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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

EL SALVADOR

This report, prepared for the fifth Trade Policy Review of El Salvador, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from El Salvador on its trade policies and practices.

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Document WT/TPR/G/440 contains the policy statement submitted by El Salvador.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on El Salvador. This report was drafted in Spanish.

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SUMMARY

1. For most of the period under review (2016-22), the Salvadoran economy continued to show positive real GDP growth rates, with an annual average of 2.4% between 2016 and 2019. The Salvadoran economy was hit hard by the COVID-19 pandemic, which not only caused a drop in domestic activity, but also led to a substantial decline in foreign remittance inflows, a predominant source of financing for domestic demand. Salvadoran real GDP shrank by 8.2%. The pandemic caused both exports and imports of goods and services to fall sharply, by 21% and 10.6% in real terms, respectively. The Salvadoran economy recovered from the crisis caused by the pandemic in 2021, when real GDP growth reached 10.3%. This substantial growth is the result of a recovery in domestic demand, stronger external demand and an increase in remittances, which accounted for 26.1% of GDP in 2021. Exports and imports of goods and services recovered steadily, up by more than 26% in real terms from 2020 levels in both cases. The Salvadoran economy grew by 2.2% in the first three months of 2022 and the real growth rate for the whole year is expected to reach 2.8%.

2. The composition of GDP expenditure in El Salvador is still characterized by a high level of both private and public consumption. Total consumption was equivalent to 103.2% of GDP in 2021, with private household consumption accounting for 83.4% and public expenditure for 19.7%. Remittances from abroad bankroll a large part of private consumption.

3. The Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development (LRF) introduced, as of November 2016, a series of measures to achieve the consolidation and stability of public finances, such as increasing the tax burden and limiting consumer spending. The LRF seeks to ensure long-term fiscal balance by setting primary balance targets, initially to reduce the debt-to-GDP ratio and then to keep it stable. As a result of these policies, the central government deficit remained relatively stable between 2016 and 2019, ranging from 1.9% to 3.7% of GDP. However, the deficit rose to 10.4% of GDP in 2020, in the wake of the higher expenditure resulting from the implementation of measures to deal with the pandemic. In 2021, while still reeling from the negative effects of the pandemic, the deficit was equivalent to 5.9% of GDP.

4. In an effort to cope with the COVID-19 pandemic, in April 2020, the Ministry of Finance was authorized to raise up to USD 2 billion, and in May 2020, a further authorization was issued for an additional USD 1 billion. The principal fiscal and expenditure-related measures to counter the effects of the pandemic included, *inter alia*, a one-time subsidy of USD 300 to approximately 75% of all households; the distribution of food baskets to affected families; a three-month deferral of utility payments; a three-month exemption from the special tourism tax for companies operating in the tourism sector; and the temporary elimination of duty on imports of essential medical and food products (medical textiles, disinfectants, flour, rice and beans). A series of measures were also implemented to facilitate access to credit and ease the financial burden on individuals and businesses, such as reducing banks' reserve requirements and modifying provisions for bad loans. Moreover, a USD 650 million trust fund was set up to support workers and SMEs.

5. The United States dollar is legal tender and the unit of account of the Salvadoran financial system. As a dollarized economy El Salvador cannot conduct an independent monetary policy, and therefore the activities of the Central Reserve Bank of El Salvador are chiefly limited to managing the liquidity reserve. El Salvador was the first country to introduce bitcoin as legal tender, in June 2021. According to the authorities, the aim of this initiative is to foster financial inclusion. To support bitcoin operations and assume part of the risk thereof, the Bitcoin Trust was set up, with a capital of USD 150 million, and the digital wallet, Chivo Wallet, was created. Separate statistics regarding the use of bitcoin are not kept, as according to the Bitcoin Law the USD is the unit of account. It is therefore difficult to quantify its use. An estimated 4 million users avail themselves of the Chivo e-wallet.

6. The balance-of-payments current account of El Salvador ran a growing deficit between 2016 and 2018, which reached 3.3% of GDP. In 2019, the deficit narrowed to 0.4% of GDP. In 2020, as an effect of the pandemic, both exports and imports of goods and services dropped, but imports fell by a larger proportion, resulting in a current account surplus equivalent to 0.8% of GDP. In 2021, as the economy recovered, the current account deteriorated, running at a deficit equivalent to 5.1% of GPD; this situation worsened in 2022. The deficit in the balance of trade in goods grew between 2016 and 2019, before improving in 2020 as a result of the pandemic. However, it widened substantially in 2021, when it totalled USD 7,263 million, a trend that continued in 2022. Meanwhile, the services balance has been in surplus during the period under review. The current account deficit

has continued to be offset by the high level of current transfers, mainly in the form of remittances from Salvadorans living abroad. Remittances from abroad reached USD 7,465 million in 2021, equivalent to 26% of GDP. The balance-of-payments financial account has run a deficit during the entire period under review, reflecting the rise in net borrowing. At 31 December 2021, the total foreign debt stock amounted to USD 21,280 million (74% of GDP). Net foreign direct investment (FDI) flows have averaged 2% of GDP. The level of net international reserves was USD 2,941 million as of September 2022.

7. Merchandise trade continued to increase during the period under review. Although it contracted in 2020 due to the pandemic, 2021 saw a strong recovery in both *maquila* imports and exports relative to the respective totals. Total trade (including *maquila*) reached USD 21,704.7 million in 2021, equivalent to just over two thirds of GDP. Cumulative Salvadoran exports reached USD 5,688.9 million by September 2022, exceeding the same period in 2021 by 15.4%. Merchandise imports as of September 2022 totalled USD 13,488.2 million, exceeding the same period in 2021 by 24.4%. The structure of El Salvador's exports did not change substantially between 2016 and 2021, as textiles and apparel continued to account for the largest share, equivalent to around one third of total exports, excluding *maquila* exports, and almost 70% in the case of *maquila* exports. Regarding imports, manufactured products account for one third of the total, and consist primarily of machinery, transport equipment, textiles, plastics and chemicals. El Salvador's main export markets (excluding *maquila* exports) continue to be the other members of the Central American Common Market (CACM) and the United States. The United States continues to be El Salvador's main supplier of imported goods, followed by China, Guatemala and Mexico.

8. The surplus in the balance of the trade in goods increased gradually during the period under review, reaching 4.8% of GDP in 2019. The largest surpluses were under the "travel" item and in the value added of *maquila* activities. After shrinking in 2020, the surplus grew again in 2021, mainly due to an increase in loans to the *maquila* industry. The stock of foreign investment in El Salvador reached USD 10,378.3 million by the end of 2021. Net flows of FDI during the review period were, on average, USD 548.8 million per year.

9. El Salvador has been a Member of the WTO since 7 May1995 and grants at least most-favoured-nation (MFN) treatment to all its trading partners. This is its fifth trade policy review. El Salvador ratified the WTO Trade Facilitation Agreement (TFA) in February 2016 and deposited its instrument of acceptance with the WTO on 4 July 2016. In September 2006, accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), with a view to making a decision on patents and public health permanent. El Salvador is a participant in the Information Technology Agreement (TIA), but does not participate in the ITA extension agreed at the 2015 Nairobi Ministerial Conference. At the 2022 Ministerial Conference, held in Geneva, El Salvador expressed support for efforts to improve the functioning of the WTO and emphasized the importance of concluding the multilateral agenda in areas such as fisheries subsidies and agriculture. It also underlined the importance of a robust multilateral system and of continuing to promote the interests of small economies. During the review period, El Salvador has submitted several notifications under the various WTO Agreements. Nonetheless, the country has a number of outstanding notifications, mainly in the areas of agriculture and quantitative restrictions. Since its last review, El Salvador has not been involved in any cases as a complainant or respondent under the WTO dispute settlement mechanism, although it has participated as a third party in six cases.

10. El Salvador is participating in the process of establishing a customs union, the Central American Common Market (CACM). In 2017, El Salvador began negotiations to join the deep integration process that Honduras and Guatemala had launched in 2015. On 16 August 2018, El Salvador deposited with the Secretariat for Central American Integration (SICA) the Protocol of Accession to the Enabling Protocol for the process of deep integration initiated by Guatemala and Honduras. After a hiatus, negotiations resumed in July 2021.

11. Since El Salvador's last trade policy review in 2016, trade agreements - jointly negotiated with other Central American partners - entered into force with the Republic of Korea and the United Kingdom, and a bilateral partial scope agreement with Ecuador. As such, in addition to the CACM, El Salvador has Free Trade Agreements (FTAs) and/or partial scope agreements with Chile, Colombia, Cuba, Ecuador, the United States (CAFTA-DR), Mexico, Panama, the United Kingdom, the Republic of Korea, the Dominican Republic (CAFTA-DR and Central America-DR), and the European Union.

12. The fundamental principles of El Salvador's trade policy continue to be to deepen Central American integration, promote access to foreign markets and improve the country's integration into the international economy. Drafted in 2019, the Government Plan (*Plan Cuscatlán*) sets out, *inter alia*, the following foreign policy objectives: (i) further Central American integration, based on a holistic approach, (ii) promote FDI through institutional strengthening and increased regional economic integration, and (iii) boost foreign trade by making use of existing trade treaties and multilateral agreements, promoting local MSMEs' exports and facilitating customs transit.

13. During the review period, El Salvador developed a long-term strategy, the Trade and Investment Policy 2020-50, published in 2021. One of the objectives of this Policy is to attract FDI in order to boost the development of the most technologically advanced industries and services and ensure synergies with the local economy. The Investment Law provides that foreign investors have the same rights and obligations as Salvadoran investors and may transfer abroad all funds related to their investment. In accordance with the investment protection agreements and free trade agreements to which it is party, El Salvador accepts that investment disputes between the Salvadoran State and investors of other signatory parties be submitted to international arbitration. Under the Law on Legal Stability for Investments, foreign investors who invest in specific economic sectors enjoy legal certainty through contracts with the State. During the review period, El Salvador adopted several laws, such as the Law on Regulatory Improvement and the Law on Administrative Procedures, the implementation of which could help improve the transparency of the investment environment. Foreign companies are subject to the same tax regime as domestic companies. During the review period, El Salvador also developed a National Digital Agenda 2020-30, which brings together a set of actions aimed at strengthening a national digital ecosystem to boost the country's sustainable development and social well-being.

14. The customs legal framework has not undergone fundamental changes. At the Central American level, the Central American Single Declaration (DUCA) entered into force in 2019, which brings together the main documents needed for regional trade in goods. El Salvador pursued its customs modernization efforts during the review period, through, among other things, the adoption of ASYCUDA World, the electronic submission of advance declarations (with Guatemala, and soon with Honduras) enhancements to the risk-management system, the digitization and automation of customs services, the installation of radio-frequency identification technology at customs facilities, and improvements to the physical infrastructure of border. Pursuant to the Trade Facilitation Agreement, El Salvador has honoured its category C commitments concerning the trusted operator programme and transit, leaving only the complete implementation of the single window pending. The National Trade Facilitation Committee has implemented several action plans, which include measures such as the simplification of trade processes, the digitization of processes and the upgrading of the information systems of Import and Export Processing Centre (CIEX) and its interconnection with other institutions.

15. As a member of the CACM, El Salvador applies the Central American Import Tariff, which comprises 11 tariff rates, all *ad valorem*, ranging from 0% to 164%. As at 1 January 2022, 47.8% of tariff lines were duty-free. The arithmetic average of applied MFN tariff rates remained 6.3% in 2022 (as it was in 2015), with an average rate for agricultural products (WTO definition) of 12.4% and for non-agricultural products of 5.3%. The highest tariff rate (164%) is applied to meat, edible offal and prepared or preserved poultry meat. In March 2022, in an effort to tackle inflation, El Salvador temporarily reduced tariffs to 0% on 49 tariff lines comprising basic foodstuffs and agricultural inputs. El Salvador has bound its entire tariff schedule in the WTO. The property transfer and services tax (VAT) is levied at a rate of 13% on the domestic sale and import of most goods, as well as the provision of services. Specific and *ad valorem* taxes are imposed on the consumption of certain products, both domestic and imported, such as alcohol and alcoholic beverages, tobacco products and their substitutes, arms and explosives, and aerated beverages and energy drinks

16. El Salvador bans the import of some products, reserves the import of others to the State alone and restricts the import of a number of products for reasons of public health, public safety, environmental protection and plant or animal health, and to comply with international agreements. Permits, authorizations, certificates and/or approval for the import of such products must be obtained from various regulatory institutions. At the end of 2022, El Salvador updated its WTO notification on import licensing.

17. The Special Law on trade defence, which came into force and was notified to the WTO in 2016, specifies the requirements, time-limits and procedures for conducting dumping, subsidy and

safeguard investigations, and empowers the competent authority to conduct such investigations and enforce trade defence measures. The Implementing Regulations for the Special Law on trade defence were issued in 2017, and a notification of these Regulations to the WTO is currently in preparation. El Salvador does not frequently make use of trade defence measures and has never initiated an investigation in relation to countervailing measures or safeguards. During the review period, El Salvador initiated two anti-dumping investigations and the review of one measure.

18. Exporters can carry out their export procedures and obtain the relevant sanitary, phytosanitary and origin certificates through the CIEX. There are no export taxes, and VAT is applied at a rate of 0%. The export of some products is prohibited or restricted, generally for environmental, health, public safety and quality control reasons or to comply with international commitments. El Salvador controls the export of some products such as cane sugar, agricultural chemicals, veterinary medicines, coffee, machinery, arms and explosives, and cultural assets. During the review period, El Salvador temporarily restricted the export of red beans with a view to ensuring an adequate domestic supply.

19. There have been no substantial changes to the export incentives regime. The Law on Industrial and Commercial Free Zones (LZFIC), amended in 2013, establishes a fiscal incentives scheme based on minimum investment and employment requirements and enterprise location. The benefits consist of exemptions from income tax, tax on dividends, municipal taxes and tax on the transfer of real estate. In 2021, free-zone exports amounted to USD 1,252 million, almost 19% of the total value of merchandise exports. The Law on International Services (LSI) provides tariff and tax incentives to service-exporting domestic and foreign businesses that meet minimum investment and employment requirements. In 2019, specialized aircraft services were recognized as activities encouraged by the Law. Amendments to the LZFIC and LSI are being considered with a view to increasing the number of eligible sectors and activities, relaxing investment and employment requirements and expanding benefits.

20. The Export and Investment Promotion Agency (PROESA) remains in charge of promoting exports. In addition to its traditional services (export advisory services, strategic information and trade promotion), PROESA offers new lines of support through programmes such as *Mujer Exporta*, *Innovación para la Exportación* (focusing on the export of a high value-added and differentiated supply of food and beverages) and the *Programa de Gerentes*, which seeks to increase business competitiveness. The Development Bank of El Salvador (BANDESAL) provides loans and guarantees, albeit in modest amounts, to support exports.

21. In addition, El Salvador provides incentives to the production sector that focus on financial and technical support for micro, small and medium-sized enterprises (MSMEs) and on promoting competitiveness, and attracting investment. In recent years, support has also been directed towards efforts to facilitate the recovery of enterprises affected by the pandemic, to assist women entrepreneurs and to encourage investment in renewable energy and green technology. BANDESAL provides financing, directly or through financial institutions, for, *inter alia*, capital formation, industrial park expansion and conversion, machinery and equipment modernization, and energy efficiency projects. The National Commission for Micro and Small Enterprises (CONAMYPE), attached to the Ministry of Economic Affairs, is responsible for implementing policies to boost the development and competitiveness of these enterprises, and conducts numerous activities in this respect. There are also a number of development funds through which Salvadoran enterprises receive financial support.

22. During the review period, there were no substantial changes to the legal and institutional framework for the drafting and application of technical regulations and sanitary and phytosanitary (SPS) measures. The Law creating the Salvadoran Quality System provides that Salvadoran Technical Regulations (RTS) must comply with the WTO Agreement on Technical Barriers to Trade and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. El Salvador's notifications for both types of measure provide for a comment period of 60 days. According to the authorities, the majority of RTS, including their conformity assessment procedures, are based on international standards. The drafting and adoption of RTS are based on the Handbook of Good Technical Regulation Practices, and the same procedure is followed for SPS measures. For certain products, El Salvador recognizes the sanitary registration certificates issued by the authorities of CACM member countries, as well as the registration certificates and sanitary inspection systems of other trading partners under the corresponding free trade agreements.

23. El Salvador's legal framework regarding competition policy has undergone changes since the previous review. The Competition Law was amended in 2017 and 2021. Since the amendment in 2017, it has been possible to challenge the decisions of the Supervisory Authority for Competition (SC) before the administrative courts. Under the 2021 amendment, a number of procedures were modernized and the use of electronic and technological means of conducting SC proceedings was enabled. The leniency programme was also expanded. Between 2016 and 2021, the SC initiated 29 investigations, the majority of which were launched following a complaint, and penalized five unlawful practices. In addition, 16 applications for mergers, mainly from the financial, beverage and telecommunications sectors, were accepted for consideration.

24. El Salvador is not a signatory to the WTO Agreement on Government Procurement and does not participate as an observer in the respective Committee. Salvadoran legislation does not distinguish between Salvadoran and foreign suppliers in their participation in public procurement. However, if there is no difference between two bids in terms of conditions, preference is given to the Salvadoran bid (except in the case of procurement under trade agreements). Under an amendment made to the legislation in 2019, the share of the annual procurement budget that each government entity must allocate to MSMEs was increased to 25%. In 2021, new legislation was passed for procurement by municipalities in respect of certain infrastructure projects.

25. The amendment of the Intellectual Property Law (LPI) was approved in 2017. The amendment to the LPI allows holders of copyright and related rights to manage the use of their works. The LPI gives the holder of copyright the right to import or export, or authorize the import or export of, copies of their lawfully manufactured works, and the right to prevent the import or export of unlawfully manufactured copies; similar rights are regulated in the LPI for holders of industrial property rights. El Salvador allows the granting of compulsory licences solely in order to supply the domestic market. Compulsory licensing to work a patent may be granted for declared reasons of emergency or national security and for as long as these persist, provided that this is necessary to satisfy the population's basic needs. Until 2022, El Salvador had not issued any compulsory licences. On 17 June 2022, the exceptional circumstances of the COVID-19 pandemic led El Salvador to adopt the Ministerial Decision on the TRIPS Agreement for the production and supply of vaccines. The Directorate-General of Customs (DGA) may intervene and apply border measures on the basis of resolutions by the competent authority; *ex officio* where applicable; or following a complaint from the owner of the duly accredited right.

26. The agricultural sector recorded uneven performance during the review period, with a growth rate that fell from 8.3% in 2016 to 2.1% in 2021. The sector's share of GDP stood at 4.9% in 2021, while its contribution to employment amounted to 15.7%. The main agricultural products are staple grains, other crops, cattle, poultry products and sugar cane. The coffee subsector has continued its downward trend. El Salvador is a net importer of agricultural products, which is why the sector's trade balance deficit increased during the review period. Agricultural products (WTO definition) have a higher level of tariff protection (12.4%) than non-agricultural products (5.3%). During the period under review, El Salvador used scarcity quotas to deal with shortages of some products caused by adverse weather events, and adopted various support measures for the sector in the context of COVID-19. El Salvador supports the agricultural sector with the primary objective of achieving food sovereignty. Its most recent domestic support notification to the WTO refers to the year 2015/2016; the support is modest and includes mainly loans, the delivery of inputs and technical assistance.

27. Metal mining was banned in El Salvador for environmental reasons in 2017. The law prohibits metal mining in the soil and subsoil. The ban on metal mining includes exploration, extraction, exploitation and processing, whether opencast or underground. While El Salvador has no discovered oil resources and remains an importer of oil derivatives, petroleum products accounted for approximately 67% of total energy supply in 2021. During the review period, renewable electricity generation was boosted, with a marked increase in the installed capacity of solar photovoltaic power, and the introduction of the first wind power plant. In addition, El Salvador developed a new strategy, the National Energy Policy 2020-50, which sets out guidelines for achieving an efficient and competitive energy system that is committed to protecting the environment.

28. El Salvador's services sector remains substantially open to foreign participation. The financial services sector accounted for 6.6% of GDP in 2021. Most banks in El Salvador are foreign-owned, and there are no restrictions on their operations. For foreign banks, commercial presence in El Salvador can take the form of a branch office or a representative office. The only exception to national treatment pertains to assets that a foreign financial institution may own in El Salvador. In

cases of that kind, the Banks Law provides that depositors and creditors domiciled in El Salvador enjoy preferential rights over those domiciled abroad. Financial conglomerates are also subject to consolidated oversight. To operate in El Salvador, foreign insurers must secure a commercial presence by legally establishing a subsidiary in the country. The establishment of new branches has not been permitted since 1997. The last remaining branch of a foreign insurer closed in 2021. The cross-border supply of insurance services is not permitted, but there are no restrictions on the use of insurance services abroad.

29. The telecommunications sector legal framework allows for foreign investment without capital restrictions, except in connection with radio and television broadcasting services, which are reserved to Salvadorans. Pursuant to the Law on Telecommunications, a concession is required to provide fixed and mobile telephony services, and to use the regulated radio spectrum. The Law was subject to a number of amendments during the review period, *inter alia*, to regulate the allocation of radio frequencies, establish alternative mechanisms to public auction, protect user rights, reinforce the obligations of telecommunications operators, and adapt regulations to technological developments. During the review period, the Supervisory Authority for Competition investigated and sanctioned one case of anti-competitive practices in the national and international calls termination market.

30. The transport sector's average annual share of GDP was 4.5% during the review period. FDI in the sector increased by 425.7%, reflecting the liberalization policies and buoyancy of the sector. Steps were also taken to launch major infrastructure projects, including the bicentennial ferry route, the construction of the new Pacific International Airport and the Pacific Train, and existing infrastructure was upgraded. With regard to maritime and port matters, there are no restrictions on the provision of cabotage services by foreign vessels, and foreign companies are allowed to operate ports under concessions and provide ancillary port services, such as cargo handling and warehousing. Turning to air transport, there are no restrictions on foreign investment for the purposes of establishing a commercial presence in the country, nor on foreign ownership of Salvadoran airlines, although air cabotage is reserved exclusively to domestic companies. El Salvador applies an open skies policy and has 17 air services agreements. Land transport is the main means of transporting freight and carried Salvadoran foreign trade goods to the tune of USD 14,053 million in 2021.

31. Tourism is of increasing importance for El Salvador given its ability to create jobs, attract investment and boost the economy. The sector developed positively until 2019, but was then affected by the COVID-19 pandemic. Since 2021, tourism has rebounded significantly. There are no restrictions on foreign investment in the sector

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. El Salvador is a lower-middle-income country. During the review period, GDP per capita at current prices increased slightly, from USD 3,853 in 2016 to USD 4,543 in 2021. As noted in the previous TPR report, remittances from abroad, particularly from the United States, are an important source of financing for private domestic expenditure.

1.2. The sectoral composition of Salvadoran GDP fluctuated somewhat during the review period, especially as concerns activities related to or affected by the COVID-19 pandemic. Thus, the agricultural and manufacturing sectors contributed less to GDP during the pandemic, although the manufacturing sector recovered in early 2022. This sector, including the maquila industry, recorded a GDP share at current prices of 15.2% in 2021 (17.1% of value added), compared to 16.3% in 2016 (17.9% of value added); however, this share dropped to 14.9% in the second quarter of 2022. The share of agriculture in GDP declined from 5.7% in 2016 to 4.9% in 2021.

1.3. The service sector continued to contribute the largest relative share of GDP of El Salvador during the period under review, accounting for 60% of the total and two thirds of value added, if taxes net of subsidies are deducted (Table 1.1). Of these services, trade accounts for the largest share of GDP, 11.2% in 2021; followed by public administration and defence services, compulsory social security, with 8.2%, the GDP share of which increased during the pandemic; real estate activities, with 6.7%; and financial and insurance services, with 6.6%.

