generation and distribution.

The Agricultural Commercial Intelligence Directorate (DICA) within the Secretariat of Commerce and Investment continued to seek to facilitate the establishment of agribusinesses and promote agricultural exports.

The Sanitary Regulation Superintendency (SSR) started operations in August 2024 as part of the

government's efforts to harmonize the regulatory framework for food, medicine, and associated inputs. Its responsibilities include regulating, registering, authorizing the sale of and issuing import and export permits for:

- pharmaceuticals,
- nutritional supplements,
- medical devices and equipment,
- cosmetics,
- hygiene and chemical products,
- food products and beverages for human consumption and veterinary use, and
- agricultural supplies.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

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

The Investments Law grants equal treatment to foreign and domestic investors. Apart from limitations imposed on micro businesses (defined as having 10 or fewer employees and yearly sales of \$175,930 or less), foreign investors may freely establish any type of domestic business. Investors who begin operations with 10 or fewer employees must present plans to increase employment to the Ministry of Economy's National Investment Office.

The Constitution and the Investments Law establish extractive resources are the exclusive property of the state. The government may grant private concessions for resource extraction, though concessions are infrequently granted.

The Legislative Assembly passed in December 2024 the General Law on Metallic Mining, repealing the 2017 ban on metal mining. The law permits state-led exploration, exploitation, and processing of metallic minerals and contemplates other forms of public participation, including public stakes in newly created entities and concessions. The law will require detailed implementing regulations to ensure mining complies with existing Salvadoran commitments to

ensure the availability of clean drinking water.

## Other Investment Policy Reviews

El Salvador has been a World Trade Organization (WTO) member since 1995. [The latest trade policy review](#) performed by the WTO was completed April 20, 2023.

The OECD completed a [Multi-Dimensional Review of El Salvador on April 18, 2023](#). The OECD's "[Trade Facilitation Indicators: Monitoring Policies up to 2025](#)" report ranked El Salvador in the top 10 leading reformers in Latin America.

## Business Facilitation

El Salvador has various laws promoting and protecting investments, as well as providing benefits to local and foreign investors including the use of a range of creative tax incentives.

El Salvador is a signatory of the WTO Investment Facilitation for Development Agreement.

El Salvador's online business registration portal, [Miempresa](#), allows new businesses to formalize registration within three days and conduct administrative operations online, including payment for services. Services through the portal are available in Spanish.

According to government figures, the number of [simplified joint-stock companies \(SAS\)](#) continues to grow following reforms that introduced this entity and allowed one or more shareholders to register with no cost and a minimum capital requirement of only one dollar.

## Outward Investment

The government neither promotes nor restricts investment abroad.

## Section 2. Investment Agreements and Taxation Treaties

El Salvador has 16 bilateral investment treaties in force. El Salvador is one of the five Central American Common Market countries that have a multilateral investment treaty.

The free trade agreement (FTA) between the United States, El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua, and the Dominican Republic (CAFTA-DR) entered into force in 2006. El Salvador has FTAs, which also include investment provisions, with:

- Chile,
- Colombia,
- Mexico, and
- Panama.

The Republic of Korea-Central America FTA entered into force in 2020 and includes investment provisions. El Salvador, along with Costa Rica, Guatemala, Honduras, Nicaragua, and Panama, established a free trade area with a European Union Association Agreement that entered into force in 2013. The United Kingdom-Central America Association Agreement entered into force in January 2021.

El Salvador has signed Partial Scope Agreements (PSA) covering only certain products with Cuba and Ecuador. El Salvador's PSA with Bolivia, signed in 2018, is still pending ratification. El Salvador and Belize completed PSA technical negotiations in October 2024.

El Salvador launched FTA negotiations in 2024 with the Southern Common Market (Mercosur). After terminating its FTA with Taiwan in 2022, El Salvador launched FTA negotiations with China in 2024; negotiations are ongoing.

El Salvador does not have a bilateral taxation treaty with the United States.

## **Section 3. Legal Regime**

### **Transparency of the Regulatory System**

The laws and regulations of El Salvador are relatively transparent and generally foster competition. However, the discretionary application of rules can complicate routine transactions, such as customs clearances and permitting applications. Regulatory agencies are

often understaffed and inexperienced in dealing with complex issues. New foreign investors should review the regulatory environment carefully. In addition to applicable national laws and regulations, localities may impose permitting requirements on investors.

Companies note the government has enacted laws and regulations without adhering to established notice and comment procedures. Prior to adopting or amending laws or regulations, the Simplified Administrative Procedures Law requires the government to perform a Regulatory Impact Analysis (RIA) based on a standardized methodology and provide a 15-day public comment period. However, not all government entities comply with the mandated notice and comment period or provisions regarding the presentation of regulatory agendas.

The Legislative Assembly is not required to publish draft legislation, nor does it solicit comments on pending legislation. Laws enter into force after publication in the official gazette. The government does not use a centralized online portal to publish regulatory actions.

