

EL SALVADOR

1. Recent trends

Poverty in El Salvador decreased markedly in recent years, from 40.4% in 2016 to 29.8% in 2022, but remains above the Latin America and the Caribbean (LAC) average of 24.1%. Extreme poverty also decreased, from 10.7% in 2016 to 8.7% in 2022, slightly above the LAC average (8.3%). The Gini index decreased from 40.0 in 2016 to 39.0 in 2021, remaining below the LAC average (44.8). Regarding investment and production transformation indicators, total investment in El Salvador increased from 15.5% of GDP in 2016 to 20.0% in 2022, showing a stronger growth rate than the LAC average trend, which increased from 20.8% to 21.3% over the same period. Private investment also rose in El Salvador, from 13.6% of GDP to 15.8%, equalling the LAC average (15.8% in 2019). The share of exports of high-tech products in total exported manufactured goods increased from 5.4% in 2016 to 7.4% in 2021, placing it slightly above the LAC average (7.2%). Positive perceptions of foreign direct investment (FDI), which declined across the LAC region, showed a slight increase in El Salvador, from 71.3% in 2016 to 72.0% in 2020. The country's tax revenue increased from 20.5% of GDP in 2016 to 23.3% in 2021, contrary to a regional declining trend. Environment-related tax revenues remained unchanged at 0.6% of GDP from 2016 to 2021, below the LAC average of 0.9%.

2. Long-term policies to promote investment and production transformation

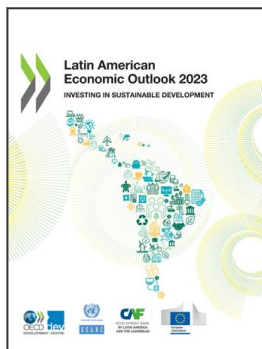
El Salvador has made significant efforts to attract and mobilise high-quality investment, focusing mainly on creating new institutions to help promote investment. It created a new Investment and Export Promotion Agency of El Salvador (INVEST) to enhance the attraction of quality investment in selected priority sectors: agro-industry; energy; tourism; pharmaceutical chemicals; manufacturing; textile and apparel; bitcoin; digital technologies; and services. From 2023 to 2027, El Salvador will implement the Strategy for the Streamlining and Modernisation of Foreign Trade Services through the Centre for Import and Export Procedures, which seeks to facilitate, modernise and promote foreign trade in El Salvador, as well as to improve the provision of public services and inter-institutional collaboration, by simplifying and centralising procedures.

To advance an inclusive and sustainable production model, El Salvador has focused its Trade and Investment Policy 2020-2050 on three main macro-objectives: increasing the importance of exports in GDP; eliminating the balance of payments deficit; and increasing the stock of FDI. El Salvador's National Trade Facilitation Strategy 2023-2027 focuses on six main axes: streamlining and digitising procedures for a competitive climate; modernising logistics infrastructure for a new way of doing business; promoting co-ordinated and unified border management; modernising the legal framework for foreign trade; fostering transparency and availability of foreign trade information; and human talent management.

In terms of regional and international partnerships to support the attraction of quality investments, El Salvador has established collaborative initiatives with partners both within and beyond LAC. Within the region, El Salvador participates (alongside Honduras and Guatemala) in a programme that aims to integrate the Northern Triangle countries into regional value chains. This programme also aims to boost higher education completion by equipping workers with essential English language skills and IT certifications. A total of 191 people finalised the English training, with 131 being hired as a result. A pilot training programme in French is planned. Beyond the region, El Salvador and the European Union (EU), through the EU Global Gateway Initiative, co-operate in an investment agenda comprising several infrastructure projects including: first, linking the ports of Acajutla and San Salvador through 108 km of train rails; second, developing an electric passenger transportation system in the metropolitan area of San Salvador; and third, providing broadband connectivity to public schools and health centres in non-served areas, among others. El Salvador participates in the USAID Economic Competitiveness Project, a five-year initiative that seeks to strengthen the capacities of micro, small and medium-sized enterprises to increase the country's competitiveness by expanding competition in domestic and export markets. The digital platform MiEmpresa.gob.sv has been created as a one-stop shop to facilitate and digitise the formalisation process of entrepreneurs and companies starting operations. The project was technically supported by the UN Conference on Trade and Development (UNCTAD) and funded by Luxemburg and the United States.