Table 1.1 Main economic indicators 2016-22 Q3

(USD million and %)

	2016	2017	2018	2019	2020	2021[b]	2022 Q3[b]
Gross domestic product (GDP)							
GDP at current prices (USD million)	24,191	24,979	26,021	26,881	24,563	28,737	23,361
GDP - Chained volume indices[c]	105.0	107.4	110.0	112.6	103.4	114.1	116.0
Real GDP, growth rate (%)[c]	2.5	2.2	2.4	2.4	-8.2	10.3	2.2
GDP per capita (USD)	3,853	3,969	4,127	4,257	3,886	4,543	..
GDP by activity (% of GDP)							
Agriculture, forestry and fishing	5.7	5.4	5.1	5.1	5.5	4.9	4.7
Mining and quarrying	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Manufacturing	16.3	16.1	15.7	15.6	14.9	15.2	15.4
Electricity, gas, steam and air-conditioning supply	2.4	2.8	2.9	2.8	2.5	2.6	3.4
Water supply, sewerage and waste management	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Construction	5.1	5.2	5.5	6.0	5.5	5.3	5.5
Services	61.6	61.3	61.3	61.1	61.0	59.9	58.9
Trade, repair of motor vehicles and motorcycles	11.6	11.5	11.6	11.5	11.5	11.2	11.3
Transport and storage	4.9	4.7	4.4	4.5	4.2	4.4	4.4
Accommodation and food service activities	2.8	2.9	2.9	3.0	2.4	2.9	3.1
Information and communications	3.4	3.3	3.2	3.1	3.2	2.9	2.8
Financial and insurance activities	6.2	6.3	6.4	6.5	7.2	6.6	6.6
Real estate activities	7.4	7.3	7.3	7.2	7.3	6.7	6.4
Professional, scientific and technical activities	2.3	2.3	2.2	2.1	1.8	1.7	1.8
Administrative and support service activities	3.5	3.6	3.8	3.9	4.2	4.1	4.2
Public administration and defence, compulsory social security	7.4	7.4	7.3	7.3	8.4	8.2	7.8
Education	4.7	4.6	4.7	4.7	4.7	4.5	4.1
Human health and social assistance activities	3.1	3.2	3.1	3.2	3.7	3.9	3.7
Arts, entertainment and recreation	0.4	0.4	0.4	0.4	0.3	0.4	0.4
Other service activities[d]	2.7	2.7	2.6	2.6	2.2	2.3	2.4
Activities of households as employers[d]	1.2	1.2	1.2	1.2	0.0	0.0	0.0
Gross value added	90.9	90.7	90.3	90.5	90.4	88.8	88.9
Taxes net of subsidies	9.1	9.3	9.7	9.5	9.6	11.2	11.1
GDP by expenditure category (% of GDP)							
Final consumption expenditure	99.9	99.6	99.4	97.8	99.2	103.1	104.2
Households	82.9	82.7	82.6	81.1	79.4	83.4	86.8

	2016	2017	2018	2019	2020	2021[b]	2022 Q3[b]
Non-profit institutions serving households (NPISHs)[e]	0.7	0.7	0.7	0.6	..	..	..
General government	16.3	16.1	16.1	16.0	19.8	19.7	17.4
Gross capital formation[f]	16.0	16.7	18.4	18.3	18.9	22.2	23.0
Gross fixed capital formation	15.5	16.0	17.2	17.8	17.8	21.0	..
Private	13.0	13.5	14.5	15.4	15.7	18.4	..
Public	2.5	2.6	2.7	2.4	2.1	2.6	..
Change in inventories	0.5	0.6	1.2	0.6	1.2	1.2	..
Exports of goods and services	28.5	29.0	28.9	30.0	25.6	29.5	33.1
Imports of goods and services	44.4	45.3	46.7	46.1	43.8	54.8	60.3
GDP by expenditure category (real annual growth rate)							
Final consumption expenditure	1.5	1.4	1.4	1.5	-7.4	13.8	2.1
Households	2.0	1.7	1.4	1.7	-10.1	15.4	3.3
Non-profit institutions serving households (NPISHs)[e]	1.5	-1.0	-1.0	-4.3	..	..	..
General government	-1.0	0.1	1.7	0.5	10.1	7.2	-2.7
Gross capital formation	4.6	3.1	10.5	2.6	2.3	8.1	..
Gross fixed capital formation[g]	3.6	3.6	7.2	6.3	-6.9	24.5	4.9
Private	3.8	3.4	7.9	8.8	-5.1	23.9	..
Public	2.9	4.9	3.4	-7.5	-18.8	29.5	..
Change in inventories	50.8	-13.1	91.3	-50.2	282.5	-238.7	..
Exports of goods and services	0.2	3.4	1.6	8.5	-21.0	26.1	11.3
Imports of goods and services	-0.5	1.4	2.6	4.2	-10.6	26.6	5.6
Monetary indicators							
Consumer price index (annual average, Dec. 2009=100)	110.0	111.2	112.4	112.4	112.0	115.9	123.2
Consumer price index (end of period, Dec. 2009=100)	109.6	111.8	112.3	112.3	112.2	119.1	125.9
Change in the consumer price index, end of period (%)	-0.9	2.0	0.4	0.0	-0.1	6.1	7.5
Real effective exchange rate, index (2000=100, end of period)	98.7	100.8	100.5	103.4	106.1	104.2	102.8
Real effective exchange rate, index (2000=100, average)	99.0	99.9	101.2	102.3	103.3	105.3	104.2
Real effective exchange rate, annual change (end of period)	0.9	2.1	-0.3	2.8	2.7	-1.8	-1.9
Real effective exchange rate, annual change (average)	-0.7	1.0	1.2	1.1	1.0	1.9	-1.3
Interest rates (1994-2021 methodology)							
30-day deposit rate (%)	4.0	3.8	3.5	3.6	3.4	3.0	..
180-day deposit rate (%)	4.4	4.4	4.2	4.3	4.1	3.9	..
360-day deposit rate (%)	4.6	4.7	4.6	4.6	4.4	4.2	..
Loan rate up to one year (%)	6.4	6.5	6.6	6.6	6.8	6.4	..
Interest rate (2022 methodology)							
30-day deposit rate (%)	4.3	4.0	3.7	3.6	3.5	3.1	3.3
180-day deposit rate (%)	4.5	4.6	4.4	4.3	4.2	4.1	4.5
360-day deposit rate (%)	4.8	4.8	4.7	4.6	4.5	4.5	4.8
Loan rate up to one year (%)	6.1	6.3	6.4	6.6	6.6	6.2	6.2
M1(USD million)	3,135	3,663	3,812	4,251	4,997	5,139	4,911
M2(USD million)	11,254	12,449	13,197	14,710	16,409	16,819	17,277
M3(USD million)	12,103	13,449	14,265	15,878	17,287	17,677	18,174
Net international reserves (USD millions, end of period)	2,923	3,273	3,354	3,936	2,915	3,342	2,941
Other economic indicators							
Current account balance (% of GDP)	-2.3	-1.9	-3.3	-0.4	0.8	-5.1	-8.9
Monthly family remittances (% of GDP)	18.8	20.0	20.7	21.0	24.1	26.1	24.4
Total foreign debt (% of GDP)	67.7	66.0	63.8	64.5	76.3	70.6	90.5
Gross national disposable income (USD million)	27,487	28,626	29,920	31,180	29,235	34,543	..
Gross national disposable income per capita (USD)	4,378	4,548	4,745	4,938	4,625	5,461	..
Population (thousand persons)	6,279	6,294	6,306	6,315	6,321	6,326	..

.. Not available.

a Preliminary figures.
b Estimates.
c Seasonally adjusted series, reference year 2014.
d Beginning in 2019, figures for activities of households as employers are included under other service activities.
e Beginning in 2019, NPISH figures are included under households' final consumption expenditure.
f In 2021, gross capital formation includes gross fixed capital formation and changes in inventories.
g In chained volume indexes, only gross fixed capital formation is included.

Source: Central Reserve Bank of El Salvador.

1.4. The Trade and Investment Policy of El Salvador 2020-50, developed by the Secretariat for Trade and Investment of the Office of the President of the Republic, which was created in 2019, sets out the conceptual framework and the main strategic lines of action to address the medium- and long-term structural challenges of the Salvadoran economy in trade and investment. The aims of the trade and investment policy are: (a) to complete the integration of Salvadoran companies into global value chains, by detecting untapped export and investment opportunities abroad; (b) to contribute to diversifying and transforming the output of the industrial and service sectors, by increasing the technological content of products, through measures to enhance the external competitiveness and internationalization of companies; (c) to attract and retain investment in order to boost the development of the most technologically advanced industries and services, and to better structure the productive system as a whole, by ensuring synergies and linkages with the local production apparatus; and (d) to develop the physical, digital and legal infrastructure that creates an enabling environment for foreign trade and attracts investment. The policy establishes three key macro-objectives: (a) to boost the contribution of exports to GDP; (b) to eliminate the balance of payments deficit; and (c) to increase the stock of foreign direct investment (FDI). To achieve the first macro-objective, a target has been set for exports to account for 38% of GDP by the end of the period in question. It is estimated that, with real GDP growing at around 3.5% per year, meeting the 38% target would require an annual increase in export volume of 4.5%, well above the average for the period 2016-19, but only slightly above the average for the period 2001-19. To achieve the 2050 target, exports would need to exceed a value equivalent to 30% of GDP in 2025, and 33% in 2035.

1.5. Targets will be set for each five-year period, based on the gains made in the previous five-year period, as well as on global economic forecasts. Targets and actions shall also be set to achieve the macro-objectives: (a) to boost imports, the aim is to increase the number of exporting companies, regular exporters and the percentage of micro- and small enterprises among exporting companies in line with specific targets; (b) to eliminate the balance of payments deficit, the target for the period 2021-50 is to keep the proportion of imports at around the current level of 45% of GDP; (c) to increase the stock of FDI, the target has been set that it should be no less than 60% of GDP by 2050 (see Section 2 for more details on targets and implementation).[1]

1.2 Recent economic developments

1.2.1 The real sector

1.6. For most of the period under review, the Salvadoran economy continued to show positive, albeit relatively modest, GDP growth rates, ranging from 2.3% to 2.5% between 2016 and 2019, with an annual average of 2.4%. The real increase in final consumption expenditure in the period ranged between 1.4% and 1.5%, the result of private consumption varying between 1.3% and 2.0% and a very moderate change in government expenditure (between -1.0% and 1.7%). Gross fixed capital formation remained buoyant during the period 2016-19.

1.7. The Salvadoran economy was hit hard by the COVID-19 pandemic, which not only caused a drop in domestic activity, but also a substantial decline in foreign remittance inflows, a predominant source of financing for domestic demand. Salvadoran real GDP shrank by 8.2%. Final consumption expenditure contracted by 7.4%, as a result of a 10.1% fall in household spending, mainly owing to a reduction in labour income, which was only partially offset by a 10.1% rise in general government expenditure to deal with the pandemic. Although gross capital formation increased by 2.3%, this was owing to a strong accumulation of inventories, as gross fixed capital formation, both public and private, contracted. The pandemic materially affected both exports and imports of goods and services, which fell by 21% and 10.6% in real terms, respectively.

1.8. The Salvadoran economy recovered from the pandemic in 2021. GDP growth was 10.3% in 2021. The substantial growth resulted from a recovery in domestic demand, a strengthening of external demand, and an increase in remittances, which accounted for 26.1% of GDP in 2021. This drove a 15.4% rebound in public consumption in 2021. Moreover, gross capital formation expanded by 8.1%; discounting the effect of inventories, gross fixed capital formation growth in 2021 was 24.5%, underpinned by a surge in both public and private investment. Exports and imports of goods and services recovered steadily, up by more than 26% in real terms from 2020 levels in both cases.

[1] El Salvador Trade and Investment Policy, 2020-50. Viewed at: https://www.transparenciafiscal.gob.sv.

1.9. As noted in the previous review, the composition of GDP expenditure in El Salvador is still characterized by a high level of both private and public consumption. Total consumption was equivalent to 103.2% of GDP in 2021, with private household consumption accounting for 83.4% and public expenditure for 19.7%. The share of investment (gross fixed capital formation) stood at 21.0% and private investment accounted for 18.4% of GDP. Again, in 2021, exports of goods and services amounted to 29.5% of GDP, and imports 54.8% of GDP.

1.10. According to information from the Central Reserve Bank, the Salvadoran economy grew by 2.2% in the third quarter of 2022 compared to the same period the previous year. The fastest-growing sectors, considering the annual real growth rate of the seasonally adjusted series, were: electricity (12.6%), construction (12.5%), leisure services (10.7%), government services (6.9%), administrative and support services (6.7%), restaurants and hotels (4.5%), and personal services (3.5%).[2] Growth in the third quarter of 2022 followed the positive trend of the first half of 2022 and of the performance in 2021.

1.11. As reported by the authorities, growth in 2022 was driven by a combination of factors that boosted domestic production and cushioned the impact of adverse international conditions, including the improved security climate that increased business and household confidence, promoting investment and consumption, as well as the implementation of anti-inflationary measures that reduced the impact on business production costs, and the magnitude of the increase in consumer prices.[3] In addition, it is believed that higher investment and the boost to tourism, together with the development of electricity generation capacity, continue to have a positive impact on the economy.[4]

1.12. On the demand side, economic growth in the 12 months to 30 September 2022 was explained by the increase in exports of goods and services (12.6%), gross fixed capital formation (11.1%) and private consumption (2.1%). Public consumption fell by 2.3%, as resources earmarked in 2021 for the purchase of vaccines or food baskets were redirected to other budget items such as investment. Imports recorded an annual increase of 2.5%, mainly for intermediate goods for processing and capital goods required for production processes. The projected real GDP growth for the whole of 2022 is 2.8%. Estimates for real GDP growth in 2023 put it at 2-3%. The impact of the global economic slowdown is expected to be offset by buoyant domestic demand driven by public investment, improved security conditions promoting consumption and private investment, as well as tourism. Inflation is projected at 3.3% by 2023.[5]

1.13. According to the payroll records reported by employers to the Salvadoran Social Security Institute, 948,810 people were employed in August 2022 (756,029 in the private sector and 192,781 in the public sector), maintaining the growing trend observed throughout the year, despite the difficulties of the international environment and the impact of natural disasters that have affected the country. According to the figures, in the last year, employment in the private sector has grown 7.2%, while in the public sector it is up 2.9%, with average growth of 6.3% overall. The best performing sectors continue to be trade, restaurants and hotels, the services sector and the manufacturing industry.[6] According to World Bank data, the unemployment rate in 2021 was 5.9%.[7]

1.14. Development indicators continued to improve during the period under review, at least until before the pandemic. The percentage of the population living in extreme poverty (daily income below USD 1.90 in 2011 purchasing power parity) fell from 2.6% in 2016 to 1.4% in 2019.[7] Poverty

[2] Central Reserve Bank, *Situación Económica de El Salvador, tercer trimestre de 2022 y proyecciones 2022-23*. 23 December 2022 Viewed at: https://www.bcr.gob.sv/documental/Inicio/vista/7826752460f207e8cc67cc88f31017bd.pdf.

[3] Central Reserve Bank, *Economía salvadoreña creció 2,8% en el segundo trimestre de 2022*. Press release of 30 September 2022. Viewed at: https://www.bcr.gob.sv/documental/Inicio/vista/53a5459c78dbdbd26d8f880c26cdb4d3.pdf.

[4] Central Reserve Bank (2022), *Economía salvadoreña creció 2,2% en el tercer trimestre de 2022 y se mantiene la proyección de 2,8% para el cierre del año*. Viewed at: : https://www.bcr.gob.sv/2022/12/23/economia-salvadorena-crecio-2-2-en-el-tercer-trimestre-de-2022-y-se-mantiene-la-proyeccion-de-2-8-para-el-cierre-del-ano/.

[5] Central Reserve Bank (2022), *Economía salvadoreña creció 2,2% en el tercer trimestre de 2022 y se mantiene la proyección de 2,8% para el cierre del año*. Viewed at: https://www.bcr.gob.sv/2022/12/23/economia-salvadorena-crecio-2-2-en-el-tercer-trimestre-de-2022-y-se-mantiene-la-proyeccion-de-2-8-para-el-cierre-del-ano/.

[6] Information from the Government of El Salvador. Viewed at: https://www.transparencia.gob.sv/institutions/isss/documents/estadisticas.

[7] Information from the World Bank. Viewed at: https://datos.bancomundial.org/pais/el-salvador.

measured according to national indices and the cost of a basic food basket shows that extreme poverty in 2020 was 8.6%, falling to 7.8% of households during 2021, as a result of measures implemented by the Government to boost household income.[8]

1.2.2 Fiscal policy

1.15. The Ministry of Finance is responsible for framing and implementing fiscal policy in El Salvador. The Organic Law on State Financial Administration and the Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development (LRF) provide guidelines for budgetary policy and the framework within which it must be developed. Its scope of application is the non-financial public sector (NFPS). The LRF was amended by Decree No. 188 of 11 December 2018, Reform of the Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development.

1.16. The LRF[9] introduced a series of measures to achieve the consolidation and stability of public finances. In its preamble, the Law advocates that fiscal policy should be a tool to bring about economic and social development, which requires fiscal stability and a sustainable public finance model, implying reasonable public expenditure and increasingly robust government revenues.[10]

1.17. The LRF is based on three principles: (a) the State should seek to ensure long-term fiscal balance by setting primary balance targets to bring the debt-to-GDP ratio down to a pre-established level and subsequently keep it stable; (b) the preparation of the general State budget should be framed by a five-year macroeconomic scenario and indicative budgets (medium-term budget principle) – this timeframe was reduced to four years by the 2018 reforms; and, (c) all state institutions should provide full and sufficiently detailed information on the implementation of each budget, investments made, contingent liabilities and results achieved on a semi-annual basis, with a lag of no more than 60 calendar days (transparency principle). The Ministry of Finance is responsible for submitting consolidated reports every six months, in order to verify the financial situation of the NFPS and compliance with the objectives of fiscal health and social sustainability.

1.18. The LRF establishes a three-year fiscal consolidation period (Article 7), starting from the beginning of fiscal year 2017, defined by the implementation of revenue and expenditure measures, resulting in at least 3.0% of GDP. This period was extended to five years by the amendment to the LRF. After the fiscal consolidation period, in the subsequent five years and beyond, adequate long-term sustainability should be ensured. At the end of the consolidation period and in the following years, the NFPS debt ratio, net of pension debt, shall be less than 50% of GDP. The debt of the NFPS, including the pension system, should continue to follow a downward trend and not exceed 60% of GDP by 2030.[11]

1.19. The LRF (Article 10), as amended in 2018, includes the following targets for the NFPS: (a) achieve positive primary balances after the end of the fiscal consolidation period; the surplus for 2020 should be equal to or higher than 0.7% of GDP and the surplus for 2021 should be equal to or higher than 1.2% of GDP. The NFPS debt limit and the primary balance are the main rules of this law; (b) at the end of 2021, the tax burden should not be less than 18.5% of GDP; and (c) after the fiscal consolidation period, consumption expenditure should not exceed 14% of GDP. To this end, the categories of wages and salaries, and goods and services may not grow beyond nominal GDP growth.

1.20. The LRF created the medium- and long-term fiscal framework (MFMLP), within which fiscal provisions, regulations, estimates and projections updated over a 10-year period are adopted. The MFMLP seeks to link policy and budget planning in the medium and long term and to ensure transparency. It aims to prioritize spending in a manner that is consistent with the LRF. The MFMLP

[8] The urban basic food basket contains 11 products: bread rolls, tortillas, rice, meats, fats, eggs, liquid milk, fruits, beans, vegetables, sugar, plus 10% of the cost of cooking the food. The rural basic food basket contains the same food products, minus the vegetables and bread rolls.

[9] Decree No. 533 of 10 November 2016.

[10] Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development. Viewed at: https://www.transparenciafiscal.gob.sv/downloads/pdf/DINAFI02000001_D_L_533_Ley_de_Responsabilidad_Fiscal.pdf.

[11] Reform of the Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development. Viewed at: https://www.transparenciafiscal.gob.sv/downloads/pdf/700-DPEF-LY-2019-188.pdf.

is intended to guide strategic fiscal policy decision-making by providing a baseline for multi-year fiscal projections of revenues, expenditures and financing. The MFMLP should contain, *inter alia*: (a) a baseline economic scenario for preparing the general State budget and fiscal projections; (b) the targets and thresholds of the main fiscal policy indicators to be achieved over the next 10 years; (c) projections of fiscal revenues and expenditures and debt flows; (d) public investment project programming, including financing; (e) the level of total public debt in dollars and as a share of GDP; (f) a fiscal risk assessment; (g) indicators of fiscal policy sustainability in the medium and long term; (h) a detailed report on the financial performance and trends of non-financial public enterprises (NFPEs); and (i) the estimated rate of income tax evasion.

1.21. The Ministry of Finance prepared the MFMLP2019-29, which had to be subsequently modified in the wake of the COVID-19 pandemic. The MFMLP 2019-29 provides information on two indicative fiscal projection scenarios; the first, linked to a baseline economic scenario with real GDP growth between 2.5-2.7% for the 2020-24 period and the second, with a growth range between 2.8-3.5%. According to the MFMLP, economic growth must be stimulated by prioritizing investment in security, infrastructure, human capital, social well-being and the competitiveness of the economy in order to achieve the long-term fiscal sustainability goals and reduce the debt-to-GDP ratio to 60.0% by 2030. On the expenditure side, the document states that the efficient allocation of state resources shall be promoted by improving procurement management, expanding contracting modalities such as reverse auctions, incorporating a strong component of technological innovation and modernizing the electronic system and regulations, among other measures. On the revenue side, there are plans to institute measures to modernize tax collection to facilitate the declaration and payment of taxes, such as the introduction of an electronic invoice, the simplified taxation system, technological innovation of procedures and administrative measures to exercise greater fiscal control in order to reduce tax evasion and avoidance. According to information from the Ministry of Finance, several targets set for 2019 were fully or partially met. The application of the LRF was suspended by Legislative Decree No. 607, of 26 March 2020, for the duration of the national emergency declared in response to the COVID-19 pandemic.

1.22. The *Plan Cuscatlán* (Government Plan) proposes to implement a number of general actions to make fiscal policy more equitable and efficient. They include: (a) implementing a comprehensive tax reform to make the tax system progressive and equitable, and to reduce or eliminate non-productive benefits; (b) reorganizing the fiscal control functions (incentives and subsidies) of the Ministry of Finance; and (c) shifting from an import-consumption model, which breeds joblessness and promotes remittances, to a production-export model, which aims to create new enterprises and boost GDP growth. This shift requires a permanent fiscal pact. Actions identified to achieve this include implementing a tax system based on worldwide income, implementing a differentiated VAT, making use of electronic invoicing to reduce tax evasion, introducing a simplified taxation system, automating services, simplifying processes, and improving controls and oversight by the Ministry of Finance.[12]

1.23. El Salvador implemented a series of measures to deal with the COVID-19 pandemic, contained in a number of decrees.[13] In April 2020, the Ministry of Finance was authorized to raise up to USD 2 billion, and in May 2020, an additional USD 1 billion was authorized.[14]

[12] *Plan Cuscatlán*. *Fiscal*. Viewed at: https://plancuscatlan.com/documentos/plancuscatlan_fiscal.pdf.

[13] Decree No. 598, Special Temporary Law on the Mode of Payment of Income Tax Applicable to Small Taxpayers, Tourism, Electricity, Television, Internet and Telephone Services, and on the Special Contribution for the Promotion of Tourism, of 20 March 2020; Decree No. 601, Temporary Law to Defer the Payment of Water, Electricity and Telecommunications (Telephone, Cable and Internet) Service Bills, of 20 March 2020; Decree No. 603, Temporary provisions to simplify the procedure for donations of goods by companies regulated by the Law on Industrial and Commercial Free Zones, of 20 March 2020; Decree No. 604 modifying the Central American import tariff, of 20 March 2020; Decree No. 607 temporarily suspending, and for the duration of the effects of the national emergency declared in response to the COVID-19 pandemic, the application of the Fiscal Responsibility Law for the Sustainability of Public Finances and Social Development, of 26 March 2020; Decree No. 608 authorizing the Executive Body in the area of finance to secure funds of up to USD 2 billion, of 26 March 2020; Decree No. 640 authorizing the Executive Body in the area of finance to secure funds of up to USD 1 billion, of 5 May 2020; Decree No. 643, Temporary Law to Facilitate Voluntary Compliance with Tax Obligations in view of the National Emergency declared in response to the COVID-19 Pandemic, of 19 May 2020.

[14] Decree No. 608 authorizing the Executive Body in the area of finance to secure funds of up to USD 2 billion, of 26 March 2020; Decree 640 authorizing the Executive Body in the area of finance to secure funds of up to USD 1 billion , of 5 May 2020; Decree No. 643, Temporary Law to Facilitate Voluntary

1.24. The principal fiscal and expenditure-related measures to cope with the pandemic included (i) a salary increase of USD 150 for all employees of the Ministry of Health and other public institutions affected by the COVID-19 pandemic; (ii) a one-time subsidy of USD 300 to approximately 75% of all households; (iii) distribution of 2.7 food baskets to affected families worth USD 56 each; (iv) a three-month deferral of utility payments; (v) a three-month extension for the payment of income tax by taxpayers operating in the tourism sector with a taxable income of less than USD 25,000, taxpayers operating in the electricity and telecommunications sectors, and all taxpayers with a tax liability of less than USD 10,000; (vi) a three-month exemption from the special tourism tax for companies operating in the tourism sector; and (vii) the temporary elimination of duty on imports of essential medical and food products (medical textiles, disinfectants, flour, rice and beans).[15]

1.25. During the period under review, the ratio of consolidated central government revenues to GDP increased from 18.1% in 2016 to 21% in 2021 due to higher tax revenues (Table 1.2). Although they fell in nominal terms, tax revenues as a percentage of GDP did not decline during the pandemic, and even increased slightly. Public expenditures accounted for 19.0% of GDP in 2016, rising to 20.7% in 2019. The central government deficit remained relatively stable between 2016 and 2019, ranging from 1.9% to 3.7% of GDP. The deficit rose to 10.4% of GDP in 2020, as a result of the increase in expenditure to 29.2% of GDP in the wake of the implementation of the measures outlined above to cope with the pandemic. Even under the negative impact of the pandemic, the deficit, including pensions and trusts, was 5.9% of GDP in 2021, when spending represented 25.9% of GDP.

Table 1.2 Consolidated central government financial account, 2016-22 Q3

(% of GDP)

	2016	2017	2018	2019[a]	2020[a]	2021[a]	2022 Q3[a]
Revenue and grants	18.1	19.1	19.3	19.1	19.9	21.0	22.1
Current revenue	18.0	19.0	19.0	18.6	19.4	20.9	22.1
Tax revenue (net)	17.2	17.6	18.0	17.7	18.5	20.1	21.4
Non-tax revenue	0.8	1.2	1.0	0.9	0.9	0.8	0.7
Transfers from public corporations	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Transfers from financial public corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.1	0.2	0.2	0.4	0.5	0.1	0.0
Expenditure and net lending	19.0	19.2	20.4	20.7	29.2	25.9	22.6
Current expenditure	16.1	16.5	17.3	17.6	24.0	22.1	20.7
Compensation	6.6	6.5	6.5	6.7	7.8	7.3	6.8
Goods and services	2.5	2.1	2.3	2.3	2.5	2.3	2.1
Interest	2.8	3.1	3.4	3.5	4.2	4.3	4.7
Transfers to:	4.2	4.8	5.2	5.2	9.5	8.2	7.0
Rest of general government	2.8	2.7	3.0	2.9	4.0	3.6	3.8
Public corporations	0.0	0.2	0.0	0.0	0.1	0.0	0.1
Financial public corporations	0.0	0.1	0.1	0.2	0.8	0.8	0.3
Private sector	1.3	1.8	2.0	2.0	4.5	3.7	2.8
Rest of the world	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Capital expenditure	2.9	2.7	3.0	3.1	3.3	3.8	1.9
Gross investment	1.2	1.0	1.4	1.4	1.8	1.9	1.3
Transfers to:	1.7	1.7	1.6	1.7	1.5	1.9	0.7
Rest of general government	1.5	1.4	1.4	1.4	1.2	1.7	0.0
Public corporations	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Financial public corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	0.2	0.3	0.2	0.2	0.2	0.2	0.6
Net lending	0.0	0.0	0.0	0.0	1.9	0.0	0.0
Rest of general government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial public corporations	0.0	0.0	0.0	0.0	1.9	0.0	0.0
Private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current saving	1.9	2.5	1.7	1.0	-4.6	-1.2	1.4
Primary saving	4.7	5.6	5.1	4.5	-0.4	3.2	6.1
Overall surplus/deficit	-1.9	-0.3	-2.5	-3.7	-19.0	-9.9	-1.0
Including grants	-0.9	-0.1	-1.1	-1.6	-9.2	-4.9	-0.5

Compliance with Tax Obligations in view of the National Emergency declared in response to the COVID-19 Pandemic, of 19 May 2020, respectively.

[15] IMF, Policy Responses to COVID-19. Viewed at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

	2016	2017	2018	2019[a]	2020[a]	2021[a]	2022 Q3[a]
Excluding grants	-1.0	-0.2	-1.3	-2.0	-9.8	-5.0	-0.5
Net external financing	0.5	0.9	0.5	0.9	5.3	2.9	-0.3
Debt disbursements	2.5	3.4	2.3	1.1	3.1	3.9	2.1
Bond placement	0.0	0.0	0.0	3.6	3.4	0.0	0.0
Debt amortization	-1.9	-2.4	-1.8	-3.8	-1.2	-0.9	-2.4
Net domestic financing	0.3	-0.9	0.6	0.7	3.9	2.0	0.8
Central Bank	-0.5	0.1	-0.1	0.0	-0.1	0.1	1.3
Commercial banks	0.0	-0.8	0.4	0.5	2.6	1.4	-0.4
Financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds outside the banking system	0.5	0.0	0.4	0.5	1.3	1.0	0.1
Other	0.3	-0.2	-0.1	-0.2	0.2	-0.4	-0.2
Privatization and sale of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension system payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	-0.2	-0.1	-0.2	0.2	-0.4	-0.2
Memorandum item							
Total pensions and trusts	-2.1	-2.2	-1.4	-1.3	-1.2	-1.0	-0.9
Pension Liabilities Trust	-2.1	-2.2	-1.4	-1.3	-1.2	-1.0	-0.9
Surplus (deficit) including pensions and trusts	-3.0	-2.3	-2.5	-2.9	-10.4	-5.9	-1.4
Central government debt	49.0	48.2	47.7	48.0	62.8	58.6	72.9
Foreign debt	34.6	34.8	33.2	33.8	41.5	38.2	45.5
Domestic debt	14.4	13.4	14.5	14.2	21.3	20.5	27.4
Public debt	72.6	73.6	72.9	73.7	92.1	84.8	105.4
Foreign debt	38.5	38.7	36.8	37.1	45.4	41.5	49.1
Domestic debt	34.1	34.8	36.2	36.6	46.7	43.3	56.3

a Preliminary data.