El Salvador's Regulatory Improvement Agency continues to develop the [National Procedures Registry](#), an online platform listing all investment and trade-related procedures and requirements. Since 2020, a total of 2,628 procedures have been registered on the platform.

The government controls the price of some goods and services, including:

- electricity,
- liquid propane gas,
- gasoline,
- public transport fares, and
- medicines.

The government also directly subsidizes some water services and residential electricity rates. Some companies have expressed concern with perceived limited consultation from regulatory bodies in determining rate schedules for specific products or services.

[El Salvador's public finances](#) are relatively transparent, publishing budget documents including

enacted budgets and end-of-year reports, but do not fully meet international standards.

An independent institution, the Court of Accounts (CCR), audits the financial statements, economic performance, cash flow statements, and budget execution of all ministries and agencies. The [results of these audits](#) are available online. However, CCR did not publish any audit results in 2024. Government accountability remains insufficient, but should improve under El Salvador's program with the IMF. The government has completed some "prior actions" under the program, especially related to anti-corruption. It has committed to additional reforms to improve budget credibility, transparency, and accountability.

The government has committed under its IMF program to revenue-increasing measures, including greater use of electronic invoicing and broadening the revenue base.

## **International Regulatory Considerations**

El Salvador belongs to the Central American Common Market and the Central American Integration System (SICA) organizations that promote regional integration, including the harmonization of tariffs and customs procedures. El Salvador commonly incorporates international standards, such as those of the Pan-American Standards Commission (COPANT).

El Salvador is a member of the WTO, adheres to the Agreement on Technical Barriers to Trade (TBT Agreement), and has adopted the Code of Good Practice annexed to the TBT Agreement. El Salvador is also a signatory to the Trade Facilitation Agreement (TFA) and has notified its Categories A, B, and C commitments.

El Salvador is a member of the UN Conference on Trade and Development's international network of transparent investment procedures.

## **Legal System and Judicial Independence**

Under El Salvador's Constitution, the judicial system is independent of the executive branch. El Salvador's legal system is codified law. Commercial law is based on the Commercial Code and the corresponding Commercial and Civil Code of Procedures. Specialized commercial courts exist.



Foreign investors may seek redress for commercial disputes through Salvadoran courts. The legal system has historically been slow, costly, and unproductive. Final judgments are at times difficult to enforce. Some investors have recently reported more efficient and reliable processes. The Embassy recommends potential investors conduct proper due diligence, including hiring competent local legal counsel.

State-owned companies and government entities are not entitled to preferential treatment by domestic courts. The United States has no knowledge of claims about discriminatory or disparate treatment against foreign investors by domestic courts in commercial and civil litigation arising from investor nationality.

## **Laws and Regulations on Foreign Direct Investment**

At [Miempresa](#), the government's website for new businesses, investors can:

- register the newly formed business with El Salvador's Ministry of Labor, Social Security Institute, pension fund administrators, and certain municipalities;
- request a tax identification number/card; and
- perform certain administrative functions.

Investors can find information at the UN-supported [eRegulations website](#) on administrative procedures applicable to investment and income-generating operations, including:

- the name and contact details for those in charge of procedures,
- required documents and conditions,
- costs,
- processing time, and
- legal bases for the procedures.

El Salvador reformed in March 2024 the Income Tax Law, eliminating the 30 percent income tax on capital entering the country from abroad. This exemption applies to funds such as family

remittances and investments intended to start or expand businesses. While incoming capital is tax-exempt, future profits generated from these funds will be subject to taxation.

## **Competition and Antitrust Laws**

The [Office of the Superintendent of Competition](#) reviews transactions for competition concerns. The OECD and the Inter-American Development Bank note the Superintendent employs enforcement standards consistent with global best practices and has appropriate authority to enforce the Competition Law effectively. Superintendent decisions may be appealed directly to the Supreme Court, the country's highest court.

## **Expropriation and Compensation**

The Constitution allows the government to expropriate private property for reasons of public utility or social interest. Indemnification can take place either before or after the fact.

Expropriations of land under the Law for the Construction, Maintenance and Operation of the Pacific Airport and the Pacific Train Administrative Procedures Simplification Law began in 2024 to facilitate construction of the "Pacific Airport," following the government's notification to affected landowners in 2022. The government has committed to fair value compensation.

## **Dispute Settlement**

### ***ICSID Convention and New York Convention***

El Salvador is a member of the ICSID Convention. ICSID is referenced in a number of El Salvador's investment treaties as the forum available to foreign investors.

Chapter Ten of the CAFTA-DR contains provisions designed to protect foreign investors and their investments and to facilitate the settlement of investment disputes. For example, each CAFTA-DR Party must accord investors from the other CAFTA-DR Parties national (i.e. non-discriminatory) treatment and may not expropriate investments of those investors in violation of international law. Investors may initiate an arbitration against the CAFTA-DR Party under the

ICSID Convention and the ICSID Rules of Procedure for Arbitration Proceedings or under the Arbitration Rules of the United Nations Commission on International Trade Law.