	Key indicators – El Salvador					
	El Salvador		LAC		OECD	
	2016	2022	2016	2022	2016	2022
Social						
Extreme poverty	10.7	8.7	8.1	8.3	N/A	N/A
Poverty	40.4	29.8	25.9	24.1	N/A	N/A
	2016	2021	2016	2021	2016	2021
Share of internet users (% of population)	29.0	62.9	54.5	74.2	81.8	89.6
	2016	2021	2016	2021	2016	2020
Gini index	40.0	39.0	46.3	44.8	34.1	33.6
	2015	2021	2009	2021	2009	2021
Share of total population in informal households (%)	52.4	54.4	44.2	46.8	N/A	N/A
	2014	2021	2009	2021	2009	2021
Share of total population in informal households, upper-income quintile (%)	20.5	20.7	23.9	21.3	N/A	N/A
Share of total population in informal households, lower-income quintile (%)	90.4	95.0	77.6	78.2	N/A	N/A
	2019	2023	2019	2023	2019	2023
SIGI index	22.9	19.6	25.4	21.6	17.5	15.3
	2015	2018	2015	2018	2015	2018
PISA score in science	N/A	N/A	411	407	489	487
Productivity and innovation						
	2016	2023	2016	2023	2016	2023
Labour productivity (% of the United States)	N/A	N/A	29.3	27.1	70.0	68.5
	2016	2021	2016	2021	2016	2021
High-tech exports (% of manufactured exports)	5.4	7.4	8.4	7.2	16.5	16.0
	2016	2019	2016	2019	2016	2019
R&D expenditures (% of GDP)	0.1	0.2	0.3	0.4	1.8	2.0
Investment and production transformation						
	2016	2022	2016	2022	2016	2022
Total investment, gross fixed capital formation (% of GDP)	15.5	20.0	20.8	21.3	21.9	22.8
Foreign direct investment (FDI), net capital inflow (% of GDP)	2.0	0.0	4.4	4.6	6.8	3.5
	2016	2019	2016	2019	2016	2019
Private investment (% of GDP)	13.6	15.8	16.1	15.8	18.2	18.8
	2016	2021	2016	2021	2016	2021
Public investment in economic infrastructure (% of GDP)	1.2	1.7	2.3	1.6	N/A	N/A
Citizens' perceptions and institutions						
	2016	2020	2016	2020	2016	2020
Share of population who perceive FDI as beneficial (%)	71.3	72.0	70.9	53.9	N/A	N/A
	2018	2020	2018	2020	2018	2020
Share of population who consider that, in general, domestic products are of lower quality than imported ones (%) (agreeing or strongly agreeing)	51.1	50.9	44.6	42.7	N/A	N/A
	2016	2022	2016	2022	2016	2022
Corruption Perception Index (score on a scale of 0 [highly corrupt] to 100 [totally clean])	36.0	33.0	41.2	40.6	67.3	66.3
Security risks indicator (score from 0 [low security risks] to 10 [high security risks])	7.0	6.3	5.9	5.6	2.8	2.6
	2010-14	2017-22	2010-14	2017-22	2010-14	2017-22
Belief that science and technology will create more opportunities for the next generation (score on a scale from 1 [strongly disagree] to 10 [strongly agree])	N/A	N/A	7.3	7.2	7.6	7.2
Share of population who worry (very much or a great deal) about not being able to provide a good education for their children (%)	N/A	N/A	75.4	74.0	49.8	41.4
Fiscal position						
	2016	2021	2016	2021	2016	2021
Total tax revenues (% of GDP)	20.5	23.3	22.0	21.5	33.6	34.1
Environmentally related tax revenue (% of GDP)	0.6	0.6	1.1	0.9	2.4	2.0
Share of VAT (% GDP)	7.5	9.6	5.9	6.1	6.6	7.0
Share of PIT (% GDP)	3.0	3.2	2.0	2.0	7.8	8.3
Share of CIT (% of GDP)	3.2	3.8	3.2	3.4	2.9	3.1
Debt service (% of total tax revenue)	14.2	19.5	11.3	12.3	5.4	5.3
Social expenditure (% of GDP)	7.8	12.6	11.3	13.3	20.1	22.0
	2016	2020	2016	2020	2016	2019
Perception of tax evasion (%)	N/A	27.0	N/A	27.3	N/A	N/A

Note: See the Reader's Guide for definitions and sources.



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