Source: El Salvador Ministry of the Economy.

1.26. During the first months of 2022, the fiscal position continued to improve and the central government recorded a surplus of 1.4% of GDP, including pensions and trusts, in the third quarter of 2022. This largely reflected the increase in tax revenues, which were equivalent to 21.4% of GDP, coupled with a cut in expenditure.

1.27. Public debt remained relatively stable as a percentage of GDP until 2019, but increased sharply in the wake of the pandemic, rising from 72.6% of GDP in 2016 to a peak of 92.1% in 2020, before falling to 84.8% of GDP in 2021. Foreign debt amounted to 41.5% of GDP in 2021, and domestic debt was 43.3%.

1.2.3 Monetary and exchange rate policy

1.28. The Central Reserve Bank of El Salvador (BCR) is responsible for the conduct of monetary and exchange rate policy. Pursuant to the Organic Law of the Central Reserve Bank of El Salvador, the fundamental purpose of the Central Bank is to ensure currency stability and its essential goal is to promote and maintain the most favourable monetary, exchange, credit and financial conditions for the stability of the national economy. In accordance with its Organic Law, the BCR is responsible for: preventing or moderating inflationary and deflationary tendencies; maintaining the liquidity and stability of the financial system; promoting the development of an efficient, competitive and solvent financial system; regulating the expansion of credit in the financial system; ensuring the normal functioning of domestic and foreign payments; adapting the level of the means of payment to the development of production; administering the country's international reserves and the international exchange operations regime; laying down the corresponding policies and regulations in monetary, credit, exchange and financial matters; coordinating its policies with the Government's economic policy; and carrying out the activities, operations and services established by law and other provisions consistent with its nature as a central bank.[16]

1.29. The BCR focuses on managing the following strategic areas for the national economy: (a) regulation and monitoring of the financial system; (b) payment system and financial services; (c) statistics, analysis and short- and medium-term macroeconomic projections; (d) economic and financial research and advice to the Government; (e) serving as financial agent of the State;

[16] Information from the Central Reserve Bank of El Salvador. Viewed at: https://www.bcr.gob.sv/ley-organica/.

(f) service to importers and exporters; and (g) management of international reserves.[17] In its functions of regulating and monitoring the financial system, the BCR proposes regulations, and checks that financial institutions comply with liquidity reserve requirements, which are the funds that each bank must hold in proportion to its deposits, for the security of its depositors. The BCR is the financial agent of the State and, as such, receives deposits from the Government, makes payments on its behalf, advises it on the placement of debt securities, administers these issuances, and ensures that payments pertaining to foreign loans are honoured. In addition, since 2011, the BCR has served as the headquarters of the Import and Export Processing Centre (CIEX), which provides information and authorization services for Salvadoran exporters and importers.

1.30. The US dollar has been legal tender and unit of account of the financial system since the entry into force of the Law on Monetary Integration on 1 January 2001.[18] This Law eliminated three of the BCR's main functions: monetary policy management, serving as lender of last resort to the banking system, and issuing currency. As a dollarized economy El Salvador cannot conduct an independent monetary policy, and therefore the BCR's activities are chiefly limited to managing the liquidity reserve.

1.31. El Salvador was the first country to introduce bitcoin as legal tender by means of Decree No. 57, or the Bitcoin Law, on 8 June 2021 (Box 1.1). The aim of this policy is to foster financial inclusion, as the preamble to the Law states that approximately 70% of the population does not have access to traditional financial services, and that the State is required to facilitate the financial inclusion of its citizens. According to the preamble, in order to boost the country's economic growth, it is necessary to authorize the circulation of a digital currency whose value obeys solely free market criteria, "in order to increase national wealth for the benefit of the greatest number of citizens".

Box 1.1 The Bitcoin Law

The main features of the Bitcoin Law are as follows:

- Bitcoin is unconditional legal tender, to be accepted without restriction in any transaction and as payment for any financial obligation that natural or legal persons, public or private, have to discharge.
- The exchange rate between bitcoin and US dollars shall be freely set by the market
- All prices may be expressed in bitcoin.
- All taxes may be paid in bitcoin.
- Transactions in bitcoin shall not be subject to capital gains taxes in the same way as any legal tender.
- For accounting purposes, the dollar shall be used as the reference currency.
- All economic agents must accept bitcoin as a form of payment when it is offered by the person acquiring a good or service.
- Without prejudice to the activities of the private sector, the State shall provide alternatives that allow users to carry out transactions in bitcoin, and to have automatic and instantaneous convertibility from bitcoin to dollars should they so wish.
- All monetary obligations expressed in dollars, existing prior to the enactment of the Bitcoin Law, may be paid in bitcoin.

Source: Bitcoin Law.

1.32. The BCR issued technical standards to facilitate the implementation of the Bitcoin Law in August 2021.[19] The main points are set out in Box 1.2 below.

[17] Information from the Central Reserve Bank of El Salvador. Viewed at: https://www.bcr.gob.sv/funciones/.

[18] Decree No. 201 of 11 December 2000. The Law on Monetary Integration may be viewed at https://ssf.gob.sv/wp-content/uploads//ssf2018/Otras%20Leyes/Ley_integracion_monetaria.pdf.

[19] Central Reserve Bank of El Salvador, *Normas Técnicas para Facilitar la Aplicación de la Ley Bitcoin*, 18 August 2021. Viewed at: https://www.bcr.gob.sv/regulaciones/upload/Normas_Tecnicas_para_Facilitar_la_Aplicacion_de_la_Ley_Bitcoin.pdf.

Box 1.2 Technical standards to facilitate the implementation of the Bitcoin Law, August 2021

Technical standards to facilitate the implementation of the Bitcoin Law, of 17 August 2021
The parties required to comply with the Rules are banks, cooperative banks, and savings and credit societies that are interested in providing the service of converting dollars to bitcoin and vice versa, through providers of: (a) bitcoin and dollar digital wallets; (b) digital exchange houses or exchanges for bitcoin and dollars; (c) bitcoin and dollar payment service providers; and (d) any other agent in the value chain of the product or service related to these Standards, such as: bitcoin-related technology custodians and providers.
1. The products and services referred to in these bitcoin standards are considered to be legal tender in the territory of El Salvador only.
2. Bitcoin is defined by the Bitcoin Law as legal tender that uses blockchain technology.
3. A digital wallet for bitcoin and dollars is defined as the digital record of bitcoins or dollars for a natural or legal person, which shall be housed on a digital platform.
4. Bitcoin ATMs are being installed to allow customers to make, *inter alia*, cash withdrawals, transfers between accounts and payments for services.
5. The concept of digital exchange house is established, defined as a bitcoin or dollar exchange house, incorporated as a corporation authorized by the Superintendency of the Financial System, whose regular activity is the purchase and sale of bitcoin through an electronic platform or computer applications at prices determined by market supply and demand.
6. Bitcoin custodians are constituted: companies engaged in the provision of custody services, on behalf of third parties, of bitcoin or the means of accessing said bitcoin, in the form of private encryption keys.
7. Bitcoin and dollar payment service providers are defined as public limited companies with fixed capital whose purpose shall be restricted to the provision of bitcoin and dollar payment services.
8. Entities wishing to conduct bitcoin transactions must maintain sufficient financial and non-financial resources to provide their services and satisfy their customers; have effective means for the protection of customers' assets and money when responsible for them; have effective corporate governance arrangements; ensure that their security access systems and protocols are maintained to high standards; have systems in place to prevent, detect and disclose financial crime risks, such as money- and asset-laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction; and be resilient and have contingency arrangements for the orderly and solvent liquidation of their business.
9. Service providers are under the obligation to keep information on operations carried out in a secure means of storage for a period of 15 years from the date of completion of each operation; as regulated entities, they must also comply with the provisions of the Anti-Money- and Asset-Laundering Law, its regulations and other relevant, nationally-applicable regulations and instructions.
10. Furthermore, they must apply international standards concerning the prevention of money- and asset-laundering, and financing of terrorism and the proliferation of weapons of mass destruction, they must therefore establish a monitoring framework and have software that allows transactions to be analysed, complying at least with the following: (a) a risk-based approach and management measures; (b) the traceability and transfer of customer information; (c) customer due diligence; (d) due diligence of politically exposed persons; (e) the mitigation of new technologies; (f) the monitoring, control and reporting of wire transfers; (g) internal controls; and (h) the reporting of suspicious and other transactions.
11. Customers should be provided with clear and timely information regarding the services provided and the conditions of access to such services, including fees and commissions.
12. Banks, cooperative banks and savings and credit societies interested in providing bitcoin and dollar convertibility services and vice versa shall submit to the Superintendency of the Financial System a no objection application to provide bitcoin and dollar convertibility services, with supporting documents.
13. Persons subject to the Standards may contract bitcoin-to-dollar convertibility services, digital wallets, custody and other services at their own expense and under their own responsibility.
14. Responsibilities of the digital wallet provider: the financial institution must ensure that the electronic platform of the digital wallet allows bitcoin to be converted to dollars and dollars to bitcoin. The digital wallet provider assumes full responsibility vis-à-vis the customer for all transactions and services carried out through the electronic platform and is liable to its customer for any non-compliance.
15. The entity must provide customers, through electronic means, with information prior to entering into the service contract, detailing, *inter alia*, the volatility of the value of bitcoin; the fees to be charged; and the inherent fraud and cyber risks.

Source: Central Reserve Bank of El Salvador, *Normas Técnicas para Facilitar la Aplicación de la Ley Bitcoin*, 18 August 2021. Viewed at: https://www.bcr.gob.sv/regulaciones/upload/Normas_Tecnicas_para_Facilitar_la_Aplicacion_de_la_Ley_Bitcoin.pdf.

1.33. In order to support bitcoin operations and assume part of the risk thereof, the Law creating the Bitcoin Trust[20] was adopted in August 2021, with a capital of USD 150 million, the purpose of which is to constitute and regulate the operation of the "*Fidebitcoin*" (bitcoin trust), creating the

[20] Legislative Decree No. 137 of 31 August 2021.

digital wallet, Chivo Wallet.[21] The administrative agent is the Development Bank of El Salvador (BANDESAL). As administrator of the trust's resources and the digital wallet, BANDESAL must keep a register of persons who are eligible to access it, to send, receive and instantly convert USD to bitcoin.[22] A one-time signup bonus in the amount equivalent to USD 30 is given to users who are natural persons. The administrator of the digital wallet shall carry out the necessary checks to prevent asset laundering, terrorist financing, and/or to protect against fraud, any crime or the violation of legal regulations. The trust shall provide the administrator of the digital wallet with the financial resources necessary for the fulfilment of the objectives of *Fidebitcoin*.

1.34. The BCR does not keep separate statistics regarding the use of bitcoin, as according to the Bitcoin Law the USD is the unit of account. It is therefore difficult to quantify its use. An estimated 4 million users avail themselves of the Chivo e-wallet.

1.35. During the period under review and to address the negative effects of the pandemic, the BCR implemented a series of measures to facilitate access to credit and ease the financial burden on individuals and businesses. These include reducing banks' reserve requirements by 25% for newly issued loans; reducing banks' statutory reserve requirements for various liabilities by about 12%, to around 9% of deposits; modifying provisions for bad loans by freezing credit ratings; imposing a temporary moratorium on credit risk ratings; and temporarily relaxing lending conditions through a grace period for loan repayments. Moreover, the President of the Republic championed the establishment of a USD 650 million trust fund, administered by BANDESAL, to support workers and SMEs.[23]

1.36. Interest rates remained stable during the period under review. The lending rate for loans with a term of up to one year ranged between 6.1% and 6.6%. Although nominal rates were low, real rates were relatively high in some years, particularly in 2019, when inflation was negative, but rates fell in 2021 when inflation rose.

1.37. Inflation, measured as the average annual change in the Consumer Price Index (CPI), remained at very reasonable levels for most of the period under review, ranging from -0.1% in 2019 to a peak of 2% in 2017. From 2021 onwards, however, with accelerating growth and external inflationary pressures, prices started to increase. The CPI change for 2021 was 6.1% and 7.4% in the 12 months ending in July 2022. The CPI trend was partly affected by the hike in the international price of food and raw materials, and the supply shortages, despite the appreciation of the US dollar against other currencies, which had a mitigating effect.

1.38. El Salvador does not impose any controls on foreign currency transactions.

1.2.4 Balance of payments

1.39. The balance-of-payments current account of El Salvador ran a growing deficit between 2016 and 2018, rising to USD 859 million (3.3% of GDP) (Table 1.3). In 2019, the deficit narrowed to USD 113 million, equivalent to 0.4% of GDP. In 2020, as an effect of the pandemic, both exports and imports of goods and services dropped, but imports fell by a larger proportion, and a surplus of USD 203 million (0.8% of GDP) was recorded. In 2021, as the economy recovered, the balance-of-payments current account deteriorated to a deficit of USD 1,457 million, or 5.1% of GDP. In the first three quarters of 2022, the deficit amounted to USD 2,073 million, or 8.9% of GDP, mainly due to an increase in the merchandise trade deficit.

Table 1.3 Balance of payments, 2016-22 Q3

(USD million)

	2016	2017	2018	2019	2020[a]	2021[a]	2022 Q3[a]
1. Current account	**-550**	**-465**	**-859**	**-113**	**203**	**-1,457**	**-2,073**
Goods and services	-3,846	-4,111	-4,758	-4,412	-4,469	-7,263	-6,339
Goods	-4,654	-4,845	-5,640	-5,709	-5,147	-8,208	-7,486

[21] Online information from Chivo Wallet. Viewed at: https://www.chivowallet.com/index.html#beneficios.

[22] Regulations governing the operation of *Fidebitcoin*. Viewed at: https://www.bandesal.gob.sv/reglamento/.

[23] IMF, Policy Responses to COVID-19. Viewed at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

	2016	2017	2018	2019	2020[a]	2021[a]	2022 Q3[a]
Exports (f.o.b)	4,322	4,667	4,736	4,748	4,142	5,385	4,596
Imports (f.o.b.)	8,976	9,512	10,376	10,457	9,289	13,592	12,082
Services	808	733	882	1,297	678	945	1,147
Credits	2,549	2,557	2,829	3,309	2,153	3,106	3,139
Debits	1,741	1,824	1,947	2,012	1,475	2,162	1,992
Primary income	-1,246	-1,388	-1,470	-1,341	-1,315	-1,624	-1,370
Compensation of employees	-31	-26	-36	-34	-21	-22	-2
Investment income	-1,216	-1,362	-1,434	-1,307	-1,294	-1,602	-1,368
Direct investment	-821	-914	-952	-854	-844	-1,125	-882
Portfolio investment	-252	-298	-308	-308	-307	-315	-303
Other investments	-170	-187	-250	-246	-191	-173	-206
Reserve assets	26	37	75	100	48	12	23
Secondary income	4,542	5,035	5,369	5,640	5,987	7,431	5,636
General government	10	95	24	14	99	81	110
Financial corporations, non-financial corporations, households and NPISHs	4,532	4,939	5,345	5,625	5,887	7,349	5,526
Personal transfers	4,427	4,835	5,238	5,457	5,765	7,248	5,453
Of which: Workers' remittances	4,544	4,978	5,373	5,631	5,911	7,465	5,636
Other transfers	105	104	108	168	123	101	73
2. Capital account	**70**	**85**	**203**	**248**	**300**	**266**	**214**
Capital transfers	70	85	203	248	300	266	214
General government	16	30	118	156	212	140	104
Financial corporations, non-financial corporations, households and NPISHs	54	55	86	92	89	126	110
3. Net lending (+) / borrowing (-) (Current and capital account balance)	**-480**	**-380**	**-656**	**134**	**503**	**-1,191**	**-1,859**
4. Financial account net lending (+)/borrowing (-)	**-787**	**-552**	**-1,248**	**-139**	**-1,207**	**-1,500**	**-866**
Direct investment	-348	-889	-826	-636	-281	-313	45
Equity and investment fund shares	-425	-844	-129	-575	-88	-699	159
Debt instruments	77	-45	-697	-61	-193	385	-113
Portfolio investment	-365	-321	110	-17	251	-303	324
Equity and investment fund shares	1	0	0	20	518	60	55
Debt securities	-366	-321	109	-38	-267	-363	270
Financial derivatives	0	0	0	0	0	0	0
Other investments	-526	351	-533	-361	210	-1,242	-1,632
Other equity	0	0	-7	0	0	0	0
Currency and deposits	339	272	-297	30	525	339	-321
Loans	-692	25	-236	-37	-588	-1,257	-578
Insurance, pensions and standardized guarantee schemes	..	..	..	0	0	155	102
Commercial loans	-4	-3	-68	-46	-78	-191	-83
Other accounts receivable/payable	-169	56	75	-308	351	101	-751
Special drawing rights	0	0	0	0	0	-390	0
Reserve assets	452	308	2	876	-1,387	359	396
5. Errors and omissions	**-307**	**-172**	**-592**	**-273**	**-1,711**	**-309**	**993**
6. Memorandum item: Foreign direct investment in El Salvador (net)	**347**	**889**	**826**	**636**	**280**	**314**	**-45**
Memorandum							
Current account (% of GDP)	-2.3	-1.9	-3.3	-0.4	0.8	-5.1	-8.9
Total foreign debt (millions of USD)	16,376	16,474	16,603	17,350	18,731	20,286	21,133

.. Not available.

a Preliminary data.

Note: The country's family remittances are included and divided between two balance-of-payments accounts: (a) the current account, as secondary income of financial corporations, non-financial corporations, households and NPISHs, and within these under the sub-account of personal transfers, particularly workers' remittances; and (b) the capital account, under financial corporations, non-financial corporations, households and NPISHs, as long as they are destined for a Salvadoran household.

Source: Central Reserve Bank of El Salvador.

1.40. The deficit in the balance of trade in goods grew between 2016 and 2019, before improving in 2020 as a result of the pandemic. However, it reached a record level in 2021, when it totalled USD 8,208 million. Meanwhile, the services balance has been in surplus during the period under review (see below). The goods trade balance recorded a deficit of USD 4,918 million in the first half of 2022, an increase of USD 1,243 million (34%) over the first half of 2021.[24] The cumulative deficit in the first three quarters of 2022 amounted to USD 7,486 million.

1.41. As noted in the previous review, the current account deficit has continued to be offset by the high level of current transfers, mainly in the form of remittances from Salvadorans living abroad. Remittances from abroad reached a record level of USD 7,465 million in 2021, equivalent to 26% of GDP. Remittances amounted to USD 5,636 million in the first three quarters of 2022.

1.42. The balance-of-payments financial account has run a deficit during the entire period under review, reflecting the rise in net borrowing. Net FDI flows have averaged 2% of GDP. The level of net international reserves was USD 2,941 million as of September 2022. Of these reserves, 78% were held in the investment portfolio.

1.43. At 30 September 2022, the total foreign debt stock amounted to USD 21,133 million (nearly 75% of GDP).

1.3 Developments in trade and investment

1.3.1 Trends and patterns in merchandise and services trade

1.3.1.1 Merchandise trade

1.44. Merchandise trade continued to increase during the period under review, with the exception of 2020 due to the effect of the pandemic. However, in 2021, there was a strong recovery in both *maquila* imports and exports relative to the respective totals. Total trade (including *maquila*) reached USD 21,704.7 million in 2021, equivalent to just over two thirds of GDP.

1.45. Cumulative Salvadoran exports reached USD 5,688.9 million by September 2022, exceeding the same period in 2021 by USD 757.6 million, which represented growth of 15.4%. This is the result of the additional contribution of traditional goods, in the amount of USD 83.2 million (an extra 33.2%), non-traditional goods worth USD 530.6 million (14.2%) and *maquila* worth USD 143.9 million (15.1%).[25]

1.46. Merchandise imports as of September 2022 totalled USD 13,488.2 million, up by 24.4% (USD 2,644.4 million) over the same period in 2021.

1.3.1.1.1 Composition of merchandise trade

1.47. Charts 1.1 and 1.2, and Tables A1.1-A1.4, show the composition of trade during the period under review. The structure of El Salvador's exports did not change substantially in the period from 2016 to 2021, as the share of textiles and apparel remained above or around one third of the total, excluding *maquila* exports. In the case of *maquila* exports, textile and apparel exports continued to account for the largest share, and their percentage of the total falling from 79.3% in 2016 to 69.9% in 2021. Prepared foodstuffs remained the second largest non-*maquila* export category, representing 17.1% of the total in 2021. They are followed by plastics, paper and chemicals.

1.48. Of the USD 5,688.9 million-worth of exports as of September 2022, manufacturing industries exports were valued at USD 5,417.2 million, a year-on-year increase of 13.9%. The main industry sectors were the *maquila* industry (USD 1,099.2 million), apparel (USD 1,014.1 million), prepared foodstuffs (USD 796.3 million), textile products (USD 444.5 million), and rubber and plastic products (USD 426.6 million). Among *maquila* products, the most important were apparel

[24] Central Reserve Bank of El Salvador, "*El Salvador exportó USD 3.802,3 millones en el primer semestre de 2022 con un crecimiento de 16,8%*". Press release of 18 July 2022.
[25] Central Reserve Bank of El Salvador.

(USD 729.6 million, year-on-year growth of 10.4% compared to September 2021) and electrical capacitors (USD 202.5 million, +12.7%).

1.49. Regarding imports, manufactured products accounted for one third of the total in 2021. Machinery, transport equipment, textiles, plastics and chemicals account for a large share of manufacturing imports (Table A1.4). Imports of mineral products, mostly fuels, slightly increased their share of total imports, up to 14.3% in 2021.

1.50. Of the USD 13,488.2 million-worth of imports as of the third quarter of 2022, consumer goods accounted for USD 5,018.9 million (a year-on-year increase of USD 887.4 million). Imports of intermediate goods reached USD 5,707.8 million (up 31.4% compared to the same period in 2021). Meanwhile, the value of imports of capital goods reached USD 2,101.3 million (+15.1%). Imports of information and communication technology (ICT) goods totalled USD 540.77 million, with computers and communication equipment accounting for USD 284.4 million and USD 116.4 million, respectively. Imports of petroleum products amounted to USD 2,186.9 million (+70.2%), mainly gasoline (USD 703.5 million), diesel (USD 619.7 million), propane and liquefied gas (USD 334.6 million), fuel oil (USD 90.7 million) and kerosene for jet engines (USD 135.0 million).[26]

1.3.2 Direction of trade

1.51. El Salvador's main export markets (excluding *maquila* exports) continue to be the other members of the Central American Common Market (CACM) and the United States (Chart 1.3 and Table A1.5). Within the Central American region, Guatemala has become the leading destination for El Salvador's exports, accounting for 17.3% of the total in 2021, compared with 13.7% in 2016. It is followed by Honduras, with 16.4% in 2021 (14.1% in 2016), and Nicaragua, with 7.4% (7.2% in 2016). Although its share of the total declined, the United States remained the main destination for Salvadoran exports, accounting for 39.9% of the total in 2021, compared to 47.2% in 2016.

1.52. The United States continues to be El Salvador's main supplier of goods. However, its relative weight as a source of imports decreased in the period under review, having been the provenance of 27.1% of imports (including *maquila* products) in 2021, compared to 32.3% in 2016. China was El Salvador's second largest single supplier in 2021, accounting for 16.8% of the total, followed by Guatemala (10.6%) and Mexico (8.1%) (Table A1.6). The share of imports from the European Union was 6.0%, with Spain, Germany and Italy being the main European exporters.

1.53. As of the third quarter of 2022, exports to the United States (including *maquila* products) totalled USD 2,197.6 million, up 10.6% (USD 210.6 million) year-on-year, and accounted for 38.6% of total exports. Exports to the Central American region made up 45.1% of the total (USD 2,567.4 million), with Guatemala and Honduras accounting for 17.1% and 16.7% (USD 976.9 million and USD 952.6 million, respectively) of total exports. The main products exported in the third quarter of 2022 were knitted T-shirts and singlets with USD 637.9 million, followed by jerseys, pullovers and similar articles (USD 402.8 million), plastic articles for the conveyance or packing of goods (USD 246.6 million), electrical capacitors or electronic microchips (USD 202.5 million) and cane sugar (USD 182.4 million).[27]

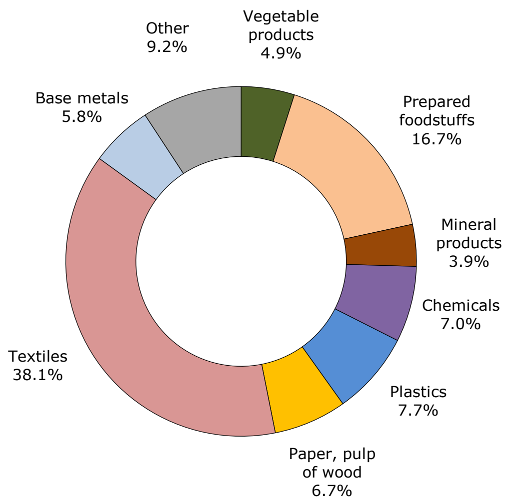
1.54. As of the third quarter of 2022, 69.7% of total imported goods originated from only five trading partners: the United States with USD 3,959.4 million (29.4% of the total); China with USD 2,198.9 million (16.3% of the total); Guatemala with USD 1,411.2 million (10.5%); Mexico with USD 1,061.5 million (7.9%) and Honduras with USD 773.5 million (5.9%).

[26] Information from the Central Reserve Bank of El Salvador.
[27] Information from the Central Reserve Bank of El Salvador.