### ***Investor-State Dispute Settlement***

For foreign investors from a country without a trade agreement with El Salvador, Article 15 of the Investment Law, as amended, limits access to international dispute resolution and may obligate the use of national courts. Submissions to national dispute panels and panel hearings are open to the public. Interested third parties have the opportunity to be heard.

### ***International Commercial Arbitration and Foreign Courts***

Salvadoran law permits private sector organizations to establish arbitration centers to resolve commercial disputes, including those involving foreign investors. Parties may appeal an arbitral award to the Salvadoran courts, although some investors have complained this dilutes the efficacy of an alternative dispute resolution. Arbitration takes place at the [Arbitration and Mediation Center](#), a branch of the Chamber of Commerce and Industry of El Salvador.

El Salvador is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) and the Inter-American Convention on International Commercial Arbitration (Panama Convention). Local courts recognize and enforce foreign arbitral awards and judgments, but the process can be lengthy and difficult.

### **Bankruptcy Regulations**

The Commercial Code, the Commercial Code of Procedures, and the Banking Law contain sections that deal with the process for declaring bankruptcy. There is no separate bankruptcy law or court. Bankruptcy proceedings are cumbersome, lengthy, and costly. In practice, bankruptcy proceedings are uncommon. In El Salvador, real estate mortgages and pledges grant the creditor privileged rights to obtain payment from assets given in guarantee. Thus, in case of insolvency, creditors with preferred guarantees file individual lawsuits. In addition, any creditor can request a judge appoint a receiver, a procedure much simpler than bankruptcy.

Companies in financial distress can request a payment deferral from the judge to prevent bankruptcy. If approved by the judge and the creditors, the company may be able to negotiate a rescue plan with creditors.

Bankruptcy is not criminalized, but it can become a crime if the judge determines there was intent to defraud.

## Section 4. Industrial Policies

### Investment Incentives

The International Services Law establishes tax benefits for businesses that meet the following requirements:

- **General Requirements:** Invest at least \$150,000 during the first six months of operations (including working capital and fixed assets), hire at least 10 permanent employees, and have at least a six-month contract.
- **Business Processing, Information Technology, and Cinematography Services:** Invest at least \$250,000 during the first year of operations and create 20 permanent jobs.
- **Hospital/Medical Services:** Invest at least \$1 million and create at least 15 permanent positions. Hospitals or clinics must be located outside of major metropolitan areas, and medical services must be provided only to patients with insurance.
- **Care Services for the Elderly and Convalescent:** Invest at least \$250,000 and create at least 15 permanent positions.
- **Aircraft Maintenance and Repair Services:** Invest at least \$500,000 during the first year of operations and create at least 50 permanent jobs.

The International Services Law (2007) established service parks and centers with incentives like those in El Salvador's free trade zones. Service Park developers are exempted from:

- income tax for 15 years,
- municipal taxes for 10 years, and

- real estate transfer taxes.

Service Park administrators are exempted from income tax for 15 years and municipal taxes for 10 years.

Firms located in service parks/service centers may receive tariff exemption for the import of:

- capital goods,
- machinery,
- equipment,
- tools,
- supplies,
- accessories,
- furniture, and
- other goods needed for the development of the service activities

along with full exemption from income tax and municipal taxes on company assets.

Service firms operating under the existing Free Trade Zone Law of 1998 (amended in 2023) are also eligible for incentives, though firms providing services to the Salvadoran market cannot receive the incentives. Eligible services include:

- international distribution,
- logistical international operations,
- call centers,
- information technology, such as:
  - software development and maintenance,
  - database management,
  - computer hardware,

- cloud services, and
- video game design,
- research and development,
- marine vessels repair and maintenance,
- aircraft repair and maintenance,
- entrepreneurial processes (e.g., business process outsourcing, including advertising and marketing services and brand management),
- hospital-medical services,
- international financial services,
- container repair and maintenance,
- technology equipment repair,
- elderly and convalescent care,
- telemedicine,
- cinematography post-production services, including subtitling and translation, and
- specialized services for aircraft (e.g., supply of beverages and prepared food, laundry services and management of inventory).

The Law for the Promotion of Innovation and Manufacture of Technology (2023) grants a 15-year exemption from income and capital gains taxes, municipal taxes on company net assets, and duties and taxes on imports of raw materials, machinery, equipment, and tools needed for new technology-related investments. Qualifying activities include:

- software programming,
- cloud development services,
- big data analytics,
- distributed ledger technology,

- artificial intelligence,
- quantum computing,
- cybersecurity solutions, and
- research and development of new technologies

as well as the manufacture and assembly of hardware for:

- technology equipment,
- semiconductors,
- robotic parts,
- nanotechnology, and
- drones.

Companies are required to allocate at least 5 percent of their operating budget for innovation and research and development. Companies with existing investments in El Salvador are not eligible for the tax breaks, but existing companies can create new corporate entities for new investment and will be eligible. Companies already benefiting from special tax regimes under the International Services Law and the Free Trade Zone Law are not eligible for the tax breaks under this law.