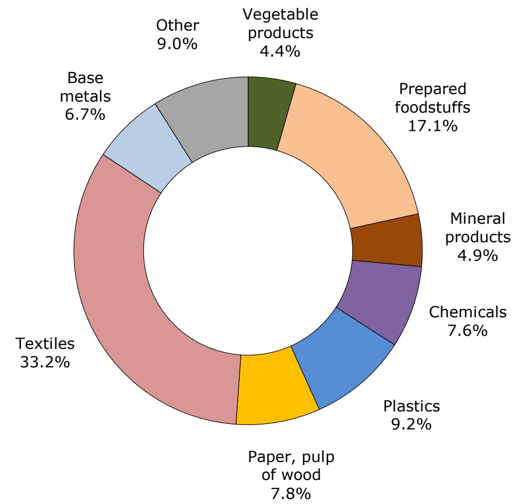
Chart 1.1 Non-*maquila* merchandise trade, by main products, 2016 and 2021

2016 | **2021**

(a) Exports

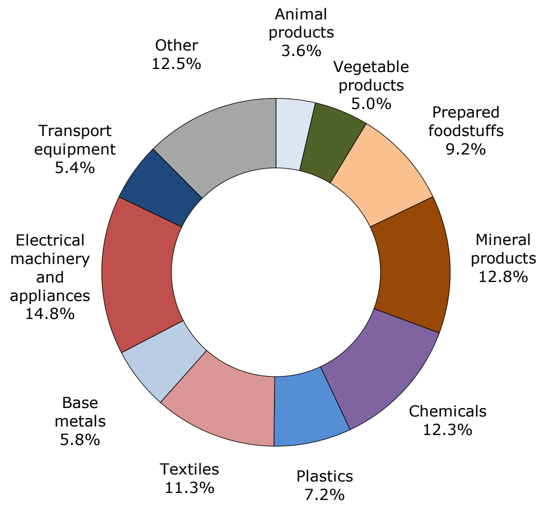


Total: USD 4,316 million

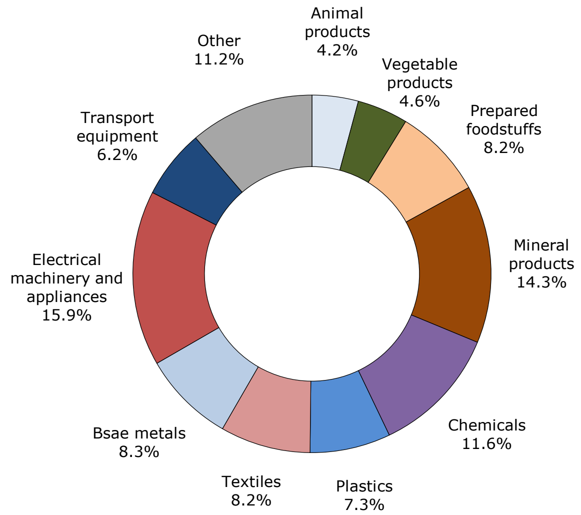


Total: USD 5,377 million

(b) Imports



Total: USD 9,391 million



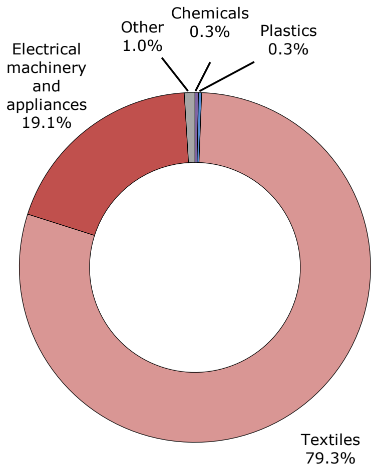
Total: USD 14,370 million

Source: WTO Secretariat calculations, based on data from the Central Reserve Bank of El Salvador.

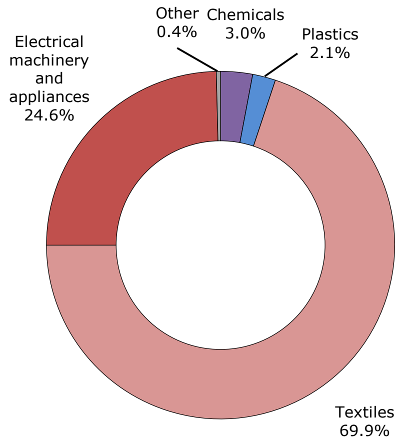
Chart 1.2 Trade in *maquila* goods, by main products, 2016 and 2021

2016	2021

(a) Exports

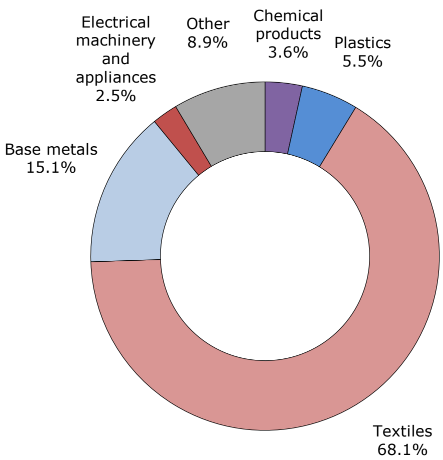


Total: USD 1,104 million

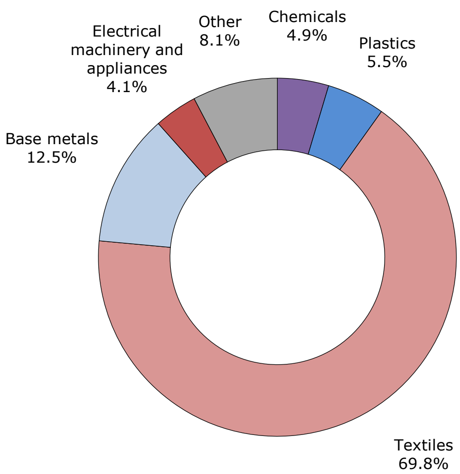


Total: USD 1,252 million

(b) Imports



Total: USD 434 million



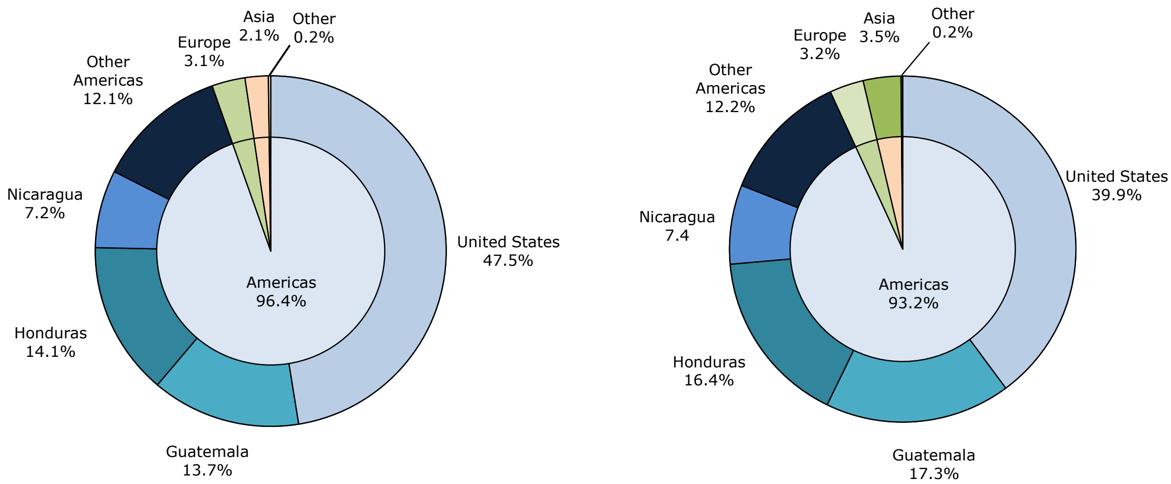
Total: USD 706 million

Source: WTO Secretariat calculations, based on data from the Central Reserve Bank of El Salvador.

Chart 1.3 Merchandise trade, by trading partner, 2016 and 2021

2016 **2021**

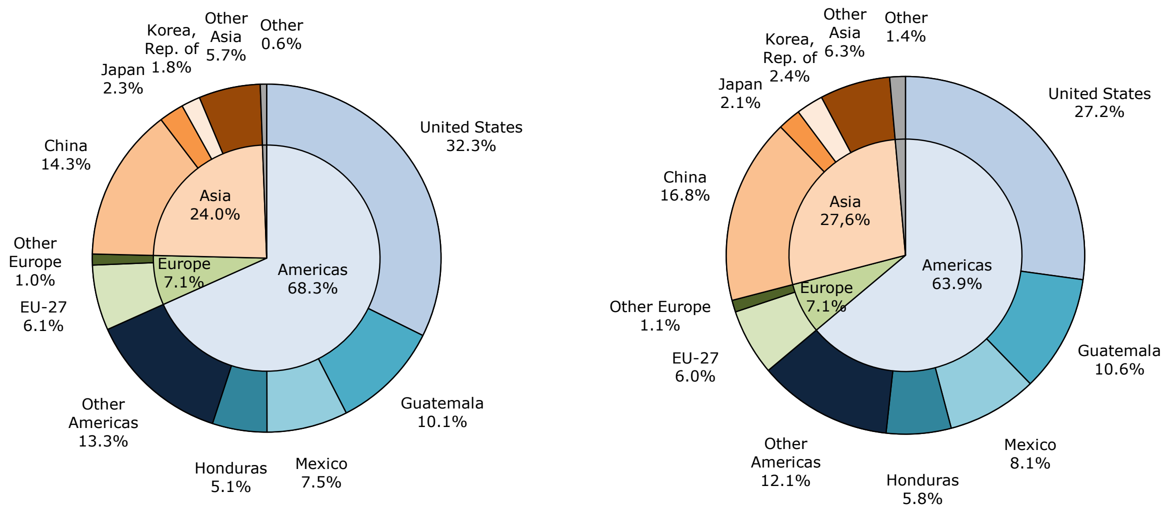
(a) Total exports



Total: USD 5,420 million

Total: USD 6,629 million

(b) Total imports



Total: USD 9,826 million

Total: USD 15,076 million

Source: WTO Secretariat calculations, based on data from the Central Reserve Bank of El Salvador.

1.3.2.1 Trade in services

1.55. Despite the crisis caused by the pandemic, the balance of trade in services was in surplus throughout the period under review. This surplus gradually increased between 2017 and 2019, when it reached USD 1,297 million, which is equivalent to 4.8% of GDP. The largest surpluses were under the "travel" item and in the value added of *maquila* activities, in the category "Manufacturing services on physical inputs owned by others". The trade balance shows deficits in most other services categories, with the exception of telecommunications, computer and information services, government services, and, more recently, other business services (Table 1.4). The largest deficits were in transport and insurance and financial services.

Table 1.4 Balance of trade in services, 2016-22 Q3

(USD million)

	2016	2017	2018	2019	2020	2021	2022 Q3
SERVICES BALANCE	**808**	**733**	**882**	**1,297**	**678**	**945**	**1,147**
Credit	**2,549**	**2,557**	**2,829**	**3,309**	**2,153**	**3,106**	**3,139**
Manufacturing services on physical inputs owned by others	663	482	561	539	423	573	464
Maintenance and repair services	136	190	264	321	250	376	320
Transport	451	483	476	526	273	441	453
Travel	829	873	1,014	1,306	636	993	1,290
Construction	12	21	18	34	18	9	5
Insurance and pension services	43	40	42	47	24	49	40
Financial services	49	58	54	72	64	75	53
Charges for the use of intellectual property	56	62	8	3	1	0	0
Telecommunications, computer and information services	184	204	218	244	236	324	277
Other business services	66	78	95	109	124	140	119
Personal, cultural and recreational services	0	0	0	0	0	0	0
Government goods and services	60	66	80	109	104	128	118
Debits	**1,741**	**1,824**	**1,947**	**2,012**	**1,475**	**2,162**	**1,992**
Manufacturing services on physical inputs owned by others	0	0	0	0	0	0	0
Maintenance and repair services	45	84	116	141	71	120	107
Transport	626	649	718	721	590	974	907
Travel	412	418	443	482	148	283	421
Construction	59	36	36	6	6	14	6
Insurance and pension services	153	157	208	211	190	214	183
Financial services	140	171	153	177	213	219	109
Charges for the use of intellectual property	137	138	89	98	98	112	89
Telecommunications, computer and information services	48	53	51	56	58	82	46
Other business services	93	94	107	90	76	98	61
Personal, cultural and recreational services	2	2	2	2	1	0	2
Government goods and services	26	20	24	29	26	46	64

Source: Central Reserve Bank of El Salvador.

1.56. After shrinking in 2020, the surplus grew again in 2021 (to USD 945 million), due to increases in credits for travel, transport and telecommunications, and above all, due to an increase in loans to the *maquila* industry. The trend continued in 2022, when the surplus amounted to USD 1,147 million in the first three quarters of the year.

1.3.3 Trends and patterns in foreign direct investment

1.57. The stock of foreign investment in El Salvador reached USD 10,378.3 million by the end of 2021, of which USD 3,078 million went to the financial sector; USD 2,499 million went to manufacturing activity; USD 1,501 million to retail trade; USD 1,288 million went to the telecommunications sector; and USD 1,264 million to the electricity sector (Table 1.5). Transport was also an important sector for FDI inflows. Net flows of FDI during the review period amounted to USD 548.8 million on average.

Table 1.5 Balance of foreign direct investment by recipient economic sector 2016-22 Q3

(USD million)

	2016	2017	2018	2019	2020	2021	2022 Q3[a]
Agriculture	6	15	22	16	9	4	2
Mining	51	52	52	52	52	0	C.
Manufacturing industries	2,438	2,657	2,667	2,484	2,472	2,499	2,282
Electricity supply	887	966	1,052	1,220	1,223	1,264	1,322
Construction	67	33	29	28	30	31	C.

	2016	2017	2018	2019	2020	2021	2022 Q3[a]
Wholesale and retail trade	772	855	962	1,337	1,400	1,501	1,966
Transport and storage	49	90	182	242	226	258	261
Information and communications	1,255	1,215	1,098	1,006	1,353	1,288	1,181
Financial and insurance activities	3,154	3,171	3,187	3,140	2,970	3,078	3,071
Other sectors	367	330	415	455	424	455	477
Totals	**9,047**	**9,384**	**9,666**	**9,981**	**10,159**	**10,378**	**10,584**

C. Confidential information

a Preliminary data.

Note: From 2007 to date, the figures for foreign direct investment in the country have been adjusted following the incorporation of new, updated information and methodological changes arising from the information from the Coordinated Direct Investment Survey (CDIS), launched by the IMF in 2009. Participation in the CDIS allowed direct investment statistics to be improved and the coverage of the sample of enterprises surveyed to be expanded, while initiating actions to move towards the adoption of the new concepts, definitions and measurements proposed by the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). The main changes are the inclusion of information on "fellow enterprises", in addition to that traditionally used concerning direct investors, and the incorporation of the reserves item in the concept of direct investment, as well as equity, reinvested earnings and loans between investment enterprises. Investment data are presented on a net basis, i.e. the assets that invested enterprises hold with their parent companies are deducted from direct investment liabilities, so a country's balance may eventually be negative.

Source: Central Reserve Bank of El Salvador.

1.58. Panama and the United States are the main source of foreign investment in El Salvador, with investments totalling USD 4,014 million and USD 2,146 million, respectively, in 2021 (Table 1.6). Other major investors were Spain, Colombia and Mexico.

Table 1.6 Balance of foreign direct investment, by origin 2016-22 Q3

(USD million)

	2016	2017	2018	2019	2020	2021	2022 Q3[a]
Central America	**463**	**633**	**802**	**598**	**540**	**463**	**546**
Costa Rica	82	81	88	86	75	52	37
Guatemala	297	332	528	338	266	164	214
Honduras	91	220	197	177	205	258	306
Nicaragua	-7	0	-12	-2	-6	-11	-11
Other countries of the Americas	**7,338**	**7,466**	**7,618**	**7,977**	**7,937**	**8,201**	**8,112**
Bahamas	19	19	19	27	68	65	52
Bermuda	20	13	22	126	131	89	C.
Brazil	22	20	27	31	30	33	37
Canada	310	320	340	220	-21	-21	-21
Cayman Islands	7	2	1	135	186	90	160
Chile	0	0	0	0	6	0	C.
Colombia	790	731	760	843	854	894	899
Mexico	870	825	894	728	746	696	1,041
Panama	2,358	2,731	2,784	3,280	3,665	4,014	3,775
Peru	70	58	58	87	59	80	90
United States	2,470	2,606	2,432	2,204	2,059	2,146	1,814
Virgin Islands	402	140	281	297	155	115	128
Europe	**1,079**	**1,071**	**1,134**	**1,419**	**1,768**	**1,869**	**1,663**
Belgium	9	10	6	9	13	15	C.
Czech Republic	2	4	7	7	10	12	C.
France	4	40	74	134	132	114	122
Germany	84	55	52	62	28	32	34
Italy	49	7	0	0	0	0	0
Luxembourg	2	82	22	0	7	-7	-2
Netherlands	49	42	56	48	61	28	44
Spain	829	785	825	1,071	1,408	1,546	1,278

	2016	2017	2018	2019	2020	2021	2022 Q3[a]
Sweden	14	4	4	5	5	14	C.
Switzerland	37	40	90	82	103	116	131
Asia	**94**	**99**	**101**	**94**	**76**	**82**	**83**
Korea, Rep. of	32	38	41	39	32	30	32
Japan	44	44	45	44	38	45	48
Singapore	0	0	0	0	0	0	C.
Chinese Taipei	18	18	14	11	6	6	5
Other countries	73	115	10	-107	-161	-236	179
Totals	**9,047**	**9.384**	**9,666**	**9,981**	**10,159**	**10,378**	**10,584**

C. Confidential information.

a Preliminary figures.

Source: Central Reserve Bank of El Salvador.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. There are three branches of power in the Republic of El Salvador: the executive, the legislative and the judiciary. The Court of Audit of the Republic, an institution independent of the three branches of Government, ensures transparency in public governance.

2.2. Legislative power is exercised by the Legislative Assembly, which is unicameral. The Assembly is composed of 84 deputies, representing the country's 14 departments, who are elected by direct suffrage and proportional representation every three years. It is responsible for drafting, approving, amending and repealing domestic laws and decrees, and debating and ratifying international treaties.

2.3. Executive power in El Salvador is exercised by the President of the Republic, who is elected by universal suffrage for a five-year term. The President of the Republic designates the ministries or state secretariats and appoints the ministers and vice-ministers of State. The President, Vice-President and ministers of State form the Council of Ministers, which is responsible, *inter alia*, for preparing the general government plan and preparing the draft state budget. The President has the power to negotiate, conclude and sign international treaties, conventions or agreements, and to direct the country's economy by deciding on economic and social policy. The most recent presidential election was held in February 2019.

2.4. Judicial power is exercised by the Supreme Court of Justice, courts of appeal and lower courts (courts of first instance and magistrates' courts). The Supreme Court of Justice consists of 15 judges, one of whom is President of the Supreme Court, the Constitutional Division and the judicial branch.[1] The National Judicial Council, an independent institution, is tasked with proposing to the Legislative Assembly candidates for the appointment of Supreme Court judges, court of appeal judges and other judges. Supreme Court judges are appointed for a nine-year term, with five judges appointed every three years who can be re-elected for one three-year term.

2.5. The territory of El Salvador is divided into 14 departments, grouped into three geographical areas (western, central and eastern), which comprise 39 districts and 262 municipalities. Each department is headed by a governor appointed by the President of the Republic. In turn, the municipalities are governed by councils consisting of a mayor, a trustee and two or more municipal advisers. Municipal councils are elected for a three-year term.

2.6. The power of legislative initiative rests with (i) deputies, (ii) the President of the Republic through their ministers, (iii) the Supreme Court of Justice in the realm of its competence, (iv) municipal councils in matters of municipal taxes, and (v) the Central American Parliament (through the Salvadoran deputies members of that Parliament) in matters relating to Central American integration. Draft laws approved by the Legislative Assembly are submitted to the President of the Republic, who is empowered to approve them and order their publication, or to veto them. Draft laws vetoed by the President are returned to the Legislative Assembly for reconsideration. However, if a two-thirds majority of deputies ratifies the vetoed text, the President has to approve and publish it. Laws become binding only after being published in the Official Journal.

2.7. The provisions of international treaties form part of the Republic's law once they have been ratified and published in the Official Journal. Domestic legislative procedures must be followed in order for provisions requiring implementing regulations to become national law. Domestic laws may not amend or repeal the covenants of an international treaty and the latter prevails in the event of a conflict between its provisions and those of domestic laws. International treaties may not restrict or in any way affect constitutional provisions. In certain circumstances, approval by the Legislative Assembly is not required for the decisions and regulations of the Central American Common Market (CACM), and a ministerial decision suffices.

[1] The Supreme Court of Justice is divided into four divisions, namely, the Constitutional Division, the Civil Division, the Criminal Division and the Administrative Litigation Division.

2.2 Trade policy formulation and objectives

2.8. Trade policy management falls mainly under the responsibility of the Ministry of Economic Affairs (MINEC), whose functions relate to increasing production and productivity, industrial promotion and diversification, the efficiency of production processes, developing domestic, regional and international trade and opening or expanding markets for domestic products, and examining and analysing determinants of the country's economic and social development. MINEC's responsibilities include participating in the development and implementation of trade and investment policy and negotiating and administering trade and investment-related international agreements. MINEC is also responsible for implementing policies relating to productive innovation and business competitiveness, developing the credit system, regulating and monitoring the non-metallic mining sector and the hydrocarbon market, and the electronic signature system. MINEC's remit includes the Permanent Representation of El Salvador to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO).[2]

2.9. In 2019, the support units serving the Office of the President of the Republic were expanded through the creation of the Secretariat for Trade and Investment and the Secretariat for Innovation.[3] These Secretariats act as coordinating bodies with the ministries and other governmental institutions. They were created to remove barriers and bottlenecks, with a view to promoting the country's sustained economic growth and taking advantage of the various trade instruments and agreements.

2.10. The Secretariat for Trade and Investment is responsible, *inter alia*, for (i) representing domestic interests in the development of bilateral trade policy and contributing to defining El Salvador's position in international institutions in the field of international trade and investment, (ii) defining and monitoring the strategic framework for trade and economic relations between El Salvador and the rest of the world, (iii) identifying and proposing solutions to barriers to trade, investment and government procurement, (iv) participating in the negotiation of international treaties relating to the promotion and protection of foreign investment, (v) proposing regulations relating to foreign investment, and (vi) monitoring and participating in negotiations on official financial support for internationalization in international forums on export credits.

2.11. The responsibilities of the Secretariat for Innovation include designing strategies to improve the efficiency of public services through the appropriate use of information and communication technologies, promoting public policies for standardization and harmonization to ensure best practices in the management and quality of public services, and the ongoing, timely and transparent monitoring of government management.

2.12. The fundamental principles of El Salvador's trade policy continue to be to deepen Central American integration, promote access to foreign markets and improve the country's integration into the international economy. The Government Plan (*Plan Cuscatlán*), drafted in 2019, sets out, *inter alia*, the following foreign policy objectives: (i) further Central American integration, based on a holistic approach, (ii) promote foreign direct investment (FDI) through institutional strengthening and increased regional economic integration, and (iii) boost foreign trade by making use of existing trade treaties and multilateral agreements, promoting local MSMEs' exports and facilitating customs transit.[4]

2.13. During the review period, El Salvador developed a long-term strategy, the Trade and Investment Policy 2020-50, published in 2021, setting out fundamental principles to guide institutional efforts to develop the Salvadoran economy. The policy establishes three key macro-objectives: to boost the contribution of exports to GDP, to eliminate the balance-of-payments deficit and to increase the stock of FDI.

2.14. The policy also defines four main aims: (a) to complete the integration of Salvadoran companies into global value chains, by detecting untapped export and investment opportunities abroad; (b) to contribute to diversifying and transforming the output of the industrial and service sectors, by increasing the technological content of products, through measures to enhance the external competitiveness and internationalization of companies; (c) to develop the physical, digital

[2] MINEC, *Marco Institucional*. Viewed at: https://www.economia.gob.sv/marco-institucional/.
[3] Executive Decree No. 1 of 2 June 2019.
[4] *Plan Cuscatlán*. Viewed at: https://plancuscatlan.com.

and legal infrastructure that creates an enabling environment for foreign trade and attracts investment, and (d) to attract and retain investment in order to boost the development of the most technologically advanced industries and services, and to better structure the productive system as a whole, by ensuring synergies and linkages with the local production apparatus. Two lines of action have been established to achieve the first aim: diversification of products and export destinations, and deepening of existing trade agreements. These lines of action are expected to achieve one of the proposed macro-objectives: to boost the contribution of exports to GDP. Promoting new trade agreements has been established as a line of action to meet the second aim. To achieve the third aim, the development of infrastructure and the institutional regulatory framework has been put forward as a line of action. These goals and lines of action are expected to achieve the macro-objective of eliminating the balance-of-payments deficit. Two main lines of action have been identified to achieve the fourth aim of increasing the stock of FDI: focusing on attracting and retaining investment in key sectors, and promoting companies' competitiveness and internationalization.[5]

2.15. In order to implement the strategy, an annual action plan (work plan) and a technical report (progress report) are prepared every four months. According to the 2021 progress report, for 42 (91%) of the 46 projects in the 2021 work plan, either progress had been made with their activities or they had been completed as planned, while for four projects (8%), the activities showed some level of delay. The most notable progress included developing and starting to implement plans to take advantage of 13 existing trade agreements; achieving 94% effectiveness in complying with the Trade Facilitation Plan 2021; progress in automating services under the Single Window for Foreign Trade through the CIEX, by putting into operation modules with the Ministry of Health, the Ministry of Agriculture and Livestock (MAG), the National Directorate of Medicines (DNM) and the International Regional Organization for Plant and Animal Health (OIRSA); and submitting the draft amendment to the Electronic Signature Law (the certified electronic signature service has been available since May 2021).[6]

2.16. The 2022 work plan establishes the following specific objectives: identify institutional projects related to the lines of action and thus to the objectives of the Trade and Investment Policy; establish institutional roles and functions based on competencies that optimize efforts to achieve the goals set out in the Trade and Investment Policy; and provide a tool to follow up on and monitor the identified projects, enabling systematic follow-up of implementation and expected outputs, and determine risk factors to monitor when a project is on track and when changes are required.[7] The progress report on the 2022 work plan, published in May 2022, details progress made in promoting the exports of micro- and small enterprises (MSEs); institutional regulatory improvement to facilitate and promote investment and to improve the business climate; boosting the trade agenda under the Association Agreement with the European Union; building and fitting out a centre for business innovation and technological development specialized in design (Digital Nation); promoting the systemic management of innovation and innovation projects – Innovation DNA (Productive Innovation Ecosystem); non-refundable co-financing for business restructuring and productive innovation (Productive Innovation Ecosystem); programme to promote innovative, digital and technology-based entrepreneurship (Innovative Entrepreneurship); programme to support economic recovery and business competitiveness (Innovative Entrepreneurship); and promotion of a culture of quality in production processes (Productive Innovation Ecosystem), among others.[8]

2.17. El Salvador has also developed a National Digital Agenda 2020-30 bringing together a set of actions aimed at strengthening a national digital ecosystem to boost the country's sustainable development and social well-being. The strategy document is based on four complementary pillars: (i) digital identity, (ii) innovation, education and competitiveness, (iii) modernization of the State, and (iv) digital governance. To implement the actions of the Digital Agenda, regular meetings have been organized with the missions of El Salvador in New York and Vienna to establish action frameworks on the topics discussed by the e-commerce round table of the United Nations Commission on International Trade Law (UNCITRAL). The objective is to identify and standardize

[5] Secretariat for Trade and Investment (2021), *Política de Comercio e Inversiones de El Salvador: Plan de Trabajo 2021*.
[6] *Política de Comercio e Inversiones de El Salvador 2020-50*. *Informe de Avances 2021*.
[7] *Plan de Trabajo 2022 de la Política de Comercio e Inversiones de El Salvador 2020-50*.
[8] *Plan de Trabajo 2022 de la Política de Comercio e Inversiones de El Salvador 2020-50. Informe de Avances, enero-abril 2022, mayo de 2022*.

technical terms and international best practices and to consider their possible implementation in the country.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.18. El Salvador became a Member of the GATT on 22 May 1991 and has been a Member of the WTO since 7 May 1995, and grants at least most-favoured-nation (MFN) treatment to all its trading partners. El Salvador is not currently availing itself of any transition period under the WTO Agreements. This is its fifth trade policy review (TPR).