The Digital Assets Law (2023) offers tax incentives for:

- issuers of digital assets,
- certifiers,
- digital asset service providers, and
- acquirers of digital assets.

The nominal value of digital assets and the returns or income from digital assets are exempt from all types of taxes, duties, fees, and contributions. Capital gains or ordinary income derived from the sale or transfer of digital assets is tax-free. Issuers, certifiers, and digital asset service

providers are exempt from income tax, VAT, and municipal taxes, but are required to register with the National Digital Assets Commission before applying for the incentives. The fiscal benefits are available to both companies and their shareholders.

The [Tourism Law \(2005\) establishes tax incentives](#) for those who invest a minimum of \$25,000 in tourism-related projects in El Salvador, including:

- value-added tax exemption for the acquisition of real estate;
- import tariffs waiver for construction materials, goods, equipment (subject to limitation); and
- a 10-year income tax waiver.

The investor also benefits from a waiver of land acquisition taxes and a 50-percent reduction of municipal taxes for five years. To qualify for these incentives the enterprise must contribute five percent of its profits during the exemption period to a government-administered Tourism Promotion Fund.

The Law for the Creation of the Downtown Historic Authority (2023) (APLAN) seeks to facilitate investment in San Salvador's city center. The law establishes a 10-year income tax exemption for minimum investments of \$25,000 in the construction, remodeling, recovery, and revitalization of real estate destined for cultural, commercial, housing development and tourism projects. Investors also enjoy a waiver from municipal taxes for 10 years.

The Law on Exploration and Exploitation of Hydrocarbon Deposits (2024), allows for oil and gas exploration in El Salvador and provides exemption from customs duties and VAT tax on the import and purchase of raw materials, inputs, equipment, and tools necessary for the construction of prototypes or for carrying out activities outlined in the geological exploration contract. The law also exempts the contractor from withholding on income tax and municipal taxes on net company assets.

The Special Provisions for the Promotion and Granting of Tax Incentives to Encourage the Development of High-Rise Real Estate Projects Law (2024) offers a 15-year income tax



exemption for individuals and entities investing in new buildings of 35 stories or more. The incentives apply to activities, such as the initial sale or rental of properties within these developments, provided the owner is the original developer.

El Salvador does not issue guarantees or directly co-finance foreign direct investment projects. However, El Salvador has a Public-Private Partnerships (PPP) Law (2014) allowing private investment in the development of infrastructure projects, including in areas of:

- health,
- education,
- transportation, and
- security.

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The Free Trade Zone Law is designed to attract investment in a wide range of activities, including:

- fishing for industrial transformation,
- cultivation and processing of flora or unprocessed foods produced under natural or artificial systems (such as greenhouses and laboratories),
- aquaculture, and
- production and processing of food or animal feed.

However, most of the businesses in free trade zones are textile manufacturing plants. A Salvadoran partner is not required; some textile operations, for example, are completely foreign owned.

There are 17 free trade zones in El Salvador and four of these also operate as service parks. They host 291 companies in sectors including:

- textiles,
- distribution,
- call centers,
- business process outsourcing,
- agribusiness,
- agriculture,
- electronics, and
- metallurgy.

Owned primarily by Salvadoran, U.S., Taiwanese, and Korean investors, free trade zone firms employ roughly 70,000 people. The point of contact is the [Chamber of Textile, Apparel and Free Trade Zones of El Salvador \(CAMTEX\)](#).

The Free Trade Zone Law establishes rules for free trade zones and bonded areas. The free trade zones are outside the nation's customs jurisdiction while the bonded areas are within its jurisdiction, but subject to special treatment. Local and foreign companies can establish themselves in a free trade zone to produce goods or services for export or to provide services linked to international trade. The regulations for the bonded areas are similar.

Qualifying firms located in the free trade zones and bonded areas may be exempted from:

- All duties and taxes on imports of raw materials, machinery, equipment, tools, parts, components, accessories, containers, labels, packaging, samples, and patterns needed to produce for export;
- Taxes for fuels, lubricants, catalysts, reagents, and any other substance or material used for producing exports;
- Income and municipal taxes on company assets and property for either 15 years (if the company is in the metropolitan area of San Salvador) or 20 years (if the company is located outside of the metropolitan area of San Salvador). After the 15-year or 20-year

period expires, companies are entitled to a reduction of 60 percent of income tax and 90 percent of municipal taxes for the next 10 years;

- Taxes on certain real estate transfers, e.g., the acquisition of goods to be employed in the authorized activity; and
- Value-added tax on goods and services sourced locally to be employed in the authorized activity, including goods not incorporated into the final product, security, and transportation services, as well as construction services and materials.

Companies in the free trade zones are also allowed to sell goods or services in the Salvadoran market if they pay applicable taxes on the proportion sold locally. Additional rules apply to textile and apparel products.

Regulations allow a WTO-compliant “drawback” to refund custom duties paid on imported inputs and intermediate goods exclusively used in the production of goods exported outside of the Central American region. Regulations also include the creation of a Business Production Promotion Committee with the participation of the private and public sector to work on policies to strengthen the export sector.

All import and export procedures are handled by the [Import and Export Center](#).

El Salvador’s first technological park, Altius Tech Park, started operations in June 2024. This facility houses the country’s first certified Tier III commercial data center. The government aims to leverage the park to attract further investment in the technology sector.

## **Performance and Data Localization Requirements**

El Salvador’s Investment Law does not require investors to meet export targets, transfer technology, incorporate a specific percentage of local content, turn over source code or provide access to surveillance, or fulfill other performance criteria.

In April 2025, El Salvador’s Legislative Assembly reformed the Credit History Law to permit credit bureaus to store and process business data in the cloud.

## **Section 5. Protection of Property Rights**

### **Real Property**

El Salvador recognizes and protects private property. Mortgages and real property liens exist. Companies planning to buy property are advised to hire competent local legal counsel to guide them on the property's title prior to purchase.

Per the Constitution, no single natural or legal person – whether national or foreign – can own more than 245 hectares (605 acres) of land. Reciprocity applies to the ownership of rural land (i.e., El Salvador does not restrict the ownership of rural land by foreigners), unless Salvadoran citizens are restricted in the corresponding states. The restriction on rural land does not apply if used for industrial purposes.

Real property can be transferred without government authorization. Proper registration is necessary for valid title transfer. Laws regarding rental property tend to favor tenants. Squatters occupying private property in “good faith” can eventually acquire title. Squatters may never acquire title to public land, although municipalities often grant the right of use to the squatter.

Zoning is regulated by municipal rules. Municipalities have broad power regarding property use within their jurisdiction. Zoning maps, if they exist, are generally not available to the public.

Property disputes in courts can take years to resolve and the execution of real estate guarantees is difficult. Securitization of real estate guarantees or titles is legally permissible but does not occur frequently in practice.

El Salvador is not a party to the 2001 Cape Town Convention on Mobile Equipment (CTC) or the Protocol on Matters Specific to Aircraft Equipment (Aircraft Protocol).

### **Intellectual Property**

El Salvador is not listed in the U.S. Trade Representative's Special 301 Report or its Review of Notorious Markets for Counterfeiting and Piracy.

Intellectual property rights (IPR) enjoy strong legal protection. El Salvador previously revised its laws to comply with CAFTA-DR provisions, and the government promoted a new Intellectual Property Law that the Legislative Assembly approved in August 2024 and entered into effect in February 2025. The new law unifies and updates regulations on intellectual property, trademarks, industrial designs, and patents. Investors can register trademarks, patents, copyrights, and other forms of intellectual property with the National Registry Center's Intellectual Property Office. Video games are now included as eligible for protection under copyright. The law introduces mediation as a form of dispute resolution. Mediation, handled by the Salvadoran Intellectual Property Institute, does not affect the right to initiate judicial proceedings.

El Salvador joined the U.S. Patent and Trademark Office (USPTO) Accelerated Patent Grant program in August 2024. This agreement offers eligible patent applicants the option to use an accelerated process to obtain a patent in El Salvador based on a patent granted by USPTO.

The Ministry of Economy adopted a 2024-2029 National Strategy on Intellectual Property (IP) to foster creativity, innovation, and economic growth by developing and protecting intellectual property rights. The government's IP National Council is implementing the strategy.

El Salvador's enforcement of IPR protections falls short of its written policies, and Salvadoran authorities have limited resources to dedicate to enforcement of IPR laws. Trade in counterfeit medicines and pirated software is common. Contraband and counterfeit products, especially cigarettes, liquor, toothpaste, and cooking oil, remain widespread. Most contraband cigarettes originate in China, India, Panama, South Korea, and Belize and undercut legitimately imported cigarettes, which are subject to a 39-percent tariff. High-profile instances of successful enforcement include the January 2024 dismantling of a network offering illegal access to subscription television channels and programs and February 2025 arrest of individuals allegedly tied to a criminal network producing and/or importing counterfeit medications.

The National Directorate of Medicines (DNM) has [37 products registered for data protection](#). The DNM protects the confidentiality of relevant test data.

The national Intellectual Property Registry contains 22 registered geographical indications for El Salvador and Denominations of Origin for:

- “Jocote Barón Rojo San Lorenzo” (a sour fruit),
- “Pupusa de Olocuilta” (a variant of El Salvador’s traditional food),
- “Camarones de la Bahía de Jiquilisco” (shrimp from the Jiquilisco Bay), and
- “Loroco San Lorenzo” (flower used in Salvadoran cuisine).

Other geographical indications include:

- “Bálsamo de El Salvador” (balm for medical, cosmetic, and gastronomic uses – since 1935),
- “Café Ilamatepec” (coffee – since 2010), and
- “Chaparro” (Salvadoran hard liquor – since 2016).

El Salvador is a signatory of the:

- Berne Convention for the Protection of Literary and Artistic Works;
- Paris Convention for the Protection of Industrial Property;
- Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication;
- WIPO Copyright Treaty;
- WIPO Performance and Phonograms Treaty;
- Rome Convention for the Protection of Performers, Phonogram Producers, and
- Broadcasting Organizations; and the Beijing Treaty on Audiovisual Performances.