2.19. El Salvador ratified the WTO Trade Facilitation Agreement (TFA) in February 2016 and deposited its instrument of acceptance with the WTO on 4 July 2016.[9] On 19 September 2006, El Salvador accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), with a view to making a decision on patents and public health permanent.

2.20. El Salvador is a participant[10] in the Information Technology Agreement (ITA), but does not participate in the ITA extension agreed at the 2015 Nairobi Ministerial Conference. Nor is it party to the other plurilateral agreements: the Agreement on Government Procurement and the Agreement on Trade in Civil Aircraft.

2.21. In the WTO, El Salvador is a member of the following groups: the small, vulnerable economies, the G-33 and the Joint Proposal group (intellectual property - geographical indications). El Salvador also participates in the four Joint Statement Initiatives[11], supported the Buenos Aires Declaration on Trade and Women's Economic Empowerment and is co-chair of the Informal Working Group on Trade and Gender.[12]

2.22. At the 2022 Ministerial Conference in Geneva, El Salvador affirmed that the trade negotiations, full compliance with commitments, transparency exercises, and the efficient functioning of the dispute settlement mechanism should take place in unison and in an effective manner. El Salvador expressed support for efforts to improve the functioning of the WTO and emphasized the importance of concluding the multilateral agenda in areas such as fisheries subsidies and agriculture, by securing agreements that take into account the legitimate development aspirations of all Members. It also underlined the importance of a robust multilateral system to ensure the proper functioning of international markets and reaffirmed the importance of continuing to promote the interests of small economies.[13]

2.23. During the review period, El Salvador submitted several notifications under the various WTO Agreements (Table A2.1). Nonetheless, the country has a number of outstanding notifications, mainly in the areas of agriculture and quantitative restrictions.[14] Since its last review, El Salvador has not been involved in any cases as a complainant or respondent under the WTO dispute settlement mechanism, although it has participated as a third party in six cases.[15]

2.3.2 Regional and preferential agreements

2.24. El Salvador is participating in the process of establishing a customs union, the Central American Common Market (CACM). This process began in 1960 pursuant to the General Treaty on Central American Economic Integration.[16] The other founding members of the CACM are Costa Rica, Guatemala, Honduras and Nicaragua; Panama has been a participant since 6 May 2013. The

[9] WTO. Viewed at: https://tfadatabase.org/members/el-salvador.
[10] WTO document G/IT/1/Rev.59 of 25 March 2022.
[11] Joint Initiative on Electronic Commerce; Joint Initiative on Investment Facilitation for Development; Joint Initiative on Micro, Small and Medium-sized Enterprises (MSMEs); and Joint Initiative on Services Domestic Regulation.
[12] WTO. Viewed at: https://www.wto.org/english/thewto_e/countries_e/el_salvador_e.htm.
[13] WTO document WT/MIN(22)/ST/37 of 12 June 2022.
[14] WTO. Viewed at: https://notifications.wto.org/en/status-by-member/el-salvador.
[15] WTO. Viewed at: https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm.
[16] WTO document WT/REG93/R/B/2 of 6 October 2004.

regulatory framework provides for some members to progress more rapidly towards the commitment to achieve a Central American economic union.

2.25. The Tegucigalpa Protocol of 13 December 1991 signed by Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama establishes and consolidates the Central American Integration System (SICA). Belize joined in 2000 and the Dominican Republic acceded in December 2003 as an Associated State. SICA comprises four subsystems: the Economic Integration Subsystem; the Social Integration Subsystem; the Environmental Integration Subsystem; and the Political Integration Subsystem. With this new structure, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica decided to sign the Protocol to the General Treaty on Central American Economic Integration (Guatemala Protocol) on 29 October 1993. Through the Protocol, these countries undertake to achieve, on a voluntary, gradual, complementary and progressive basis, the Central American Economic Union, the progress of which must respond to the needs of the region's countries.

2.26. In 2017, El Salvador began negotiations to join the deep integration process that Honduras and Guatemala had launched in 2015. On 16 August 2018, El Salvador deposited with the SICA Secretariat the Protocol of Accession to the Enabling Protocol for the process of deep integration initiated by Guatemala and Honduras.[17] After a hiatus, negotiations resumed in July 2021 and in December that year the three countries agreed on a road map to complete El Salvador's full membership. The three trading partners are estimated to account for 50% of nominal GDP (2021) and 70% of Central America's intra-regional exports.

2.27. El Salvador has signed most of its regional trade agreements with Central American countries. Since its last TPR[18] in 2016, El Salvador has implemented trade agreements - jointly negotiated with other Central American partners - with the Republic of Korea and the United Kingdom, respectively, and a bilateral partial scope agreement with Ecuador (Table 2.1). As such, in addition to the CACM, El Salvador has Free Trade Agreements (FTAs) and/or partial scope agreements with Chile, Colombia, Cuba, Ecuador, the United States (CAFTA-DR), Mexico, Panama, the United Kingdom, the Republic of Korea, the Dominican Republic (CAFTA-DR and Central America-DR), Chinese Taipei[19], and the European Union. These trade agreements applicable to El Salvador have been notified to the WTO.[20]

2.28. The first Additional Protocol to the partial scope agreement with Cuba was signed on 25 October 2018 and is now under consideration by the Legislative Assembly's Commission on Foreign Affairs, Central American Integration and Salvadorans Abroad.

Table 2.1 Trade agreements negotiated by El Salvador, 2016-22[21]

	Association Agreement between the United Kingdom and Central America[a]	Free Trade Agreement between Central America[b] and the Republic of Korea	Partial Scope Agreement between El Salvador and Ecuador
Date of entry into force	01/01/2021	01/01/2020	16/11/2017
Scope	Goods and services	Goods and services	Goods
End of tariff reduction period	2027	2039	2021
		(% of tariff lines)	
Preferential part of the tariff	**95.5**	**94.9**	**3.4**
Tariff-free lines	**47.1**	**47.4**	**0.0**
Immediate reduction	**1.8**	**4.5**	**3.3**
Less than 10 years	**6.7**	**11.5**	**0.1**
10 years	**35.4**	**26.2**	**0.0**
Over 10 years	**4.2**	**5.3**	**0.0**

[17] SICA. Viewed at: https://www.sica.int/documentos/protocolo-de-adhesion-de-la-republica-de-el-salvador-al-protocolo-habilitante-para-el-proceso-de-integracion-profunda-hacia-el-libre-transito-de-mercancias-y-de-personas-naturales-entre-las-republicas-de-guatemala-y-honduras_1_114433.html.

[18] WTO document WT/TPR/S/344/Rev.1 of 23 November 2016.

[19] This agreement ceased to apply on 8 November 2022. Executive Decision No. 1429 of 8 November 2022.

[20] WTO. Viewed at: http://rtais.wto.org/.

[21] Based on the nomenclature of the Central American Tariff System (SAC) in force on 1 January 2022.

	Association Agreement between the United Kingdom and Central America[a]	Free Trade Agreement between Central America[b] and the Republic of Korea	Partial Scope Agreement between El Salvador and Ecuador
Lines with preferential tariff higher than zero	**n.a.**	**n.a.**	**22.2**
Lines where tariffs remain	**4.5**	**5.1**	**96.6**
Preferential tariff rate quotas	**0.3**	**0.0**	**0.0**

n.a. Not applicable.

a Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
b Costa Rica, El Salvador, Honduras, Nicaragua and Panama.

Note In Ecuador's case, the modality was tariff discount and not tariff reduction category.

Source: Information provided by MINEC.

2.29. According to information from the Salvadoran authorities, in 2021 El Salvador's trade flows with economies with which it has existing preferential agreements accounted for 96.3% of its total exports and 70.0% of its total merchandise imports.

2.3.3 Other agreements and arrangements

2.30. El Salvador participates in regional integration and cooperation processes as part of the Association of Caribbean States (ACS). The basic objectives of the ACS are to create an expanded economic area, preserve the environmental integrity of the Caribbean Sea and promote the sustainable development of the region. In pursuit of these objectives, the ACS focuses its work on areas such as trade, transport, sustainable tourism and the prevention of natural disasters.[22]

2.31. Under the Generalized System of Preferences, El Salvador was benefiting, as of October 2022, from preferential trade arrangements with the following partners (the year of entry into force of the preferences is given in brackets): Australia (1974); Armenia (2016); Canada (1974); Russian Federation (2010); Japan (1971); Kazakhstan (2016); Kyrgyzstan (2016); Norway (1971); New Zealand (1972); Switzerland (1972); and Eurasian Economic Union (2016).[23]

2.4 Investment regime

2.32. The Government of El Salvador considers that attracting foreign direct investment (FDI) is key to achieving economic development and diversification, and to fostering the country's participation in global value chains. Accordingly, El Salvador maintains an essentially open investment regime, which grants equal treatment to domestic and foreign investors. Likewise, the country offers legal stability and various forms of investment incentives and has taken steps to improve the business environment.

2.33. An objective of the new Trade and Investment Policy 2020-50 is to attract and retain FDI to boost the development of technologically-advanced industries and services and ensure synergies between FDI and the local economy. The goal is to reach a FDI stock of no less than 60% of GDP by 2050 (in 2021 it stood at 38%) and to attract primarily "efficient investment" with the potential to promote export activity.[24] Another goal is to increase the share of exports in GDP to 38% by 2050. To achieve these objectives, annual action plans (2021 and 2022) have been prepared and, among other efforts, an investment facilitation committee has been set up to provide a forum for dialogue with the private sector on this topic.

2.34. MINEC and the Export and Investment Promotion Agency of El Salvador (PROESA) constitute the institutional investment framework. MINEC helps define investment policy and is responsible for its application and for the implementation of investment agreements signed by El Salvador. Within

[22] ACS. Viewed at: http://www.acs-aec.org/index.php?q=about-the-acs.
[23] WTO. Viewed at: http://ptadb.wto.org/default.aspx.
[24] Secretariat for Trade and Investment, *Política de Comercio e Inversiones de El Salvador 2020-50*. Viewed at: https://www.transparencia.gob.sv/institutions/capres/documents/433788/download.

MINEC, the Investment Directorate provides support to the business sector to increase its productivity and competitiveness, by facilitating employment-generating investment and exports.[25] For its part, PROESA, attached to the Office of the President of the Republic, is aimed at promoting and attracting domestic and foreign private investment, promoting exports, assessing and monitoring the business environment, and formulating proposals to improve investment and export policies. PROESA provides technical advice and information to potential investors on laws, regulations, procedures and incentives, and promotes investment in the following priority sectors: textiles and clothing, offshore business services, digital services (bitcoin, fintech and software development), agro-industry, light manufacturing and life sciences.[26]

2.35. The legal framework consists of a number of laws that promote and protect investment and provide incentives to investors, both domestic and foreign. The main laws include the Investment Law, the Law on Legal Stability for Investments, the Special Law on Public-Private Partnerships (PPP), the Law on Industrial and Commercial Free Zones, and the Law on International Services. These two most recent laws and amendments thereto are addressed in Section 3.3.1 of this report. There are also laws providing investment incentives in specific sectors, such as renewable energy. Some such laws are currently subject to amendment.

2.36. The Investment Law, enacted in 1999 and amended in 2013, seeks to encourage private investment in general and foreign investment in particular. The Law provides that foreign investors have the same rights and obligations as Salvadoran investors and shall not be subject to unfair or discriminatory measures with respect to the establishment, administration, use, usufruct, extension, sale and liquidation of their investments.[27]

2.37. Foreigners are free to invest in any kind of business in the country, except in the following areas, which are subject to limitations under the Constitution and secondary laws[28]:

- Only Salvadorans by birth and nationals of other Central American countries may engage in small-scale trade, industry and provision of services, especially with regard to coastal fishing.
- Foreigners may not acquire rural real estate if their countries of origin do not grant equal rights to Salvadorans; such restriction does not apply to land destined for industrial establishments.
- The same natural or legal person, whether Salvadoran or foreign, may not own more than 245 hectares of rural land.
- The State is empowered to regulate and supervise public services provided by private companies.
- The subsoil belongs to the State and a concession is required for its exploitation.
- The operation of wharves, railways, canals and other facilities for public use is subject to government concession.
- Investments in shares in banks, financial enterprises and foreign currency exchange offices are subject to the limitations prescribed in the laws governing such institutions.

2.38. Foreign investors are entitled to transfer abroad net profits, dividends and other funds related to their investment without delay and with free currency convertibility through the banking system; they also have the right to access local financing. As regards migration, special provisions are made for foreign investors to obtain residency in the country if their investment exceeds 4,000 times the minimum wage in the trade and services sector, i.e. around USD 1.5 million.[29] A new draft Law on

[25] MINEC, *Marco institucional*. Viewed at: https://www.economia.gob.sv/marco-institucional/.
[26] For more information, see PROESA, *InvestElSalvador*. Viewed at: https://investelsalvador.com/.
[27] Article 5 of the Investment Law.
[28] Article 7 of the Investment Law.
[29] In 2022, the monthly minimum wage in the trade and services sector amounted to USD 365.

Migration and Alien Affairs was being prepared in November 2022, with a view, *inter alia*, to facilitating the granting of temporary permits for workers employed by foreign investors.

2.39. The Investment Law provides protection and legal security for private property. Under the Constitution of the Republic, the Law establishes that expropriation may be carried out for legally-substantiated reasons of public need or social interest and subject to fair compensation.[30]

2.40. In accordance with the 2013 amendment to the Investment Law, in the event of disputes between foreign investors and the State regarding investments made in El Salvador, the parties may apply to the competent courts under the legislation in force and relevant legal procedures.[31] Under the investment protection agreements and Free Trade Agreements (FTAs) to which it is party, El Salvador accepts that investment disputes between the Salvadoran State and investors of other signatory parties be submitted to international arbitration in accordance with the Convention of the International Centre for Settlement of Investment Disputes (ICSID).

2.41. According to the Investment Law (Article 17), foreign investors, like domestic investors, must register their investments with MINEC's National Investment Office (ONI), which is responsible for facilitating and coordinating the government procedures that investors must follow to operate in the country. Under no circumstances may the registration of foreign investments be contingent on the fulfilment of performance requirements.[32] Through the virtual window *MiEmpresa*, domestic and foreign investors can carry out the formalities for setting up a business and other operational procedures.[33] The authorities report that formalization procedures take an average of five working days and that they are currently designing a computer system whereby resolutions certifying the registration of an investment can be obtained online; this system is expected to come into operation in 2023.

2.42. As of November 2022, the authorities were considering a number of amendments to the Investment Law, consisting mainly of developing a definition of strategic investment projects, reducing investment registration times, and establishing new migration benefits for foreign investors.

2.43. The 2015 Law on Legal Stability for Investments[34] is aimed at attracting domestic and foreign investment by ensuring legal certainty for investors through contracts with the State. Those who may benefit from this Law include domestic or foreign natural or legal persons carrying out new investment projects or expanding existing investment in El Salvador in the following sectors: aeronautics, agro-industry, aquaculture, electronics, energy, strategic infrastructure, logistics, health services, offshore business services, tourism, telecommunications, various lines of manufacturing, and science and technology. By mid-2022, three contracts had been signed with renewable energy companies.

2.44. Under legal stability contracts, investors enjoy: (i) tax stability at the national and municipal level (except for indirect taxes), (ii) stability with respect to tax exemptions contained in special laws, (iii) stability of customs procedures, (iv) stability regarding the free transfer abroad of funds from foreign investment and (v) stability of the migration regime applied to investors. In exchange for these benefits, investors must comply with the requirements set out in the Law, including a commitment to invest at least 4,220 times the minimum wage in the industry sector (about USD 1.54 million) in new projects or in expanding existing ones. The term for which legal stability is guaranteed depends on the investment amount and can last up to 20 years (Table 2.2).

2.45. In order to enter into a legal stability contract, investors must submit an application to PROESA containing, among other things, information on the amount of the investment, the number of jobs to be created, the technology transfer that will take place, the origin of the resources to be invested, the regime under which stability is being sought (tax, customs, migration) and the reasons that warrant stability of the investment. The application must also include a commitment to apportion 3% of the total value of the investment in the contract to the implementation of local development

[30] Article 8 of the Investment Law.
[31] Article 15 of the Investment Law, as amended by Legislative Decree No. 423 of 11 July 2013.
[32] Article 18 of the Investment Law.
[33] For more information, see https://www.miempresa.gob.sv/.
[34] Legislative Decree No. 905 of 18 December 2014.

works in the municipality in which the investment is to be made.[35] If the application is accepted, PROESA forwards it to MINEC, which draws up the legal stability contract, which is concluded in the form of a public document between the applicant company and MINEC.

Table 2.2 Term of legal stability contracts

Investment amount (current minimum wages)	Maximum term of contract	Applicable conditions
USD 1.54 to USD 7.7 million	5 years	The investment must be made in full during the first two years.
USD 7.7 to USD 15.4 million	10 years	The investment must be made in full during the first five years.
More than USD 15.4 million	20 years	The investment must be made in full during the first ten years.

Source: Article 14 of the Law on Legal Stability for Investments.

2.46. The Special Law on Public-Private Partnerships (PPP)[36] establishes the regulatory framework for the development of PPP projects for the efficient provision of infrastructure and public and general-interest services. The Law was amended in 2018 to broaden its scope.[37] The Law currently applies to all contracts in which state entities entrust a private investor with the design, construction, repair, upgrading, fitting out, operation and maintenance of infrastructure. Contracts may also include infrastructure for the provision of public services or the operation or implementation of a general-interest activity.[38] However, projects in certain sectors fall outside the scope of the Law.[39] The investment amount of PPP projects must exceed 45,000 minimum monthly salaries (around USD 16.4 million) and the duration of contracts cannot exceed 40 years. To conclude a PPP contract, the contracting entity organizes a public bidding procedure to select and award a contract to a private partner. A Salvadoran public limited company (special purpose company) must then be set up in order to implement the contract project.[40] The Law also allows private investors to propose PPP projects, which will be subject to bidding if they are declared of interest by a public entity. PROESA is the advisory and governing unit for PPP contracts and is responsible for their approval.[41] In October 2020, the first PPP contract was awarded to extend the cargo terminal at El Salvador's international airport.

2.47. During the review period, El Salvador adopted several laws aimed at strengthening the business regulatory framework, the implementation of which could help improve the transparency of the investment environment. For example, the Law on Regulatory Improvement, approved in December 2018[42], aims to ensure the quality of state regulations[43] so that their benefits outweigh their costs and they are of maximum benefit to society, and to eliminate unnecessary requirements in procedures that affect the business climate, competitiveness, foreign trade and the attraction of investment. In accordance with the Law, government entities must publish online a list of the regulations they plan to adopt or amend each year, submit them for public consultation and conduct a regulatory impact assessment prior to their adoption or amendment. The application of the Law to government entities is being phased in gradually and the process is expected to be completed by 2024 and include the municipal authorities. As of October 2022, more than 75 government institutions and entities had published lists of regulations that they planned to approve, amend or simplify, and a total of 750 procedures had been assessed and simplified.[44]

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[35] The amount must be disbursed during the first two years of operation of the investment (Article 13(e) of the Law on Legal Stability).
[36] Legislative Decree No. 379 of 23 May 2013.
[37] Legislative Decree No. 859 of 8 January 2018.
[38] General-interest activities aim to boost strategic economic sectors through the promotion of technology, science, innovation, and research and development (Article 3 of the Special Law on Public-Private Partnerships).
[39] Excluded sectors are health, social security, public security, justice (custody, rehabilitation and prison labour for inmates), water and education (including the University of El Salvador).
[40] Article 46 of the Law on Public-Private Partnerships.
[41] PROESA, *Guía del Inversionista 2021*. Viewed at: https://proesa.gob.sv/guia-del-inversionista/.
[42] Legislative Decree No. 202 of 9 January 2019.
[43] The term "regulations" includes general rules issued under the legal system, including laws, regulations, decrees, decisions, general resolutions, administrative provisions, instructions, circulars and technical standards.
[44] For more information, see the Regulatory Improvement Agency website at: https://omr.gob.sv/.

2.48. The Law on Administrative Procedures was adopted in early 2018[45] and entered into force in February 2019. It aims to simplify, modernize and consolidate the administrative procedures of public administration entities. This is expected to streamline and make procedures more efficient, avoid unnecessary requirements and enhance transparency, thus facilitating business and investment procedures, among others.

2.49. The Construction Formalities Directorate has also recently been set up as a specialized entity with functional and technical autonomy. It is attached to the Office of the President of the Republic, and is responsible for coordinating the work of the various Executive Branch institutions that handle formalities relating to investment in construction (such as permits and authorizations), with a view to facilitating, simplifying and streamlining such formalities.

2.50. As well as adopting the Electronic Signature Law in 2016, El Salvador enacted the Law on electronic commerce[46], in force since February 2021, which establishes a legal framework for commercial and financial activities, both contractual and non-contractual, carried out through electronic or digital means. The Law provides for electronic invoicing, lays down provisions to protect consumers and suppliers and introduces procedures to mitigate risks arising from the use of new technologies. The Law is expected to support the expansion of online business and financial technology (fintech).

2.51. El Salvador has 17 bilateral investment promotion and protection agreements in force (Table A2.2). Most were signed over two decades ago, and the country is not currently negotiating any new such agreements. Moreover, several of the trade agreements the country has signed contain investment chapters, for example the CAFTA-DR (2004), the FTA between Central America and Mexico (2011) and, more recently, the FTA between Central America and the Republic of Korea (2018). At the multilateral level, El Salvador is a signatory to the ICSID Convention, the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) and the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA Convention).

2.52. On the taxation front, El Salvador has concluded only one bilateral agreement to avoid double taxation (with Spain).[47] El Salvador is also a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters of the Organisation for Economic Co-operation and Development (OECD), which entered into force in El Salvador on 1 June 2019.

2.53. The most frequent legal forms of commercial company set up in El Salvador are public limited companies with variable capital, limited liability companies and branches of foreign companies. In the latter case, in order to be incorporated, companies must register with MINEC's National Investment Office (ONI) and subsequently with the Trade Registry. The minimum capital required to establish a branch is USD 12,000; for the other two types of companies, it is USD 2,000.

2.54. Foreign companies are subject to the same tax regime as domestic companies. Legal persons, whether or not domiciled in El Salvador, are subject to income tax (ISR), which is 25% on taxable income of up to USD 150,000 or 30% on taxable income exceeding that figure.[48] Non-resident legal persons are only subject to these rates when they file their tax returns for income earned in the country. As a general rule, individuals or companies making payments to non-residents resulting from any type of income obtained in El Salvador must make an income tax withholding of 20% on these. Reduced withholding rates apply in certain cases, such as payments for international transportation services and payments made to insurance and reinsurance companies. Profits paid to shareholders, whether or not domiciled in El Salvador, are subject to a definitive income tax withholding at a rate of 5%, which can increase to 25% if the beneficiary is resident in a tax haven or a jurisdiction with a preferential tax regime.[49]

[45] Legislative Decree No. 856 of 13 February 2018.

[46] Legislative Decree No. 463 of 6 February 2020.

[47] Agreement of 7 July 2008 between the Kingdom of Spain and the Republic of El Salvador regarding the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital.

[48] Article 41 of the Law on Income Tax.

[49] Deloitte, *Doing Business El Salvador 2021*. Viewed at: https://www2.deloitte.com/sv/es/pages/tax/articles/doing-business-in-el-salvador-2021.html.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and requirements, and customs valuation

3.1.1.1 Customs procedures and requirements

3.1. The main legal instruments governing El Salvador's customs system are the Central American Uniform Customs Code (CAUCA IV) and its implementing Regulations (RECAUCA IV)[1] at regional level, with the Organic Law of the Directorate-General of Customs[2], the Law streamlining customs procedures[3] and the Special Law on penalties for customs offences at domestic level.[4] While modifications have been made to some of these instruments, the customs-related legal framework has not undergone any fundamental change since El Salvador's last trade policy review in 2016. At the time of writing, the authorities were working on a draft Salvadoran Customs Code with a view to consolidating in a single instrument the various provisions governing customs operations, as well as modernizing procedures for clearance of goods in line with international standards. The draft was expected to be brought before the Legislative Assembly in late 2022 or during the first quarter of 2023. The CAUCA and its implementing Regulations were also being revised as part of the process of Central American economic integration. The Directorate-General of Customs (DGA) within the Ministry of Finance remains the body responsible for applying customs regulations.

3.2. Any natural or legal person wishing to import goods to El Salvador must be registered with the DGA. As of June 2022, natural persons have been able to register upon presentation of their national identity card (DUI)[5] or passport in the case of foreigners. Legal persons must present their tax identification number (NIT) in order to register.[6]

3.3. El Salvador, along with the other members of the Central American Common Market (CACM),has adopted the Central American Single Declaration (DUCA), adopted by Resolution No. 409-2018 of the Council of Ministers for Central American Economic Integration (COMIECO). The DUCA, in force since 7 May 2019, brings together the three main documents needed for regional trade in goods: the Central American Single Customs Form (FAUCA), the Goods Declaration (DM) and the Overland International Customs Transit Declaration (DUT). The DUCA comprises three variants: DUCA-F, used for trade in goods within the Central American region pursuant to the Central American Regulations on the Origin of Goods; DUCA-D, used for import/export of goods from third countries; DUCA-T, used for movement of goods under the overland international customs transit regime. DUCA-F and DUCA-D for export operations are processed by the Import and Export Processing Centre (CIEX El Salvador under the Central Reserve Bank). The Secretariat for Central American Economic Integration (SIECA) administers the DUCA-T electronic platform, to which the customs authorities of the countries of Central America are connected.[7]

3.4. In addition to the DUCA, documents required for an import operation include the following: commercial invoice, transport documents (bill of lading, air waybill or waybill for land transport); cargo manifest; licences, permits, approvals or other authorizations required depending on the type

[1] Both legal instruments entered into force on 25 August 2008.

[2] Legislative Decree No. 903 of 14 December 2005 (latest amendment October 2012).

[3] Legislative Decree No. 529 of 13 January 1999 (latest amendment June 2018). The purpose of the amendment was to expedite customs procedures: the period for the withdrawal of goods at customs has been reduced from 48 to 24 hours through a simplified procedure (without final determination of taxes payable) and an upper limit of 24 hours was introduced for non-intrusive inspections.

[4] Legislative Decree No. 551 of 20 September 2001. The most recent amendment (May 2018) made changes to the fines for administrative offences and to tax penalties, as well as to the tolerance margins for certain omissions or inaccuracies in the declaration. It also introduced a fast-track procedure for offenders who agree voluntarily to sanctions procedures in cases where the fine does not exceed a certain amount, as well as an increased threshold amount for fiscal prejudice to be deemed a tax fraud offence.

[5] Following the June 2022 tax reform, the DUI and tax identification number (NIT) have become one and the same for natural persons.

[6] The following are exempt from registration: persons or organizations belonging to the diplomatic or consular corps; emergency supplies; postal packages; travellers' luggage and household items; and small family consignments of a non-commercial nature.