For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO’s country profiles](#).

## Section 6. Financial Sector

### Capital Markets and Portfolio Investment

[The Superintendent of the Financial System](#) supervises individual and consolidated activities of banks and non-bank financial intermediaries, financial conglomerates, stock market participants, insurance companies, pension fund administrators and more recently cooperative associations related to the financial sector activities. Foreign investors may obtain credit in the local financial market under the same conditions as local investors. Interest rates are determined by market forces, with the interest rate for credit cards and loans capped at 1.6 times the weighted average effective rate established by the Central Bank. The maximum interest rate varies according to the loan amount and type of loan.

The Securities Market Law establishes the framework for the Salvadoran securities exchange. Stocks, government and private bonds, and other financial instruments are traded on the exchange, which is regulated by the Superintendent of the Financial System. El Salvador has agreements with Panama and Nicaragua to integrate those stock markets via remote operator.

Foreigners may buy stocks, bonds, and other instruments sold on the exchange and may have their own securities listed, once approved by the Superintendent. Companies interested in listing must first register with the National Registry Center's Registry of Commerce. In 2024, the exchange traded \$5.4 billion, a 12 percent increase from 2023. Government-regulated private pension funds, Salvadoran insurance companies, local banks and investment funds are the largest buyers on the [Salvadoran Stock Exchange](#).

### Money and Banking System

Foreign banks may offer the same services as domestic banks. All but two of the major banks operating in El Salvador are regional banks owned by foreign financial institutions. Given the high level of informality, measuring the penetration of financial services is difficult; however, it remains relatively low, reaching about 43 percent according to local banks. Data from the Central Bank shows that only 28 percent of individuals over the age of 15 hold a bank account and only 11 percent have a loan.

The banking system is sound and generally well-managed and supervised. El Salvador's Central Bank is responsible for regulating the banking system, monitoring compliance of liquidity reserve requirements, and managing the payment systems. No bank has lost its correspondent banking relationship in recent years. There are no correspondent banking relationships known to be in jeopardy.

The banking system's total assets as of December 2024 were \$25 billion – an 8 percent increase from the previous year. Non-performing loans (NPL) represented 1.8 percent of total gross loans, with reserve coverage for NPL of 153 percent as of December 2024.

The Money Laundering Law requires financial institutions to report suspicious transactions to the Financial Investigation Unit of the Attorney General's Office.

The Insurance Companies Law regulates the operation of both local and foreign insurance firms. Foreign firms, including U.S., Colombian, Honduran, Panamanian, Mexican, and Spanish companies, have invested in Salvadoran insurers.

The Legislative Assembly passed five financial sector laws in November 2024 to regulate, encourage, and strengthen savings and credit associations and cooperative banks following allegations managers and employees of the Cooperativa de Ahorro y Crédito Santa Victoria de Responsabilidad Limitada (Cosavi de R.L.) engaged in fraudulent activity and embezzled more than \$35 million. The laws are still pending publication in the official gazette.

## **Foreign Exchange and Remittances**

### ***Foreign Exchange***

There are no restrictions on transferring investment-related funds out of the country. Foreign businesses can freely remit or reinvest profits, repatriate capital, and bring in capital for additional investment. The Investment Law allows unrestricted remittance of royalties and fees from the use of foreign patents, trademarks, technical assistance, and other services. Tax reforms introduced in 2011; however, levy a five percent tax on national or foreign shareholders' profits and dividends. Moreover, shareholders domiciled in a state, country or



territory that is considered a tax haven or has low or no taxes, are subject to a 25 percent tax.

The Monetary Integration Law dollarized El Salvador in 2001. The U.S. dollar accounts for nearly all currency in circulation and can be used in all transactions. As part of El Salvador's agreement with the IMF, acceptance of Bitcoin is voluntary and public sector engagement in Bitcoin-related activities and transactions, and purchases of Bitcoins will be confined.

### ***Remittance Policies***

There are no restrictions placed on investment remittances. Annual remittances totaled \$8.5 billion in 2024, almost entirely from the United States.

### **Sovereign Wealth Funds**

El Salvador does not have a sovereign wealth fund. El Salvador held 6,134 Bitcoin valued at approximately \$521.5 million on April 1, 2025, according to public government figures. The government has designated the holdings a “strategic reserve” rather than a sovereign wealth fund. The government has not publicly disclosed its investment strategy and results.

## **Section 7. State-owned Enterprises**

El Salvador has successfully liberalized many sectors, though it maintains state-owned enterprises (SOEs) in:

- energy generation,
- transmission and distribution,
- water supply and sanitation,
- ports and airports, and
- the national lottery (see chart below):

SOE	Revenue (\$ million)	GDP (%)	Annual Change in Revenue (%)
National lottery	78.7	0.21	-0.90
Electric utility (CEL)	461.2	1.05	17.1
Water utility (ANDA)	334.1	0.87	2.6
Port Authority (CEPA)	212.0	0.52	9.6

El Salvador does not formally adhere to the OECD Guidelines on Corporate Governance for State-owned Enterprises; however, two of its SOEs have boards comprised of members from both the public and private sectors. The chairs of SOEs hold Minister-level rank and are appointed by and report directly to the President of El Salvador.

State-owned entities generate over 50 percent of electricity (including all the country's hydroelectric and geothermal power). State-owned Rio Lempa Executive Hydroelectric Commission (CEL) owns LaGeo, a geothermal generation company, and Inversiones Energéticas (INE), a fossil fuels and solar generation and power distribution company that operates under the commercial name Distribuidora Cuscatlan and supplies energy to rural areas. CEL subsidiaries also include Diario El Salvador, a state-owned media outlet, and Constructora El Salvador, an autonomous construction company. Energy generated by CEL (hydroelectric, geothermal, and heavy-fuel oil) is sold in the wholesale market. Energy sector SOEs provide non-discriminatory treatment in their purchases and sales of goods. Some energy market stakeholders are concerned that the shared leadership between the government's policy-making body and CEL, a participant in the energy market, creates a conflict of interest.

An autonomous entity, ENTE, owns the state-run transmission company ETESAL. ENTE oversees the planning and execution of the national transmission grid expansion. ETESAL builds, maintains, and operates the electricity transmission grid. ENTE also owns Compañía Eléctrica Cucumacayán (CECSA) for hydroelectric generation, Recolección El Salvador, a company created for the collection and processing of solid waste, Chivo S.A. which operates the public crypto e-wallet, and COATL S.A. broadband provider. ANTEL in the telecommunications sector was created in 2023 and is owned 90 percent by ETESAL and 10 percent by CECSA.

The primary water service provider is the National Water and Sewer Administration (ANDA), which provides services to 97 percent of urban areas and 80 percent of rural areas.

The government signed in 2024 a partnership agreement with a Turkish logistics operator to invest \$1.6 billion over 50 years to modernize port infrastructure under a mixed-ownership company created with the Comisión Ejecutiva Portuaria Autónoma (CEPA – Port Authority). The operations of the ports have been under the new mixed-ownership company, Union Portuaria del Pacifico, since December 2024. CEPA also operates the international airport.

Salvadoran SOEs do not compete internationally.

### **Privatization Program**

El Salvador is not engaged in a privatization program and has not announced plans to privatize.

## **Section 8. Corruption**

Corruption can be a challenge to investment in El Salvador. El Salvador ranked 130 out of 180 countries in Transparency International’s 2024 Corruption Perceptions Index, dropping four spots from 2023. While El Salvador has laws, regulations, and penalties to combat corruption, their effectiveness is, at times, questionable. Soliciting, offering, or accepting a bribe is a criminal act in El Salvador. Executive-branch employees are subject to a code of ethics, including administrative enforcement mechanisms.

Under the Bukele administration, polling shows public confidence in government institutions has significantly increased and the public believes there is less corruption in government institutions. Businesses have also commented that the once-common practice of government officials demanding bribes to perform government services has stopped almost entirely. The Attorney General’s Office aggressively prosecutes credible allegations of corruption at the national, legislative, and municipal level and credible allegations of police and prosecutorial corruption. The law provides criminal penalties for corruption. Four former presidents have been indicted on corruption-related charges. At least 15 former government officials have been convicted for misappropriation of \$6 billion in public funds. Civil society organizations on the other hand contend corruption is rampant, especially at the highest levels of government,

alleging criminal prosecution of current administration officials has been infrequent compared to investigations of past administration officials, and claim the Bukele administration's lack of transparency is an intentional means to shield corruption from the public eye.

El Salvador terminated its agreement with the Organization of American States (OAS) to back the International Commission Against Impunity and Corruption (CICIES) in June 2021. CICIES audited part of COVID-19 spending and sent findings to the Attorney General's Office. However, criminal investigations into fraud and misuse of public funds related to COVID-19 purchases have not progressed.

El Salvador generally has an active, free press reporting on corruption. In April 2024, a judge convicted a journalist and Salvadoran newspaper *El Diario de Hoy* of moral damages for 2023 publication of an article that "violated the right to honor, family privacy, and [the plaintiff's] own image." The judge ordered the newspaper to remove the article at issue from its website and ordered the newspaper and journalist to apologize publicly, but did not award damages.

The Anti-Corruption Law enacted in February 2025 established a national anti-corruption system incorporating various government institutions and mandated the creation of the National Anti-Corruption Center. The law requires public officials to submit a sworn statement of assets, liabilities, and income. The law will enter into force in August 2025.

Salvadoran law provides for access to government information, but authorities have not consistently implemented the law. In practice, the government provides limited information about public procurement, especially on national security grounds.

El Salvador is a party to the United Nations Convention Against Corruption (UNCAC) and the Organization of American States' Inter-American Convention against Corruption.