[7] SIECA portal. Viewed at: https://www.sieca.int/index.php/plataformas-electronicas/.

of product being imported; and a certificate of origin for goods entering under a preferential trade agreement.

3.5. The goods declaration and supporting documents are transmitted electronically to the DGA's IT systems. As of 24 August 2022, it has been compulsory to submit the advance DUCA-F import and export declaration and supporting documents electronically, although only for goods crossing through the La Hachadura and Pedro de Alvarado border posts between El Salvador and Guatemala[8],with the authorities expecting to extend this requirement to goods passing through other land border posts between El Salvador and Guatemala in the near future. As to the El Amatillo border post between El Salvador and Honduras, implementation of this mechanism was expected by the end of 2022 or during the first quarter of 2023.

3.6. Since May 2019, the DGA has been using the Automated System for Customs Data ASYCUDA World (which superseded ASYCUDA ++), allowing for digitalization of the majority of formalities and faster foreign trade operations. The system enables, *inter alia*, the electronic submission and processing of declarations under definitive import, export and customs transit regimes, as well as transmission of the cargo manifest and air transport documents, the import declaration for express delivery or courier goods and the temporary import declaration for containers and used vehicles.[9] By mid-2022, almost 79% of foreign trade operations were being processed via ASYCUDA World. The DGA runs the Integrated Customs Payment System (SIAP), which allows the electronic payment of import duties and other applicable taxes. These payments can also be made via the P@GOES system, which additionally allows for the payment of fees, fines and customs seals, *inter alia*.

3.7. CIEX El Salvador, administered by the Central Reserve Bank, serves as El Salvador's Single Window for Foreign Trade. Established in 2011, CIEX is tasked with centralizing, streamlining and simplifying procedures for the registration, authorization and issuance of documents required by state entities involved in the supervision of foreign trade operations.[10] CIEX has systems interoperability with the following institutions: Ministry of Finance (DGA and Directorate-General of the Treasury), Ministry of Health, Ministry of Agriculture and Livestock, Ministry of National Defence, Ministry of the Environment, Ministry of Economic Affairs, National Directorate of Medicines, International Regional Organization for Plant and Animal Health and seven banks. In February 2021, CIEX implemented the Foreign Trade Facilitation System (SFCE), which combined the IT systems for import (SIMP) and export (SICEX) management in a single portal. In the case of imports, this gives importers online access to the authorizations and approvals required for importing products such as agricultural inputs, food and beverages, and alcohol. During 2022, CIEX was undertaking work to automate further services such as import authorization for chemicals and authorization of plant and animal health certificates for import purposes.

3.8. Clearance of goods in El Salvador generally involves the engagement of a customs agent, albeit with some exceptions. Pursuant to RECAUCA-IV (Article 87), the services of a customs agent are not necessary in the following cases: customs operations carried out by the State; operations covered by DUCA-F; small non-commercial consignments; consignments received by post or express delivery; travellers' luggage; operations by legal persons represented by a special customs broker; relief consignments; samples with no commercial value; and imports with a value not exceeding 1,000 Central American pesos (USD 1,000). RECAUCA IV (Article 88) also sets out the circumstances where the use of a customs agent is optional.[11] At the domestic level, the Law streamlining customs procedures (Article 9) provides that the use of a customs agent is optional for users if those users are legal persons and have granted power of attorney to a special customs broker. Customs agents and special customs brokers must be authorized by the DGA in order to operate.

3.9. Prior to importing goods, an importer, exporter or producer may make a request to the DGA for advance rulings concerning: (i) the valuation criteria or methods applicable to goods; (ii) tariff classification; and (iii) determination of origin in order to benefit from a tariff preference.

[8] Resolution of the Ministerial Body for the Process of Customs Union between Guatemala, El Salvador and Honduras RIM 104-2022 of July 2022.

[9] The inclusion of duty-free and suspended-duty regimes has yet to take place.

[10] CIEX services include import approvals, customs authorizations and documents for export, certificates of origin for certain FTAs, transport documents and electronic payments.

[11] These circumstances are: definitive exports; temporary export for re-import in the same state; free zones; bonded warehousing; temporary export for outward processing; temporary admission for inward processing and other regimes explicitly set out in the Regulations.

RECAUCA IV (Article 310) stipulates that advance rulings are binding on the DGA and on individuals.[12]

3.10. Goods import declarations undergo risk analysis (i.e. placement into channels). This analysis allows the DGA to determine whether the importer may immediately withdraw the good to be imported (green channel or automatic release), whether the documents must be inspected (yellow channel) or whether both physical inspection and inspection of the documents (red channel) are required. During the review period, the DGA developed the Integrated Risk-Management System, which harnesses artificial intelligence to establish selection criteria and thereby provide high data-analysis throughput. In 2021, 94.6% of import declarations led to automatic release, compared to 78.9% in 2016 (Table 3.1).

Table 3.1 Import declarations by type of clearance procedure, 2016-21

Year	Inspection of documents	% of declarations	Physical inspection	% of declarations	Automatic release	% of declarations
2016	92,394	14.1	45,350	6.9	515,468	78.9
2017	59,603	9.2	46,423	7.1	545,025	83.7
2018	59,148	9.0	36,601	5.6	562,662	85.5
2019	40,042	6.1	29,641	4.5	584,356	89.3
2020	9,334	1.7	22,155	4.0	526,084	94.4
2021	9,645	1.4	27,190	3.9	651,616	94.6

Source: Information provided by the authorities.

3.11. Pursuant to the customs regulations, the DGA has the authority to carry out post-release controls on goods. To that end, importers are required to keep and make available to the DGA all documents, books, accounts or any other relevant information for four years after clearance. According to data supplied by the authorities, 74 *a postiori* controls were carried out in 2020 and 176 in 2021. The DGA found USD 5,552,808 of unpaid taxes and fines for 2020 and USD 15,350,358 for 2021. No data was obtained for previous years.

3.12. The mechanism for appealing decisions by the DGA is set forth in the RECAUCA (Articles 623 to 629) and the Special Law on penalties for customs offences (Articles 47 to 52). Importers or their representatives may appeal to the Director-General of Customs for review of rulings or decisions by the DGA within 10 working days following notification of the ruling being contested. The Director-General must decide on the appeal within 20 days of receiving the administrative file. Appeals against rulings by the Director-General may be made to the Internal Revenue and Customs Duty Appeals Court in accordance with the procedures, time-limits and legal provisions governing action by the Court. Rulings by the Court exhaust administrative channels. The authorities have indicated that between 2016 and 2021 the Court issued a total of 293 rulings on customs matters.

3.13. El Salvador pursued its customs modernization efforts during the review period. In addition to the implementation of ASYCUDA World, advance declaration and enhancements to the risk-management system, measures adopted by the DGA include the following: modernization of procedures through digitization and automation of user services; the incorporation of customs formalities into a digital workflow platform allowing for traceability; the launch of the *Aduana Móvil* app, offering users a suite of services (electronic tariffs, foreign trade dashboards, operations traceability, payments and air waybills); installation of radio-frequency identification technology at customs premises; heat map analysis of operational flows to allocate human resources depending on fluctuations in demand for services; modernization of the border facilities at El Amatillo and Anguiatú (with investment of USD 32.6 million); and technological equipment (databases, virtual infrastructure and IT equipment for clearance processes).

3.14. In addition, 2020 saw the DGA begin implementation of the Trusted Operator programme, which replaced the Authorized Economic Operator programme introduced in 2017. The new programme cut the number of assessment criteria for operators wishing to participate and broadened the range of benefits available to recognized trusted operators, who are granted priority service, fewer checks and virtual customs. As of November 2022, eight firms were participating in the programme. In April 2019, pursuant to RECAUCA IV, the customs authorities of Costa Rica,

[12] [2] The guide to requesting advance rulings can be found in General Administrative Provision (DACG) No. DGA-003-2016 of 1 February 2016.

El Salvador, Guatemala and Panama concluded the Agreement on the mutual recognition of their respective Authorized Economic Operator programmes.

3.1.1.2 Trade facilitation

3.15. On 4 July 2016 El Salvador deposited its instrument of acceptance of the Trade Facilitation Agreement (TFA) with the WTO. Prior to that, El Salvador had notified its category A and C implementation commitments under the TFA.[13] The country also notified its transparency commitments.[14] At the time of writing, on the basis of its category A, B and C notifications, El Salvador had implemented 94% of its implementation commitments, with three further measures awaiting implementation between December 2022 and December 2024.[15] The authorities have reported that the commitments on authorized economic operators and transit have in practice already been implemented.

3.16. The trade facilitation agenda has been accorded particular attention by the current Government. The National Trade Facilitation Committee (CNFC), which resumed activities in 2019, serves as a forum for dialogue and decision-making with a view to promoting initiatives to simplify, streamline and facilitate foreign trade. Thirteen public institutions and seven productive sectors participate in it. The CNFC has approved three annual action plans (2020, 2021 and 2022) that set strategic objectives and specific measures in the following areas: (i) strategic planning; (ii) reduction of technical barriers; (iii) simplification of processes; (iv) improvements to transport and logistics infrastructure; (v) regulatory reforms; (vi) use of new technology; and (vii) enhanced inter-institutional coordination, capacity and transparency. The 2020 and 2021 plans have been implemented to a high degree, with 104 measures undertaken. The 2022 plan is currently in the implementation phase and comprises 29 strategic measures, along with 95 specific measures.[16]

3.17. In addition to those already mentioned, trade facilitation measures implemented by El Salvador in recent years include the simplification and streamlining of formalities (for example, for obtaining health records, import/export permits for agricultural products, import permits for medicines and medical devices, results of sample analysis from the Food and Toxicology Laboratory, etc.). New technology includes digitization of processes and modernization of the IT systems used by the single window (CIEX), as well as interconnectivity with other institutions, the development of the customs risk-management system and the creation of the Environmental Health Information System (SISAM). Improvements have also been made to logistics infrastructure, such as capacity upgrades at the port of Acajutla and the freight terminal of the international airport (the latter via a public-private partnership), the construction of new border ports and road improvements to foster foreign trade. In addition, businesses have received training on foreign trade and progress has been made on the preparation of draft legislation on plant and animal health, as well as on the Salvadoran Customs Code. At the time of writing, the authorities were in the process of developing the National Trade Facilitation Strategy, whose adoption was expected in 2022.

3.18. At the regional level, El Salvador participates in the Central American Strategy for Trade Facilitation and Competitiveness (ECFC) with Emphasis on Coordinated Border Management, adopted in 2015.[17] El Salvador operates six land border posts within this framework, four with Guatemala (La Hachadura, Anguiatú, San Cristóbal and Las Chinamas) and two with Honduras (El Poy and El Amatillo). Measures are being implemented at these border posts to help cut release times and costs, such as the advance declarations used at La Hachadura. During the review period,

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[13] WTO documents WT/PCTF/N/SLV/1 of 29 July 2014 and G/TFA/N/SLV/1 of 22 October 2018.

[14] WTO document G/TFA/N/SLV/2 of 27 May 2019.

[15] These measures concern provisions on authorized economic operators, the single window and transit. WTO TFA Database, viewed at: https://tfadatabase.org/members/el-salvador.

[16] For more information on the Trade Facilitation Action Plans, see: http://infotrade.minec.gob.sv/plan-de-accion-de-facilitacion-de-comercio/. For outcomes, see: http://infotrade.minec.gob.sv/presentaciones-facilitacion-de-comercio/.

[17] The priority measures set out in the ECFC are as follows: advance declaration of goods (operational since June 2019); streamlining and coordination of immigration controls; electronic plant and animal health certificates; logging of transport movements using radio-frequency devices; use of camera systems at border crossings. Medium- and long-term measures are as follows: adoption of international standards; data interoperability; integrated risk-management; trusted operators; quarantine control; integration of procedures and controls; infrastructure and equipment; border communities and security. Areas of progress can be viewed at: https://www.sieca.int/index.php/integracion-economica/integracion-economica/estado-actual-del-proceso-de-integracion/estado-actual-de-la-integracion-economica/.

El Salvador continued to modernize its border posts as part of the process towards a customs union with Guatemala and Honduras, receiving international assistance to this end. The customs administration of El Salvador has made progress on the implementation of electronic submission of DUCA-F advance declarations with Guatemala (automatic generation of transport documents, electronic submission of supporting documents and notification of payment of charges) and work towards the same goal has begun with Honduras.

3.19. In 2021, the CACM countries conducted a regional time release study (TRS) at border customs along the Pacific-Central American Corridor. The Salvadoran border posts chosen for the study were San Cristóbal (a hub for trade with Guatemala), La Hachadura (transit point for trade between northern and southern Central America) and El Amatillo (connection between El Salvador and southern Central America). These three border posts combined account for 85.9% of all intra-regional trade declarations (DUCA-F) and 83.4% of all transit declarations (DUCA-T) recorded nationwide. The TRS revealed that average customs clearance times in El Salvador were the shortest of any of the six countries in the region. The results of the TRS for each Salvadoran border post can be seen in Table 3.2.

3.20. The TRS also identified certain pinch points at Salvadoran border posts such as poor roads at border crossings, poor provision of space for physical checks, vehicle congestion on inbound bridges and incomplete or absent documentation preventing immediate clearance. The authorities have explained that these problems are not necessarily to be found at all three border posts included in the study, although failure by operators to supply the requisite documentation in advance does occur at all posts. With this in mind, one of the DGA's priorities has been the implementation of advance declarations for goods. At the same time, congestion at border posts can be attributed partly to the high freight volume transiting via El Salvador. To alleviate these issues, a national action plan has been drawn up involving measures such as physical infrastructure improvements, greater automation of procedures and cross-border coordination. A regional action plan has also been formulated in order to resolve problems shared by the countries of the region.[18]

3.21. A report by the OECD found that El Salvador's trade facilitation performance had improved between 2017 and 2019 in the areas of information availability, appeals procedures, simplification and harmonization of documentation, streamlining of procedures and domestic/cross-border cooperation between control agencies. The report suggests several areas where improvements could be made, such as formalities involving documents and procedures, governance and impartiality, greater involvement of the trade community and advance rulings, *inter alia*.[19] Moreover, the UNCTAD Sustainability Score for National Trade Facilitation Committees published in 2022 awarded El Salvador 73 out of 100, indicating that the prospects for El Salvador's NTFC being sustainable over time are good.[20]

Table 3.2 Average clearance times at El Salvador's border posts, 2021

Type of operation	Average time at customs[a]	Average time at border[b]
El Amatillo border post		
Definitive import	7 minutes	4 hours 51 minutes
Definitive export	4 minutes	6 hours 6 minutes
Transit El Salvador-Honduras	30 minutes	6 hours 27 minutes
Transit Honduras-El Salvador	18 minutes	6 hours 45 minutes
La Hachadura border post		
Definitive import	11 minutes	3 hours 40 minutes
Definitive export	5 minutes	2 hours 12 minutes
Transit Guatemala-El Salvador	14 minutes	24 minutes
Transit El Salvador-Guatemala	23 minutes	33 minutes

[18] *Estudio de Tiempos de Despacho Regional* (regional time release study). Viewed at: http://estadisticas.sieca.int/documentos/detalle/1232.

[19] OECD, Trade Facilitation Indicators. Country profiles: El Salvador. Trade facilitation performance. Viewed at: https://www.compareyourcountry.org/trade-facilitation/en/1/default/SLV/default.

[20] UNCTAD. Viewed at: https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/national-trade-facilitation-bodies/score.

Type of operation	Average time at customs[a]	Average time at border[b]
San Cristóbal border post		
Definitive import	11 minutes	2 hours 18 minutes
Definitive export	7 minutes	2 hours 45 minutes

a Time taken by the customs official to process information.
b Covers the time from arrival of goods at the border to their departure from the border facilities.

Source: SIECA, *Estudios de Tiempos de Despacho Regional*. Viewed at: http://www.oie.sieca.int/documentos/detalle/1232.

3.1.1.3 Customs valuation

3.22. Customs valuation in El Salvador is governed by the WTO Customs Valuation Agreement (CVA), supplemented by the provisions of RECAUCA IV (Articles 187 to 209) and the Law streamlining customs procedures. There have been no changes to this legal framework since 2016.

3.23. During the review period, El Salvador met all outstanding notification obligations under the CVA. It notified the Central American Regulations on Customs Valuation of Goods, replied to the checklist of issues on customs valuation and submitted notifications concerning the treatment of interest charges and valuation of carrier media.[21]

3.24. Customs valuation of imported goods uses the first CVA method, the transaction value, adjusted to include transport costs to the place of import, other c.i.f. charges and the cost of insurance. If no insurance policy has been taken out to cover transport of the goods, 1.25% of the f.o.b. value should be applied when the goods come from the Central American region and 1.50% when they come from outside the region. When it is not possible to certify the freight value, 10% of the f.o.b value of the goods applies.[22]

3.25. When it is not possible to determine the value of goods by means of transaction value, the use of other valuation methods must follow the hierarchy set out in the CVA. Reversal of the order of application of the valuation methods provided for in Articles 5 and 6 of the CVA may only occur when the customs authority accepts a request to do so from the importer.[23] Data from the authorities indicates that transaction value is applied to 96.3% of import declarations.

3.26. The customs authority may exclude from the customs value the interest owing under a financing agreement relating to purchase of the imported goods if the conditions prescribed in RECAUCA IV are met.[24] The customs value of data carrier media is determined on the basis of the cost of the carrier medium (not the data).

3.27. In the event of postponement of the determination of customs value, the importer may request that the goods be cleared, provided that it posts security sufficient to cover the amount of the tariffs and other taxes ultimately payable on the goods.[25]

3.28. El Salvador does not apply minimum values to determine the value of imported goods. In order to make it easier to determine value, the DGA keeps a database with information on prices and publishes administrative regulations establishing reference values for goods imported in the form of parcels, small consignments and postal packages, used spare parts, fruit and vegetables and in informal cross-border trade, which may be used if the importer has no commercial invoice or is unable to prove the price actually paid or payable. In addition, the DGA offers an online service allowing importers to check the value of various new and used goods (automobiles, ships and aircraft) for the purpose of completing their import declaration.[26]

[21] WTO documents G/VAL/N/1/SLV/1 of 7 July 2022; G/VAL/N/2/SLV/1 of 21 September 2021; G/VAL/N/3/SLV/1 of 4 November 2021; and G/VAL/N/3/SLV/2 of 12 January 2022.
[22] Article 2 of the Law streamlining customs procedures.
[23] Article 195 of RECAUCA IV.
[24] Article 190 of RECAUCA IV.
[25] Article 202 of RECAUCA IV.
[26] Customs administration of El Salvador. Viewed at: https://sitio.aduana.gob.sv/servicios/consultas-de-valoracion-de-mercancias-varias-vehiculos-naves-y-aeronaves.

3.1.2 Rules of origin

3.29. El Salvador has notified the WTO that it does not apply non-preferential rules of origin.[27]

3.30. El Salvador applies preferential rules of origin within the framework of the General Treaty on Central American Economic Integration and under its preferential trade agreements currently in force. The rules of origin under these agreements have been notified to the WTO.[28] Within the context of the General Treaty on Central American Economic Integration, rules of origin are governed by the Central American Regulations on the Origin of Goods and their Annex, containing specific rules of origin.[29]

3.31. The preferential trade agreements to which El Salvador is party contain general provisions on the determination of the origin of goods, as well as specific rules of origin. The latter set out the criteria that must be met by goods that have not been wholly obtained or produced in the territory of one of the countries parties to the agreement. Specific rules of origin generally carry a requirement for substantial transformation criteria to be met, based primarily on a change in tariff classification. In some cases, they also prescribe regional content requirements, which are applied separately or in combination with the change in tariff classification criterion.

3.32. El Salvador's trade agreements prescribe the eligibility requirements for cumulation of origin of different types (bilateral, regional or diagonal). For example, diagonal cumulation of origin is permitted for any product from the Plurinational State of Bolivia, Colombia, Ecuador and Peru, in the case of the Association Agreement between Central America and the European Union. On the other hand, this type of cumulation is only allowed for certain textiles (HS Chapter 62) using materials originating in the United States under the agreement between Central America and Mexico, with the same provision applying on a reciprocal basis in the CAFTA-DR with respect to materials originating in Mexico. In addition to the cumulation of materials originating in one or more signatory countries, certain agreements also permit the cumulation of production processes.

3.33. In order to demonstrate that a product is of a certain origin, a certificate of origin must be submitted to customs (using the form corresponding to the agreement in question). Under most agreements, these certificates can be issued by the exporter or producer without the need for subsequent authorization (self-certification). Other agreements (such as the Association Agreement between the European Union and Central America) stipulate the entity responsible for issuance or certification of origin. In the case of El Salvador, this entity is CIEX.

3.1.3 Tariffs

3.34. As a member of the CACM, El Salvador applies the Central American Import Tariff (ACI), which is currently based on the Seventh Edition of the Harmonized Commodity Description and Coding System (HS 2022). COMIECO, composed of the ministers for economic affairs of the CACM member countries, is the only body with the mandate to make tariff changes.

3.35. There are four basic rates in the ACI: 0% on raw materials and intermediate and capital goods not produced in the CACM; 5% on raw materials produced in the CACM; 10% on intermediate and capital goods produced in the CACM; 15% on finished goods. El Salvador and the other CACM member countries may apply different rates if these are approved by COMIECO. The authorities have indicated that the rates applicable to 93.15% of ACI tariff lines have been harmonized among CACM member countries.

3.36. As a minimum, El Salvador gives MFN tariff treatment to both WTO Members and non-Members.

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[27] [7] WTO document G/RO/N/10 of 16 August 1996.

[28] During the review period, the following notifications were received: WTO documents G/RO/N/161 of 21 July 2017; G/RO/N/208 of 11 January 2021; G/RO/N/222 of 29 April 2021; G/RO/N/225 of 29 April 2021.

[29] The Regulations were amended by COMIECO Resolution No. 449-2021. The Annex, adopted through COMIECO Resolution No. 377-2016, remains in force.

3.1.3.1 Structure and levels

3.37. In 2022, El Salvador's applied tariff comprised 7,534 ten-digit lines, with an increase in lines compared to the 2015 figure (6,978) due primarily to the change in nomenclature from HS 2012 to HS 2022 (Table 3.3).

3.38. All applied rates are *ad valorem*. El Salvador does not apply specific or mixed tariffs, nor does it have seasonal or variable tariffs. There are 11 tariff rates ranging from 0% to 164%. As at 1 January 2022, 47.8% of tariff lines were duty-free (0% tariff), while 20.7% had a rate of 15% and 15.3% of them a rate of 10% (Chart 3.1). This distribution is unchanged from 2015. The arithmetic average applied MFN tariff rate remained at 6.3% in 2022, as it was in 2015.

3.39. In March 2022, the Legislative Assembly of El Salvador passed the Special Temporary Law to tackle commodity price inflation (Legislative Decree No. 309 of 13 March 2022), thereby reducing tariffs to zero on 49 tariff lines comprising basic foodstuffs (milk, rice, beans, maize, sugar, etc.) and certain agricultural inputs (fertilizers and insecticides). These reductions will apply until 31 March 2023. They bring the percentage of tariff lines with zero tariffs to 48.5%, with an arithmetic average tariff of 6.2% (Table 3.3). In addition, in late June 2022, the Legislative Assembly approved a reduction to zero of tariffs on beef-based foodstuffs via an amendment to the Special Temporary Law to tackle commodity price inflation.[30]

3.40. Analysis of tariffs in force as at 1 January 2022 shows that the arithmetic average MFN rate applied to agricultural products according to the WTO definition remained practically stable when compared with 2015, at 12.4%, although it fell to 11.5% as of March 2022 as a result of the above-mentioned temporary tariff reduction. The average rate applied to non-agricultural products was 5.3%, virtually identical to the rate recorded in 2015 (5.2%). The highest tariff rate (164%) continues to be applied to meat, edible offal and prepared or preserved poultry meat.[31] Furthermore, 40% tariffs apply to 79 tariff lines, covering products such as pork, sausages, milk, rice, sugar, rum and ethyl alcohol. Some of these products were the subject of temporary tariff reductions pursuant to Legislative Decree No. 309 of 13 March 2022 and its amendment.

3.41. An examination of the tariff by stage of production shows that the average applied rate for finished goods (7.6%) is almost double that for semi-finished goods (3.9%), while the average applied rate for raw materials (7.1%) is also higher than that for semi-finished goods (Table 3.4).

Table 3.3 MFN tariff structure, 2015 and 2022

	2015 (HS 2012)	2022 (HS 2022) as at 1.1.2022	2022[a] (HS 2022) 13.3.2022 - 31.3.2023
Total number of lines	6,978	7,534	7,534
Ad valorem rates (> 0%)	3,641	3,933	3,884
Duty-free	3,337	3,601	3,650
Non-*ad valorem tariffs* (% of all tariff lines)	0.0	0.0	0.0
Non-*ad valorem* tariffs with no *ad valorem* equivalents (% of all tariff lines)	0.0	0.0	0.0
Tariff rate quotas (% of all tariff lines)	0.3	0.0	0.0
Duty-free tariff lines (% of all tariff lines)	47.8	47.8	48.5
Average for lines with a tariff greater than zero (%)	12.0	12.1	12.0
Arithmetic average (%)	6.3	6.3	6.2
Agricultural products (WTO definition) (%)	12.5	12.4	11.5
Non-agricultural products (including petroleum, WTO definition) (%)	5.2	5.3	5.3
National tariff peaks (% of all tariff lines)[b]	2.7	3.0	2.8

[30] Legislative Decree No. 433 of 28 June 2022.

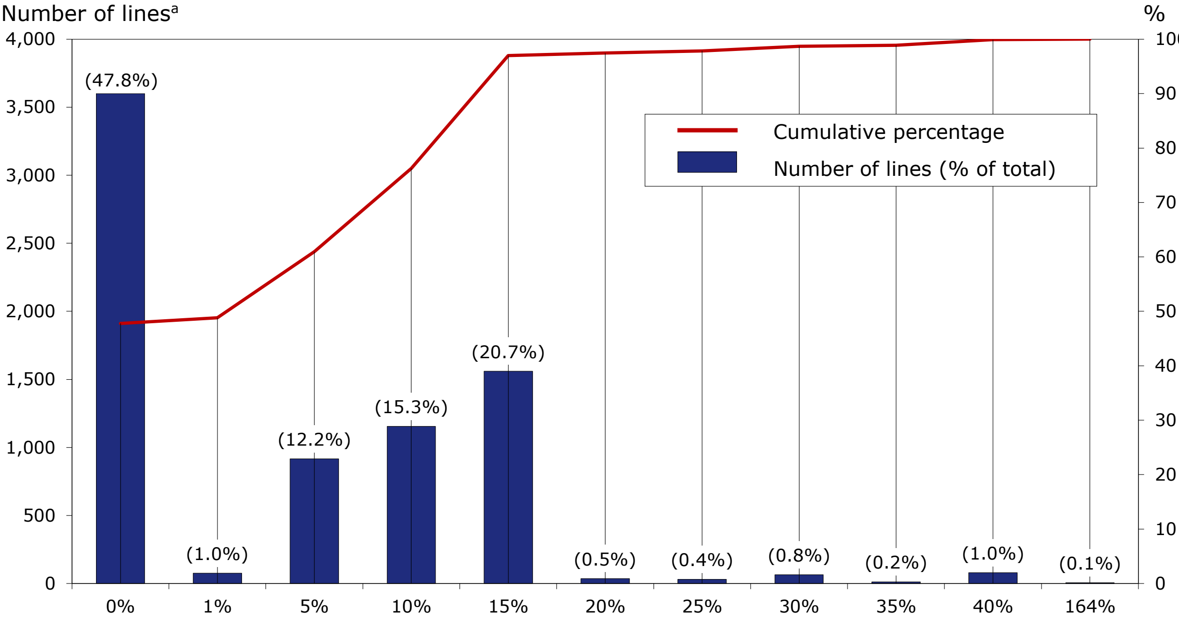
[31] These products correspond to the following tariff headings: 0207.13.93, 0207.13.93, 0207.13.94, 0207.14.93, 0207.14.94, 1602.32.10 and 1602.32.90.