## Resources to Report Corruption

- [Court of Government Ethics \(Tribunal de Ética Gubernamental\)](#)

Doctor Jose Nestor Castaneda Soto, President

87 Avenida Sur, No.7, Colonia Escalón, San Salvador

**Telephone:** (+503) 2565-9403

- [Fiscalía General de La República \(Attorney General's Office\)](#)

Licenciado Rodolfo Delgado  
Edificio Farmavida, Calle Cortéz Blanco  
Boulevard y Colonia Santa Elena  
**Telephone:** (+503) 2593-7400

- [Supreme Court of Justice \(Corte Suprema de Justicia\)](#)

Henry Alexander Mejía, Chief Justice  
Avenida Juan Pablo II y 17 Avenida Norte  
Centro de Gobierno  
**Telephone:** (+503) 2271-8888

- [Court of Accounts \(Corte de Cuentas de la República\)](#)

Walter Salvador Sosa Funes, President  
1a Ave. Norte y 13 Calle Poniente, San Salvador, El Salvador, Centro América.  
**Telephone:** (+503) 2592 8000

- [National Development Foundation \(Fundación Nacional para el Desarrollo – FUNDE\)  
\(local affiliate of Transparency International\)](#)

Roberto Rubio-Fabián, Executive Director  
Calle Arturo Ambrogi #411, entre 103 y 105 Avenida Norte, Colonia Escalón, San Salvador  
**Telephone:** (+503) 2209-5300  
**Email:** [direccion@funde.org](mailto:direccion@funde.org)

## Section 9. Political and Security Environment

The government's "State of Exception" (SOE) in response to a 2022 increase in gang-perpetrated homicides has been renewed monthly since March 2022 and remains in effect. The SOE grants the authorities the power to arrest anyone suspected of gang activity and suspends several constitutional rights, including the normal protections of criminal procedure such as the right to a speedy trial. The arrest of more than 85,000 suspected gang members in

three years of the SOE has essentially eliminated gang-related activity. The number of homicides in 2024 was 114 compared to 154 reported in 2023. The 2024 homicide rate fell to 1.9 per 100,000, the lowest in the region. The SOE continues to enjoy broad public support. Improved security is contributing to greater consumer confidence and economic activity.

## **Section 10. Labor Policies and Practices**

El Salvador's labor force numbered approximately 2.7 million, according to the 2024 census. The informal sector remains large and an estimated 68 percent of workers do not have access to government health and pension benefits. Informal employment is more common in rural areas.

Labor laws require 90 percent of the workforce in plants and in clerical positions to be Salvadoran citizens. While Salvadoran labor is regarded as hard-working with low absenteeism, general education and professional skill levels are low. According to many large employers, there is a lack of middle management-level talent, which sometimes results in the need to bring in managers from abroad. Employers do not report labor-related difficulties in incorporating technology into their workplaces. Salvadorans perceive not enough jobs are available while companies report they struggle to find sufficient skilled workers.

The law provides for the right of most workers to form and join independent unions, in certain workplaces to bargain collectively, and the right to strike after a lengthy regulated process. The law also prohibits anti-union discrimination, although it does not require reinstatement of workers fired for union activity. Some unions remain concerned about the Ministry of Labor's delay in approving their organization's credentials, required to continue operating as a union and to participate in tripartite consultative committees between government, the private sector, and the unions. Union members also lose immunity from termination if their unions do not have credentials.

The law contains cumbersome and complex procedures for conducting a legal strike. The law does not allow public and municipal employees or workers in essential services to strike. The law prohibits workers from appealing a government decision declaring a strike illegal. Workers

at times engaged in strikes regardless of whether the strikes met legal requirements.

Employers are free to hire union or non-union labor. Closed shops are illegal. Labor laws are generally in accordance with internationally recognized standards but are not enforced consistently by government authorities. Although El Salvador has improved labor rights since the CAFTA-DR entered into force and the law prohibits all forms of forced or compulsory labor, there remains room for better implementation and enforcement.

The law sets a maximum normal work week of 44 hours, limited to no more than six days and to no more than eight hours per day, but allows overtime paid at a rate of double the usual hourly wage. Detailed provisions govern holidays and paid time off. The government does not adequately enforce these laws.

There is no national minimum wage; the minimum wage is determined by sector. The government proposed a minimum wage increase to take effect June 1, 2025.

Remote work and telework are governed by specific provisions in the Telework Regulation Law (2020). The [Growing Together](#) for Integral Protection of Early Childhood and Adolescence Law requires companies with 100 or more employees to provide early childhood care centers (CAPIs) for employees' children.

## **Section 11. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance Programs or Development Finance Programs**

In El Salvador, DFC provided \$1 billion in political risk insurance for the world's largest debt conversion (at the time) for conservation of a river and its watershed. Other DFC-supported projects in 2024 include expanded access to motorcycle financing for underserved populations and financing bank lending to micro, small, and medium-sized businesses. DFC inherited an Overseas Private Investment Corporation (OPIC) agreement with El Salvador that requires governmental approval on each project application. DFC also provides loan guarantees to local banks.

## **Section 12. Contact for More Information**

Economic Section

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[Contact Us](#)