	2015 (HS 2012)	2022 (HS 2022) as at 1.1.2022	2022[a] (HS 2022) 13.3.2022 - 31.3.2023
International tariff peaks (% of all tariff lines)[c]	2.7	3.0	2.8
Overall standard deviation of applied rates	8.8	8.8	8.7
Bound tariff lines (% of tariff lines)	100.0	100.0	100.0

a Legislative Decree No. 309 - Special Temporary Law to tackle commodity price inflation, in force from 13 March 2022 to 31 March 2023.
b National tariff peaks are defined as rates exceeding three times the overall arithmetic average applied rate.
c International tariff peaks are defined as rates exceeding 15%.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.1 Frequency distribution of tariff rates, as at 1 January 2022



a The total number of lines is 7,534.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table 3.4 Brief analysis of the MFN tariff, as at 1 January 2022

Description of products	MFN				Bound (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	**7,534**	**6.3**	**0 - 164**	**1.4**	**0 – 164.4**
HS 01-24	1,328	13.0	0 - 164	1.1	20 - 164.4
HS 25-97	6,206	4.9	0 - 30	1.3	0 - 80
By WTO category					
Agricultural products	1,069	12.4	0 - 164	1.3	20 - 164.4
Animals and animal products	158	25.5	0 - 164	1.2	20 - 164.4
Dairy produce	35	26.6	0 - 40	0.5	20 - 45.1
Fruit, vegetables and garden produce	307	11.3	0 - 30	0.6	20 - 50
Coffee and tea	29	13.3	0 - 15	0.3	40 - 70
Cereals and preparations	134	9.3	0 - 40	1.1	20 - 78
Oilseeds, fats and oils and their products	104	5.7	0 - 15	1.0	20 - 88
Sugar and confectionary	21	26.2	0 - 40	0.6	40 - 70
Beverages, spirits and tobacco	80	15.8	0 - 40	0.7	20 - 74
Cotton	5	0.0	0 - 0	n.a.	40 - 40
Other agricultural products n.e.s.	196	4.1	0 - 15	1.3	20 - 40
Non-agricultural products (including petroleum)	6,465	5.3	0 - 40	1.2	0 - 80
Non-agricultural products (excluding petroleum)	6,437	5.3	0 - 40	1.2	0 - 80
Fish and fish products	349	12.0	0 - 40	0.5	25 - 70

Description of products	MFN				Bound (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Minerals and metals	1,126	3.6	0 - 15	1.5	20 - 50
Chemicals and photographic products	1,397	2.2	0 - 15	1.9	0 - 50
Wood, wood pulp, paper and furniture	520	6.4	0 - 15	0.9	20 - 70
Textiles	715	8.1	0 - 15	0.6	20 - 70
Clothing	228	14.8	0 - 15	0.1	40 - 40
Leather, rubber, footwear and travel articles	212	7.6	0 - 15	0.7	20 - 80
Non-electrical machinery	653	1.5	0 - 15	2.7	0 - 50
Electrical machinery	374	2.8	0 - 15	1.9	0 - 50
Transport equipment	309	7.8	0 - 30	1.3	20 - 50
Non-agricultural products n.e.s.	554	7.8	0 - 30	1.0	0 - 40
Petroleum	28	3.75	0 - 15	1.2	40 - 40
By ISIC sector[b]					
Agriculture and fishing	552	8.2	0 - 40	0.9	20 - 78
Mining	111	1.6	0 - 15	1.9	20 - 40
Manufacturing	6,870	6.2	0 - 164	1.4	0 - 164.4
By HS section					
01 Live animals and animal products	511	15.2	0 - 164	1.1	20 - 164.4
02 Vegetable products	442	9.0	0 - 40	0.9	20 - 78
03 Fats and oils	63	7.9	0 - 15	0.8	20 - 88
04 Prepared foodstuffs, etc.	312	16.1	0 - 164	1.0	20 - 164.4
05 Mineral products	186	2.5	0 - 15	1.5	20 - 40
06 Products of the chemical or allied industries	1,234	1.9	0 - 15	2.2	0 - 50
07 Plastics and rubber	351	4.3	0 - 15	1.1	20 - 40
08 Raw hides and skins	108	8.3	0 - 15	0.7	40 - 70
09 Wood and articles of wood	192	7.7	0 - 15	0.7	20 - 70
10 Pulp of wood, paper, etc	295	5.1	0 - 15	1.1	20 - 70
11 Textiles and textile articles	923	9.5	0 - 15	0.5	20 - 70
12 Footwear and headgear	64	12.8	0 - 15	0.3	30 - 80
13 Articles of stone	194	6.2	0 - 15	1.1	20 - 50
14 Precious stones, etc.	56	7.1	0 - 15	0.8	20 - 40
15 Base metals and articles thereof	718	3.1	0 - 15	1.6	20 - 50
16 Machines and appliances	1,075	2.1	0 - 15	2.3	0 - 50
17 Transport equipment	322	7.6	0 - 30	1.3	20 - 50
18 Precision instruments	236	3.9	0 - 15	1.5	0 - 40
19 Arms and ammunition	21	30.0	30 - 30	0.0	40 - 40
20 Miscellaneous manufactured articles	206	10.9	0 - 15	0.5	20 - 40
21 Works of art, etc.	25	7.4	5 - 10	0.3	40 - 40
By stage of processing					
First stage of processing	975	7.1	0 - 40	1.1	20 - 78
Semi-processed products	2,502	3.9	0 - 40	1.4	0 - 70
Fully processed products	4,057	7.6	0 - 164	1.3	0 - 164.4

n.a. Not applicable.

a The bindings are shown according to the HS 2012 classification and the applied rates according to HS 2022; there may, therefore, be differences between the number of lines included in this analysis.

b ISIC (Rev.2), excluding electricity (one line).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.2 Tariff bindings

3.42. El Salvador has bound its entire tariff schedule in the WTO.[32] Bindings consist of 32 tariff rates ranging from 0 to 164.4%. Almost 70% of tariff lines were bound at 40%, with 7% of lines bound at 30% and 12% of them bound at 20%. In most cases, the applied rates are considerably lower than the bound rates. The WTO Secretariat has identified two tariff lines whose applied rate exceeds the respective bound rate. These correspond to HS headings 8544.42.21.00 (wire and cables of copper or aluminium) and HS 9017.10.00.00 (drafting tables and machines).[33] The authorities have indicated that this is due to a problem involving tariff classification of products included in the Information Technology Agreement (ITA) I and that they are looking at options for resolving this discrepancy.

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[32] Tariff bindings appear in Schedule LXXXVII of El Salvador, annexed to the GATT 1994. The certified Consolidated Tariff Schedule based on HS 2012 may be found in document WT/LET/1452-03.

[33] For this calculation, the Secretariat only took into account those tariff lines contained in El Salvador's Consolidated Tariff Schedule that are strictly comparable with HS 2022.

3.1.3.3 Preferential tariffs

3.43. Under the CACM, El Salvador gives preferential treatment to the member countries of the group. In 2022, almost all imports (over 99%) from Costa Rica, Guatemala, Honduras and Nicaragua enjoyed duty-free access to the Salvadoran market. Exceptions apply for unroasted coffee and cane sugar from any of these countries, roasted coffee and ethyl alcohol from Costa Rica, as well as ethyl alcohol, distilled alcoholic beverages and petroleum products from Honduras.[34] El Salvador applies MFN rates to these products. In the case of Panama, 85.1% of tariff lines are currently duty-free. This is due partly to the fact that the country is still in the transition phase towards full inclusion in the CACM.[35]

3.44. In addition, El Salvador grants preferential tariff treatment to imports originating in countries or customs territories with which it has concluded a free trade agreement (FTA) or partial scope agreement, pursuant to the terms of the relevant agreement. In 2022, El Salvador had trade agreements in force with: Chile, Colombia, Cuba, Ecuador, Mexico, the United Kingdom, the Republic of Korea, the Dominican Republic, Chinese Taipei[36], the European Union and the CAFTA-DR (Dominican Republic - Central America - United States Free Trade Agreement) (Table 3.5).

Table 3.5 Analysis of preferential tariffs, as at 1 January 2022

	Total		WTO categories			
			Agricultural products		Non-agricultural products (including petroleum)	
	Average tariff (%)	Duty-free tariff lines	Average (%)	Duty-free tariff lines (%)	Average (%)	Duty-free tariff lines (%)
MFN	**6.3**	**47.8**	**12.4**	**27.0**	**5.3**	**51.2**
CAFTA-DR	0.1	99.5	0.4	96.4	0.0	100.0
Chile	1.0	95.6	4.5	82.1	0.4	97.8
Colombia	2.9	74.6	7.0	65.6	2.2	76.1
Cuba	5.7	51.4	11.4	32.6	4.7	54.5
Ecuador	5.9	50.5	11.9	29.6	4.9	54.0
Mexico	0.7	96.9	4.4	83.3	0.1	99.1
Panama	2.2	85.1	5.3	80.3	1.6	85.8
United Kingdom	1.1	91.7	6.8	69.6	0.1	95.3
Korea, Rep. of	4.2	52.5	8.9	38.0	3.5	54.9
Dominican Rep.	0.3	98.6	2.2	91.8	0.0	99.7
Chinese Taipei	3.1	74.8	6.3	72.7	2.6	75.2
European Union	1.1	91.7	6.8	69.6	0.1	95.3

Source: Calculations by the WTO Secretariat, based on data provided by the authorities.

3.45. Analysis of the tariffs applied by El Salvador under the trade agreements it has concluded (with the exception of the CACM) shows that in January 2022 the simple average tariff ranged from 0.1% (CAFTA-DR) to 5.9% (Ecuador). The proportion of lines in the tariff universe enjoying zero rates under each of the agreements ranged from 50.5% (Ecuador) to 98.6% (Dominican Republic). It can also be seen that the average tariff for agricultural products (WTO definition) was much higher than for non-agricultural products. The former ranged from 0.4% (CAFTA-DR) to 11.9% (Ecuador) while the latter ranged from 0.0% (CAFTA-DR and Dominican Republic) to 4.9% (Ecuador). The results for Ecuador can be explained by the fact that there is a partial scope agreement in place with that country, which only provides for tariff rebates (rather than tariff elimination) and is also relatively new.

3.1.3.4 Tariff quotas

3.46. Under its WTO commitments, El Salvador established tariff quotas for imports of the following products: meat, milk, cheese, yellow maize, fats and oils, sugar, tobacco and tobacco products. During the review period, El Salvador only opened an annual quota of 785 metric tonnes for Cheddar cheese (HS 0406.90.20.00), with a 0% in-quota rate and 40% out-of-quota rate. The quota

[34] Annex A of the General Treaty on Central American Economic Integration (TGIEC) contained in Resolution No. 06-2010 of 3 September 2010 of the Executive Committee for Economic Integration.

[35] Protocol Incorporating the Republic of Panama into the Economic Integration Subsystem of the Central American Integration System, dated 29 June 2012 (Annexes 4.2 and 4.3).

[36] The agreement with Chinese Taipei ceased to apply on 8 November 2022 pursuant to Executive Resolution No. 1429 (Economy) of 8 November 2022.

fill rate fluctuated during the review period (between 12% and 40%) and was 40% in 2021.[37] These quotas are assigned via a system of public procurement import licences on El Salvador's commodity and service exchange, pursuant to the Regulations on the opening and administration of quotas. El Salvador has notified these regulations to the WTO and replied to the questionnaire on import licensing procedures under which tariff quotas are allocated.[38] There has been no change in the procedure since the last review.

3.47. In addition, El Salvador maintains tariff quotas for a number of agricultural products (dairy produce, meat, maize and rice) under certain trade agreements that it has concluded (Table A3.1). The procedure for applying these quotas is dictated by the conditions negotiated under the different agreements.

3.1.4 Other charges affecting imports

3.48. El Salvador applies indirect taxes to domestic and imported products, including property transfer and services tax (also known as value added tax (VAT)), specific and *ad valorem* taxes on the consumption of certain products and the special tax on fuel.

3.49. The property transfer and services tax is a value added tax levied on both the import and domestic sale of goods, as well as the provision of services, on Salvadoran territory. A rate of 13% applies.[39] In the case of imports, the tax base is the customs value plus tariffs and other applicable taxes, while for domestic goods it is the selling price plus the corresponding taxes.

3.50. Certain import operations are VAT-exempt, including those carried out by diplomatic representations and international organizations of which El Salvador is a member, goods imported as travellers' luggage, donations to non-profit organizations and pursuant to agreements concluded by El Salvador, as well as imports of buses and rental vehicles for public passenger transport.[40] A VAT exemption also applies to imports of machinery to be included in an enterprise's fixed assets and used directly for the production of taxable goods and services.[41] In 2019, a VAT exemption was introduced for imports by public health institutions of anti-retroviral medicines to treat HIV/AIDS.[42] Services such as the following are VAT-exempt: public health; education (provided by institutions authorized by the Ministry of Education); public land transport of passengers; drinking water supply and sanitation provided by public institutions and local authorities.[43]

3.51. In order to mitigate the impact of the sharp rise in international hydrocarbon prices on the Salvadoran economy, the Government reduced the rates of VAT applicable to fuel between 23 March and 4 April 2022.[44] The VAT reduction remained in force until 31 December 2022. Other sales taxes on fuel were also suspended in March 2022[45], with this suspension subsequently extended.

3.52. El Salvador taxes the consumption of certain products, both domestic and imported, through specific and/or *ad valorem* taxes. Products subject to such taxes include juices, aerated beverages, energy drinks, alcohol and alcoholic beverages, tobacco products and their substitutes, explosives, arms and ammunition. Most of these products are subject to an *ad valorem* tax on the retail price. Some of them (energy drinks, alcoholic beverages and tobacco products) are also subject to a specific tax. During the review period, the number of products subject to specific taxes was reduced, while the *ad valorem* tax on these products remained at the same level or increased (Table 3.6).

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[37] WTO document G/AG/N/SLV/82 of 7 March 2022.

[38] WTO documents G/LIC/N/SLV/1 of 3 February 2004; G/LIC/N/2/SLV/1 of 27 April 2016; and G/LIC/N/3/SLV/4 of 27 August 2020.

[39] Law on the tax on the transfer of property and the supply of services, Legislative Decree No. 296 of 31 July 1992 and amendments thereto.

[40] Article 45 of the Law on the tax on the transfer of property and the supply of services.

[41] Ministry of Finance. Viewed at: https://www.mh.gob.sv/servicios/exencion-del-iva-por-importacion-de-maquinaria/.

[42] Legislative Decree No. 395 of 15 August 2019.

[43] Article 46 of the Law on the tax on the transfer of property and the supply of services and Legislative Decree No. 418 of 12 September 2019.

[44] Legislative Decree No. 321 of 13 March 2022 and extensions thereof.

[45] Legislative Decrees Nos. 307 and 308 of 13 March 2022.

Table 3.6 Taxes on specific products, 2022

HS code	Description	Amount of the tax
Fruit and vegetable juices, unfermented and not containing added spirit		
2009.19.90	Orange juice, not frozen	5%
2009.21.00	Grapefruit or pomelo juice or nectar - of a Brix value not exceeding 20	5%
2009.29.90	Other grapefruit or pomelo juices	5%
2009.31.00	Juice or nectar of any other single citrus fruit - of a Brix value not exceeding 20	5%
2009.39.00	Juice of any other single citrus fruit. Other - of a Brix value greater than 20	5%
2009.41.00	Pineapple juice or nectar - of a Brix value not exceeding 20	5%
2009.49.00	Other pineapple juices	5%
2009.50.00	Tomato juice or nectar	5%
2009.61.00	Grape juice or nectar - of a Brix value not exceeding 30	5%
2009.69	Other grape juices, nectars or must	5%
2009.71.00	Apple juice or nectar - of a Brix value not exceeding 20	5%
2009.79.90	Apple juice - other, of a Brix value greater than 20, in containers smaller than 5 kg	5%
2009.8	Juice of any other single fruit, nut or vegetable	5%
2009.90.00	Mixtures of juices or nectars	5%
Miscellaneous edible preparations - Extracts, essences and concentrates		
2101.12.00	Preparations with a basis of extracts, essences or concentrates or with a basis of coffee	5%
2101.20	Other extracts, essences and concentrates	5%
Aerated beverages		
2202.10.00	Waters, including mineral waters and aerated waters	10%
2202.91.00	Non-alcoholic beer	10%
2202.99.90	Other beverages	10%
2202.99.90.20	Energizing or stimulating drinks	USD 0.2 per litre + 10%
Alcoholic beverages and drinkable ethyl alcohol		
2203.00.00	Beer made from malt	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2204.10.00	Sparkling wine	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2204.21.00	Other wine, in containers holding 2 l or less	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2204.22.00	Other wine, in containers holding more than 2 l but not more than 10 l	USD 0.16 on each 1% of alcohol strength by volume per litre + 8%
2204.29.00	Other wine	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2204.30.00	Other grape must	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2205	Vermouth and other wine of fresh grapes flavoured with plants, in containers holding 2 l or less	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2206.00.00	Other fermented beverages (cider, perry, mead, saké)	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2207.10	Ethyl alcohol	USD 0.1 on each 1% of alcohol strength by volume per litre
2208.40.90	Rum and other spirits obtained by distilling	USD 0.0325 on each 1% of alcohol strength by volume per litre + 8%
2208.50.00	Gin and Geneva	USD 0.16 on each 1% of alcohol strength by volume per litre + 8%
2208.60.10	Vodka of an alcoholic strength by volume of greater than 60% vol.	USD 0.09 on each 1% of alcohol strength by volume per litre + 8%
2208.70.00	Liqueurs	USD 0.16 on each 1% of alcohol strength by volume per litre + 8%
2208.90.10	Undenatured ethyl alcohol	USD 0.1 on each 1% of alcohol strength by volume per litre
2208.90.90	Other spirits, including tequila and mezcal	USD 0.09 on each 1% of alcohol strength by volume per litre
Tobacco and manufactured tobacco substitutes		
2402.10.00	Cigars, cheroots and cigarillos, containing tobacco	USD 0.0225 per unit + 39%

HS code	Description	Amount of the tax
2402.10.00	Cigars	USD 0.0225 per unit + 100%
2402.20.00	Cigarettes containing tobacco	USD 0.0225 per unit + 39%
2402.90.00	Other (cigars, cigarillos and cigarettes of tobacco substitutes)	USD 0.0225 per unit + 39%
2403.11.00	Water pipe tobacco	USD 0.0225 per gram + 39%
2403.19.10	Cut tobacco for rolling cigarettes	USD 0.0225 per gram + 39%
2403.19.90	Other smoking tobacco	USD 0.0225 per unit + 39%
2403.91.00	"Homogenized" or "reconstituted" tobacco	USD 0.0225 per unit + 39%
2404	Products containing tobacco, reconstituted tobacco or tobacco substitutes	USD 0.0225 per unit + 39%
Propellant powders and explosives; pyrotechnic articles		
3601	Propellant powders	30%
3603	Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators	30%
3604	Fireworks	30%
Arms and ammunition; parts and accessories thereof		
9013.10.90	Telescopic sights for fitting to arms; periscopes; telescopes designed to form parts of machines	30%
9302	Revolvers and pistols, other than those of heading 93.03 or 93.04	30%
9303	Other firearms which operate by the firing of an explosive charge	30%
9305	Parts and accessories of weapons, excluding military arms	30%
9306	Cartridges and other ammunition	30%

Source: WTO Secretariat, on the basis of information provided by the authorities.

3.53. The special tax on fuel (IEC) applies to the direct import and distribution of gasoil, diesel, petrol and mixtures thereof with other fuels. It is an *ad valorem* tax taking as its base the international reference price for fuel, published fortnightly by the Ministry of Economic Affairs. The applicable rate depends on the international reference price level, as shown in Table 3.7. Given the significant increase in international hydrocarbon prices during 2022, the IEC rate remained at 0.0% at the time of writing.

Table 3.7 Tax rates under the special tax on fuel

International reference price of a barrel of oil	Rate or percentage
Up to USD 50	1.00%
USD 50 to 70	0.50%
More than USD 70	0.00%

Source: Law on the special tax on fuel, Decree No. 225 of 12 December 2009.

3.1.5 Import prohibitions, restrictions and licensing

3.54. El Salvador bans the import of some products and reserves the import of others to the State alone, pursuant to Legislative Decree No. 647 of 20 December 1990 (Table 3.8). Furthermore, for reasons of road safety, it is forbidden to import used vehicles (passenger or freight) over a certain number of years old, depending on the type of vehicle.[46] In April 2021, this ban was extended to cover used electric vehicles over three years old.[47] El Salvador also prohibits the import of certain products under international conventions, for example, environmentally harmful substances and residues (Basel Convention), ozone-depleting substances (Montreal Protocol) and certain plant and animal species (Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)).

[46] Law on road transport, transit and road safety, Legislative Decree No. 477 of 1995 and amendments thereto.

[47] Incentive Law for the import and use of electric and hybrid means of transportation, Legislative Decree No. 738 of 30 April 2021.

Table 3.8 Prohibited imports and imports reserved for the State, 2022

Articles prohibited
Abortifacients
Discs of metal or their alloys used to replace coins
Figures and statues; pamphlets, almanacs, reviews, lithographed or engraved articles, newspapers, lithographs, cards or other articles of an obscene nature
Books, pamphlets, signs, slogans, emblems, posters and other articles of a subversive nature or doctrines contrary to the State's political, social and economic order
Coin-making machines and tools
Slot machines
Smooth-worn silver coins of a fineness of less than 0.900
Counterfeit coins and banknotes
Opium containing less than 9% of morphine, opium cinders, opium ash, and appliances for smoking opium
Unstamped cigarette paper, white or coloured, in folds, rolls, reels, booklets or small tubes
Films contrary to ethics and morals
Roulette games, gaming tables and any other equipment or artefacts for prohibited games
Articles which may only be imported by the State
Military aircraft
Raw sugar cane spirit
Warships of any draught, including submarines and landing craft
Military rifles
Gas masks for military uses
Nickel coins in legal circulation
Ammunition and implements of war
Potassium nitrate (nitre salt, saltpetre, kalium nitricum)
Stamped cigarette paper, white or coloured, in folds, rolls, reels, booklets or small tubes
El Salvador army regulation pistols
Pistols and revolvers of any type, of 41 or higher calibre
Silencers for firearms of all kinds
Revenue or municipal stamps, postage stamps and other revenue stationery

Source: Legislative Decree No. 647 of 20 December 1990.

3.55. The import of a number of products is restricted for reasons of public health, public safety, environmental protection and plant or animal health. Permits, authorizations, certificates and/or approval must be obtained from the appropriate regulatory institutions for their import. In certain cases, restricted goods must comply with the requirements of more than one regulatory institution. The list of goods subject to some form of restriction has not changed since the last review except for a new category covering air conditioning and refrigeration equipment and motors, added on energy efficiency grounds (Table 3.9). In early December 2022, the authorities indicated that they had provided the WTO with their replies to the questionnaire on import licensing and expected the document to be circulated to Members in the near future.

Table 3.9 Goods subject to import permits, authorizations or approval, 2022

Description	Reason	Regulatory institution	Legal basis
Alcohol	Public health	Ministry of Health (MINSAL)	Law regulating the production and sale of alcohol and alcoholic beverages
Prepared foodstuffs, raw materials and additives for food and beverages, chemicals and compounds, pharmaceuticals, fertilizers and preparations for pharmaceutical use and cosmetics	Public health	MINSAL, National Directorate of Medicines, Ministry of Agriculture and Livestock (MAG)	Health Code; Law on medicines; Regulations on proprietary drugs

Description	Reason	Regulatory institution	Legal basis
Arms, ammunition, explosive and pyrotechnical articles	Public safety	Ministry of National Defence	Law on the control and regulation of firearms, ammunition, explosives and similar articles; Special Regulations on the control and regulation of explosive-type articles
Narcotics, psychotropic drugs, aggregated products, precursors, chemicals and veterinary and anaesthetic products	Public health	National Directorate of Medicines and MAG	Law regulating activities concerning drugs; Regulations on narcotics, psychotropic drugs, precursors, chemical and aggregated substances and products; Law on medicines
Source and equipment generating ionizing radiation	Public health	MINSAL	Special Regulations on radiological protection and safety
Hydrocarbons	Protection of the environment	Ministry of Economic Affairs	Law regulating the storage, transport and distribution of petroleum products
Plants and animals and their products	Sanitary and phytosanitary protection	MAG	Law on plant and animal health
Chemical and chemical-biological products for agricultural, livestock or veterinary use	Sanitary and phytosanitary protection	MAG	Law on plant and animal health; Law on the control of pesticides, fertilizers and products for agricultural use and the Regulations implementing the Law
Ozone-depleting substances	Protection of the environment	Ministry of the Environment and Natural Resources	Law on the environment; Special Regulations on the control of ozone-depleting substances; Montreal Protocol
Hazardous substances	Public health and protection of the environment	Ministry of the Environment and Natural Resources	Law on the environment; Special Regulations on hazardous substances, residues and waste
Wildlife	Protection of the environment	Ministry of the Environment and Natural Resources	Law on wildlife conservation
Air conditioning, refrigeration equipment and motors	Energy efficiency	National Energy Council	Technical regulations on energy efficiency

Source: WTO Secretariat on the basis of information provided by the DGA.

3.1.6 Anti-dumping, countervailing and safeguard measures

3.56. El Salvador's regulatory framework for anti-dumping, countervailing and safeguard measures includes the respective WTO Agreements, the Central American Regulations on Unfair Business Practices[48] and the Central American Regulations on Safeguard Measures. The latter two instruments have been notified[49] and examined by the relevant WTO Committees.

[48] Article 4 of the Central American Regulations provides that all substantive aspects relating to unfair business practices are to be resolved in accordance with the WTO Agreements.

[49] WTO documents G/SG/N/1/SLV/3 of 10 March 2008; G/ADP/N/1/SLV/3 and G/SCM/N/1/SLV/3, both of 8 April 2008.

3.57. El Salvador has also enacted the Special Law on trade defence[50], which came into force and was notified to the WTO in 2016.[51] It specifies the requirements, time-limits and procedures for conducting dumping, subsidy and safeguard investigations, as well as empowering the competent authority to conduct such investigations and enforce trade defence measures. The Law also sets out the information requirements and conditions to be met by domestic industries when submitting requests for investigations.

3.58. It is the responsibility of the Ministry of the Economy's Directorate for the Administration of Trade Agreements (DATCO) to conduct investigations and propose the application of the corresponding trade defence measures as appropriate. Pursuant to the Special Law on trade defence (Article 29), a trade defence investigation may be initiated at the request of a domestic industry or *ex officio*. Investigations are generally initiated by means of a request lodged by, or on behalf of, a domestic industry that considers itself to have been affected.

3.59. Executive Decree No. 35 of 14 September 2017 issued the Implementing Regulations for the Special Law on trade defence. Here, the provisions of the Law (primarily in relation to the methodology for calculating subsidies) are expanded upon in order to ensure proper implementation. The authorities have indicated that a notification of these Regulations to the WTO is currently in preparation. In April 2022, the Ministry of Economic Affairs published a decision concerning procedures for the review of anti-dumping duties.[52]

3.60. El Salvador does not frequently make use of trade defence measures and has never initiated an investigation in relation to countervailing measures. During the review period, El Salvador initiated two anti-dumping investigations, which were notified to the WTO.[53] In October 2016, El Salvador opened an investigation into latex-based architectural paints from the United States. The investigation was concluded in April 2018 with a decision to impose final anti-dumping duty (376% on imports with an f.o.b. value of less than USD 5.12 per gallon).[54] A review of this duty was launched in 2022 (one year prior to its expiry). In November 2017, El Salvador initiated an anti-dumping investigation concerning liquid ultra-high-temperature (UHT) processed milk in long-life packaging from Costa Rica. The investigation was concluded in 2019 when it was found that there was no evidence of serious injury caused by dumped imports. No anti-dumping duties were therefore imposed.[55]

3.61. Anti-dumping and countervailing duties are imposed for a period of five years. The Special Law on trade defence (Article 67) provides for a review of an anti-dumping or countervailing duty at the request of the domestic industry that lodged the original investigation request. A duly substantiated request must be submitted one year prior to the expiry of the application period for the duty. The Special Law on trade defence does not contain provisions on a procedure for initiating anti-circumvention investigations.

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.62. To facilitate their export procedures, any natural or legal person can register as an exporter with the Import and Export Processing Centre (CIEX) managed by the Central Reserve Bank. Registration is free of charge and instantaneous, provided that the requirements published on the CIEX website have been met.[56] Alternatively, exporters can opt to engage the services of a customs broker to register their operations in the computer system of the Directorate-General of Customs (DGA).

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[50] Decree No. 212 of 10 December 2015

[51] WTO documents G/ADP/N/1/SLV/3/Suppl.1, G/SCM/N/1/SLV/3/Suppl.1 and G/SG/N/1/SLV/3/Suppl.1, all of 3 November 2016.

[52] MINEC Decision No. 592 of 28 April 2022.

[53] WTO documents G/ADP/N/322/SLV of 28 January 2019 and G/ADP/N/328/SLV of 21 October 2019.

[54] Final Resolution CASO-DACTO-2-ADP-2016. Viewed at: http://infotrade.minec.gob.sv/wp-content/uploads/Resoluci%C3%B3n-Definitiva-CASO-DATCO-2-ADP-2016.pdf.

[55] Final Resolution CASO-DATCO-3-ADP-2017. Viewed at: http://infotrade.minec.gob.sv/wp-content/uploads/Resoluci%C3%B3n-Definitiva-CASO-DATCO-3-ADP-2017.pdf.

[56] The requirements can be viewed at: https://www.ciexelsalvador.gob.sv/ciexelsalvador/inscripcion-importador-exportador-o-transportista-de-carga-internacional/.

3.63. If the exporter opts to register its operations directly, the process is carried out online through the Integrated Foreign Trade System (SICEX). The SICEX is an electronic platform that allows exporters to conduct their export operations in full, interconnecting them with the CIEX, the DGA and other state institutions that deal with export procedures. Through this platform, the CIEX issues the DUCA-F (for exports destined for CACM countries that comply with the Central American Regulations on the Origin of Goods), DUCA-D (for exports destined for third countries) and the Goods Declaration (for businesses operating in free zones, inward processing warehouses or companies covered by the Law on International Services[57]). Exporters can also use this channel to obtain sanitary, phytosanitary and origin certificates according to the nature of the product or the requirements of the destination country.

3.64. Once the CIEX has validated the export operation, the corresponding information is sent electronically to the DGA. For exports to Guatemala, Honduras, Nicaragua, Costa Rica and Panama, the DUCA-F is sent directly to the customs authority in those countries for authorization. To conclude the export operation, the following documents must be submitted to the DGA: the DUCA (either F or D) or the Goods Declaration, the invoice, the cargo manifest, the documents of carriage and the corresponding licences, permits or certificates.

3.65. The DGA applies a selective process based on risk-management techniques to determine those export shipments whose release will be automatic (green channel) or those which will need to undergo a document-based inspection (yellow channel) or document-based and physical inspections (red channel). According to DGA figures, over the period from 2016 to 2021, an average of 1.3% of final export declarations passed through the yellow channel and 1.7% through the red channel.

3.2.2 Export taxes and duties

3.66. Merchandise exports are exempt from the payment of taxes and other levies. The tax on the transfer of property and the supply of services (VAT) is applied to exports at a rate of 0%.

3.2.3 Export prohibitions, restrictions, and licensing

3.67. The export of some products is prohibited or restricted, generally for environmental, health, public safety and quality control reasons or to comply with commitments made by El Salvador under international agreements (such as CITES).

3.68. El Salvador controls the export of some products through authorizations, permits, certificates or registrations that fall under the responsibility of various public and private institutions. Some of these procedures can be carried out through the CIEX. Products subject to export control include cane sugar, agricultural chemicals and veterinary medicines, coffee, machinery, arms and explosives, and cultural assets (Table 3.10). The export of ferrous and non-ferrous waste and scrap is restricted, except in the case of exporters registered with the DGA that export waste derived from their own production processes and that have DGA authorization. The purpose of the measure is to end the export of illegally obtained waste.[58] Under sectoral laws, export authorizations for some products, such as cane sugar, pesticides and fertilizers, and natural gas, are granted provided that domestic supply is guaranteed. No restrictions were applied on these products during the period under review.

3.69. During the review period, El Salvador temporarily restricted the export of red beans, one of the products in the country's basic basket. The measure was in effect from 26 March to 31 December 2020 and aimed to ensure adequate supplies to meet domestic demand during the COVID-19 pandemic.[59] El Salvador had previously restricted red bean exports from 15 May 2014 to 31 December 2015 to prevent price increases and to guarantee the product's availability.

[57] See Section 3.2.4.

[58] Legislative Decree No. 794 of 17 December 2020.

[59] Executive Decision No. 512 of March 2020, MINEC, MAG and DGA. Measure notified to the WTO in document G/MA/QR/N/SLV/1 of 27 September 2021.

Table 3.10 Exports subject to control, 2022

Product	Competent authority	Authorization required
Shark fins	Ministry of Agriculture and Livestock (MAG)	Finning ban certification issued by the Directorate-General of Fisheries and Aquaculture Development
Cane sugar	Salvadoran Sugar Agro-Industry Council (CONSAA)	Export quota authorization ruling issued by CONSAA
Agricultural chemicals, biological products, medication and food preparations for veterinary use	MAG	Certificate for the export of medication for veterinary use
Flora, marine species and wild fauna	MAG	Export permits for CITES-regulated products
Coffee (including roasted or ground coffee)	Salvadoran Coffee Council (CSC)	CSC permit
Portable cylinders for liquefied petroleum gas	Ministry of Economic Affairs	Export authorization from the Directorate of Hydrocarbons and Mining, Hydrocarbons Division
Machinery used by free zone businesses and inward processing warehouses	Ministry of Labour and Social Well-being	Ruling by the Directorate-General of Labour Inspection
Ferrous and non-ferrous waste and scrap	Ministry of Finance	Registration of exporter with the Directorate-General of Customs
Arms, ammunition, explosives and like articles	Ministry of National Defence	Special export permit from the Logistics Directorate
Works of art, antiques and cultural assets	Secretariat for Culture of El Salvador	Certified export authorization from the National Cultural Heritage Directorate

Source: Information provided by the authorities.

3.2.4 Export support and promotion

3.2.4.1 VAT deduction and refund

3.70. Exporters have the right to seek deduction of the VAT paid on inputs and services required for the production of exported goods from the tax owing as a result of domestic transactions to which VAT applies. Where exporters have a tax credit that they cannot fully deduct from the tax owing during the corresponding tax period, they can request a refund of the remaining balance from the Directorate-General of Internal Revenue.[60] As of 2022, this procedure can be carried out online. The tax refund can be used to pay VAT on merchandise imports or other direct taxes or tax obligations authorized by the Tax Administration.

3.2.4.2 Free zones and inward processing warehouses

3.71. The Law on Industrial and Commercial Free Zones (LZFIC) provides the legal framework for the operation of free zones and inward processing warehouses (DPAs).[61] The purpose of the Law is to establish a macroeconomic environment attractive to investors that will contribute to the creation of more and better jobs, the transfer of technology, and the country's economic and social development. By way of Legislative Decree No. 318 of 21 February 2013, El Salvador introduced substantial amendments to the LZFIC in order to bring it into line with the country's international commitments and to give the regulatory framework the stability needed to attract investment. The main changes include the elimination of any reference to export and local content requirements, the introduction of investment and employment requirements, and a scheme offering time-bound and differentiated incentives according to where businesses are located.[62] The Ministry of Economic Affairs is responsible for issuing authorizations for the establishment, administration and operation of free zones, whereas the Ministry of Finance is in charge of overseeing and monitoring the applicable customs and tax regime.

[60] Law on the Tax on the Transfer of Property and the Supply of Services (Articles 76 and 77).
[61] Legislative Decree No. 405 of 3 September 1998. Viewed at: http://www.oas.org/juridico/spanish/mesicic3_slv_zonas.pdf.
[62] El Salvador has notified the WTO of the approval of Decree No. 318 of 2013. WTO document G/SCM/N/253/SLV-G/SCM/N/260/SLV of 8 July 2013.

3.72. Pursuant to the LZFIC, Salvadoran or foreign businesses may become established in a free zone when engaged in any of the following activities: the production, assembly or in-bond assembly (maquila), manufacturing, processing, transformation or marketing of industrial goods (listed in Chapter 3 and Chapters 25 et seq. of the Central American Tariff System); the fishing, processing and marketing of marine species; the cultivation, processing and marketing of species of flora grown in greenhouses and laboratories; the breeding and marketing of amphibians and reptiles in captivity with a permit from the competent authority; and ethanol dehydration. Also included are services needed for or related to performing such activities, which can only be provided to LZFIC beneficiaries.[63]

3.73. Companies engaged in production, assembly, manufacturing, processing or marketing for any of the activities listed in Chapter 3 of the LZFIC, which, for technical reasons, cannot be located in a free zone, may apply to be authorized as DPAs if they meet the requirements laid down in that law.

3.74. Activities not eligible under the LZFIC are the production, assembly or maquila, manufacturing, processing, transformation or marketing of the following products: natural gas, petroleum and its by-products; cement and clinker; scrap or waste of steel, iron and other ferrous and non-ferrous metals; metallic and non-metallic mineral products; explosives and radioactive materials; goods causing pollution, harm to health or damage to the environment; sugar and its substitutes and by-products; alcohol of any origin; and bags or sacks of natural, synthetic or artificial textile fibres. Activities pertaining to the supplying of prepared or non-prepared food to employees or businesses benefiting from free zones and other free or suspensive regimes, or to the importation of machinery and equipment for leasing purposes, are also excluded from the benefits of the Law.[64]

3.75. The requirements for companies seeking to develop a free zone (developers) are to own land the size of at least five blocks, 30% of which must be green space, and to obtain the corresponding building permits.

3.76. Companies or legal entities wishing to become users of free zones must meet at least one of the following requirements: (i) make an initial investment in fixed assets valued at or above USD 500,000 within the first two years of operation; or (ii) operate at a capacity of 50 or more permanent jobs (or five in the case of a marketing company), as of the first year of operation. In the case of a DPA, the initial investment must be equal to or greater than USD 800,000, or the company must operate at a capacity of at least 75 permanent jobs (or 15 if it is a marketing company), as of the first year of operation.[65] DPAs are also required to be located in an industrial zone and meet the minimum area, office and building requirements.

3.77. The free zone and DPA fiscal incentive scheme is the same as that reported in the previous review. Users of free zones and DPAs are exempt from income tax (ISR), municipal taxes, tax on the transfer of real estate and ISR on dividends. The time limits for these exemptions vary according to whether the user is a free zone or DPA user and also depend on the location of the business, that is, whether it is within or outside the metropolitan area. They are also exempt from import tariffs on equipment and inputs needed for the authorized activity while the beneficiary business is in operation (Table 3.11).

3.78. Since the 2013 amendment, sales to the domestic market are treated as follows: if a seller sells goods produced abroad to the domestic market, it must pay import duty and other taxes and prove that the goods have not undergone transformation and have been under customs control at all times. In the case of goods produced in a free zone or a DPA, the seller must pay import duty and other taxes on the customs value, excluding the value of the domestic components, provided that the value of these components can be proven.

[63] Article 3 of the LZFIC.
[64] Article 6 of the LZFIC.
[65] Articles 17-A and 19-A of the LZFIC.

Table 3.11 Fiscal incentives in free zones and DPAs

Fiscal incentive	Free zones	
	Metropolitan area	Outside the metropolitan area
Income tax (ISR)	Exemption for the first 15 years	Exemption for the first 20 years
	60% for the next 10 years	60% for the next 15 years
	40% for the subsequent 10 years	
Municipal taxes	Exemption for the first 15 years	Exemption for the first 20 years
	90% for the next 10 years	90% for the next 15 years
	75% for as long as the authorized activity continues	
Tax on the transfer of real estate	Exemption for the purchase of real estate to be used for the authorized activity	
Dividends	Exemption from ISR for the first 12 financial years	
Import tariffs	Exemption from import tariffs on machinery, equipment, raw materials, catalysers, lubricants, reagents and fuel, *inter alia*, needed for the authorized activity	
Fiscal incentive	**Inward processing warehouses (DPAs)**	
	Metropolitan area	**Outside the metropolitan area**
Income tax (ISR)	Exemption for the first 10 years	Exemption for the first 15 years
	60% for the next 5 years	60% for the next 10 years
	40% for the subsequent 10 years	
Municipal taxes	Exemption for the first 10 years	Exemption for the first 15 years
	90% for the next 5 years	90% for the next 10 years
	75% for as long as the authorized activity continues	
Tax on the transfer of real estate	Exemption for the purchase of real estate to be used for the authorized activity	
Dividends	Exemption from ISR for the first 12 financial years	
Import tariffs	Exemption from import tariffs on machinery, equipment, raw materials, catalysers, lubricants, reagents and fuel, *inter alia*, needed for the authorized activity	

Source: WTO Secretariat on the basis of Articles 17 and 19 of the Law on Industrial and Commercial Free Zones (Legislative Decree No. 405 of 23 September 1998) and amendments thereto.

3.79. During the period under review, various amendments to the LZFIC were approved.[66] The main changes include the following: the entry and exit of samples to and from free zones was regulated; the customs regime for the introduction and temporary admission of goods was regulated; the minimum area required for the establishment of new free zones was reduced; the expansion of existing free zones in non-adjoining areas was allowed; a procedure for the expansion of DPAs was introduced; and a minimum area for activities involving species and amphibians in captivity was established. In addition, Legislative Decree No. 791 of 10 December 2020 clarified that the sale of goods and the provision of services by domestic suppliers to LZFIC beneficiaries will be subject to 0% VAT, as long as such goods and services are necessary for the authorized activity, including the acquisition of materials for the construction, improvement or modification of buildings owned by the beneficiaries or the acquisition of services for the same purpose.

3.80. In December 2021, the government began to consider further proposed amendments to the LZFIC. The amendments seek to reduce bureaucratic hurdles and waiting times for the creation of new free zones. Consideration is also being given to the possibility of constructing "vertical free zones" on different levels of the same building. Moreover, there are plans to expand eligible sectors and activities as well as benefits for developers and free zone and DPA users[67] and to relax investment and employment requirements. As of November 2022, discussions were still ongoing.

3.81. El Salvador's notifications to the WTO Committee on Subsidies and Countervailing Measures do not provide information on the quantity of subsidies granted under the free zone regime or on the volume of merchandise exports by regime beneficiaries (in the case of the last two notifications).[68]

[66] Legislative Decree No. 876 of 3 January 2018; Legislative Decree No. 332 of 16 May 2019, Legislative Decree No. 398 of 15 August 2019 and Legislative Decree No. 791 of 10 December 2020.

[67] Legislative Assembly, *Comisión de Economía avanza con estudio de reformas a la Ley de Zonas Francas*. Viewed at: https://www.asamblea.gob.sv/index.php/node/11859.

[68] WTO documents G/SCM/N/299/SLV of 26 July 2016; G/SCM/N/315/SLV of 13 March 2018; G/SCM/N/343/SLV of 12 November 2019; and G/SCM/N/372/SLV of 14 September 2021.

3.82. In 2022, there were 17 free zones in operation and one project to create a new free zone. There were also projects to expand nine existing free zones. The number of businesses covered by the LZFIC (free zones and DPAs) dropped from 229 in 2015 to 205 in 2021. During this period, the level of employment generated by these businesses remained at around 80,000 permanent positions (with a slight decrease in 2020 due to the pandemic), representing 3% of the country's total workforce. Women accounted for 50% of all employees in free zone companies and DPAs. Between 2015 and 2021, exports from free zones amounted to around USD 1.1 billion annually. They fell in 2020, but then recovered to USD 1.252 billion in 2021, accounting for almost 19% of the total value of Salvadoran merchandise exports that year. Imports by free zone businesses, meanwhile, averaged USD 572 million during the period from 2015 to 2021, which represented around 5% of total merchandise imports (Table 3.12).

Table 3.12 Main free zone and DPA regime indicators, 2015-21

	2015	2016	2017	2018	2019	2020	2021
Number of businesses	229	222	218	208	208	202	205
Number of employees	85,972	84,964	84,722	87,141	80,929	79,402	84,078
As a percentage of the labour force (%)	3%	3%	3%	3%	3%	3%	3%
Imports							
USD million	490.3	434.5	607.4	638.1	646.6	480.3	705.9
As a percentage of total merchandise imports	4.8	4.4	5.7	5.6	5.6	4.7	4.7
Exports							
USD million	1,080.2	1,103.8	1,098.7	1,178.5	1,167.5	889.0	1,251.8
As a percentage of total merchandise exports	19.6	20.4	19.1	20.0	19.7	17.7	18.9

Source: WTO Secretariat based on data from the Central Reserve Bank of El Salvador, viewed at http://www.bcr.gob.sv/bcrsite/?cat=1012&lang=es; and information provided by the authorities (number of businesses and employees).

3.83. The economic activities in which free zone enterprises and DPAs are concentrated are: textiles and clothing; trade; plastics; paper and paperboard; chemicals; medical equipment; miscellaneous manufactured articles; greenhouse cultivation; and marine fisheries and the processing of marine fishery products.

3.2.4.3 Law on International Services

3.84. The Law on International Services (LSI), passed in 2007, provides tariff and tax incentives to businesses that provide services to foreign clients.[69] To receive incentives, businesses must be established in "service parks", which are defined areas considered to be outside the national customs territory, where businesses engaged in eligible activities operate under the responsibility of an authorized administrator. Businesses engaged in eligible activities, but that for physical or technical reasons cannot operate within a service park, may be authorized to operate as a "service centre" and enjoy the same benefits. In addition, businesses engaged in activities that require particular physical-spatial characteristics may operate within defined areas in seaports and airports.[70] The Ministry of Economic Affairs is responsible for applying the LSI and issuing authorizations to operate. Effective monitoring and surveillance of the customs and tax regime covering service parks and centres fall to the Ministry of Finance.

3.85. Businesses covered by the LSI are exempt from: (a) duties and other import taxes on furnishings, machinery and other goods needed to provide the services benefiting from incentives; (b) the ISR; and (c) municipal taxes on assets.[71] Businesses operating in service parks are also fully exempt from the tax on the transfer of real estate. The benefits are granted for as long as the businesses are in operation and provided that they meet the requirements laid down in the LSI.

[69] Legislative Decree No. 431 of 11 October 2007.

[70] PROESA, *Investor's Guide 2020*. Viewed at: https://investelsalvador.com/wp-content/uploads/2020/07/GUIA-I_2020_INGLES.pdf.

[71] Articles 21 and 25 of the LSI.

3.86. The scope of the LSI was broadened by way of an amendment in 2013 to include more activities, while relaxing the requirements businesses must meet. Table 3.13 shows the activities that are eligible under the amended LSI and whether they may operate in service parks or centres or at ports and airports. The amendment also set out the services that may be sold to the domestic market, provided that they are intended for persons or businesses registered as taxpayers and that VAT, the ISR and municipal taxes are paid. These services include international distribution, international logistics operations, international call centres, international financial services, and information technology and research and development services.

Table 3.13 Law on International Services: eligible activities

Eligible activities	Percentage of services allowed on the domestic market	Location
International distribution	50%	Parks
International logistics operations	50%	Parks
International call or contact centres	40%	Parks or service centres
Information technology	30%	Parks or service centres
Repair of technological equipment	0%	Parks
Research and development	30%	Parks
Business processes (outsourcing)	0%	Parks or service centres
International financial services	40%	Parks
Medical and hospital services	0%	Parks or service centres
Care of the elderly and convalescents	0%	Parks or service centres
Telemedicine	0%	Parks or service centres
Cinematography	0%	Parks or service centres
Specialized aircraft services	0%	Ports or airports, or within a 10 km radius
Repair and maintenance of seagoing vessels	0%	Ports or airports
Repair and maintenance of containers	0%	Ports or airports, or within a 10 km radius
Repair and maintenance of aircraft	0%	Ports or airports

Source: Prepared by the WTO Secretariat on the basis of the LSI, Legislative Decree No. 431 of 25 October 2007, as amended by Legislative Decree No. 396 of 16 September 2019.

3.87. The requirements businesses must meet to be covered by the LSI depend on the service they provide and their location, either in a park or a service centre. Normally, there are minimum requirements in terms of investment (between USD 150,000 and USD 2,000,000), employment (10 to 20 permanent jobs), length of contrct (six months) and infrastructure (environmental and safety conditions). It is also mandatory to submit a business plan.[72] Developers must have a minimum of five blocks of land, 30% of which must be green space, and the corresponding building permits.

3.88. The LSI was amended in 2019 and 2020. As part of the 2019 amendments, specialized aircraft services were recognized as activities encouraged by the law and a clarification was provided that, for these services, food, non-alcoholic beverage and other product imports are exempt from duties and other taxes, an exemption that does not apply to other types of activities. The amendment also allowed some activities to be carried out in service centres and introduced investment and employment requirements for information technology, cinematography and specialized aircraft services. The 2020 amendment established transitional provisions related to the COVID-19 pandemic to enable businesses to carry out their activities outside their facilities, for social distancing purposes, until 31 December 2022.

3.89. In November 2022, the authorities were working on proposed amendments to the LSI with a view to, *inter alia*, extending the benefits to all businesses covered by the Law, relaxing investment and employment requirements, and allowing a business to provide two or more services. According to the authorities, this process has been suspended.

3.90. Based on the information provided by the authorities, 80 businesses operated under the LSI regime in 2021 (compared to 56 in 2016), generating 37,896 permanent jobs, 36% of which were held by women. There was also a new service park project. The services in which businesses covered by the LSI are concentrated are contact centres, business process outsourcing (BPO),

[72] The requirements to become established in a service park are set out in Articles 22 and 23 of the LSI, and to become established in service centres, in Articles 24 and 24-A of the LSI.

logistics, information technologies and specialized aircraft services. No data are available on the exports of businesses covered by the LSI.

3.2.4.4 Export promotion

3.91. The Export and Investment Promotion Agency of El Salvador (PROESA), an institution governed by public law and attached to the Office of the President of the Republic, remains the leading export promotion agency. Legislative Decree No. 663 of 9 April 2014 defines its responsibilities, organization and functioning. PROESA's objectives are to promote exports of goods and services produced in the country, attract domestic and foreign investment, assess and monitor the business climate, and formulate proposals for improving investment and export policies.

3.92. The PROESA Export Directorate, through the Export Development Manager's Office and the Trade Promotion Manager's Office, provides exporters with support in three areas:

- export advisory services: mentoring and specialized advice, export plan creation, identification of strategic opportunities, strengthening of export capacities, export capacity analysis, and export procedures;
- strategic information: information on trade opportunities and trends, foreign trade reports, reports on specific products or services, and credit reporting from potential buyers; and
- trade promotion: reverse trade missions, trade promotion events in markets, virtual business roundtables, attraction of trade opportunities, and tailor-made agendas for foreign buyers.

3.93. During the period under review, PROESA operated a number of support programmes for exporters, including *Exportar Paso a Paso* and *Exportar Más*. *Exportar Paso a Paso* assists Salvadoran businesses that wish to start exporting, mainly by giving them information on markets, training, technical assistance and help in promoting products and services with potential in the chosen markets. To join the programme, a business must meet the following requirements: be formally registered; if it produces goods, have been operating for at least three years and have annual sales amounting to a minimum of USD 100,000, and if it supplies services, have been operating for at least one year and have annual sales amounting to a minimum of USD 75,000; and have export potential according to the analysis carried out by PROESA.[73] Businesses that successfully complete the programme can join the *Club Empresarial Exportar Paso a Paso*, which provides tools to strengthen the exportable supply and facilitate the internalization of businesses, such as advice on product photography, consultancy to improve corporate image and web design.[74]

3.94. The *Exportar Más* programme helps businesses to increase and diversify their exports to preselected markets by providing information on markets, business support from a PROESA specialist, assistance from an expert in the target market, and coordination of a trade mission to this market. It is geared towards businesses that export to new destinations, export new products or services, or export new products or services to new destinations. To join the programme, the business must be formally registered, have exporting experience (over the previous two years at a minimum), have total sales of USD 100,000 or more and annual exports of at least USD 25,000, and have proven potential in the chosen markets.[75] The programme also takes into account whether the businesses export to markets with which El Salvador has free trade agreements. According to the data provided by the authorities, the value of exports of businesses benefiting from the *Exporta Más* programme amounted to USD 2,178,642 during the period from 2016 to 2021.

3.95. Apart from the traditional programmes mentioned above, PROESA has introduced new export support lines to adapt to the requirements of exporters and markets. This new support includes: the *Mujer Exporta* programme, which aims to guide women entrepreneurs on the steps to be followed to export for the first time or to export more; the *Innovación para la Exportación* (IPEX) programme, which supports food and beverage exporters so as to ensure a high value-added and differentiated exportable supply in order to access niche markets; and the *Programa de Gerentes*, which seeks to

[73] Online information from PROESA. Viewed at: https://proesa.gob.sv//exportar-paso-a-paso/.
[74] Online information from PROESA. Viewed at: https://proesa.gob.sv//club-empresarial-exportar-paso-a-paso/.
[75] Online information from PROESA. Viewed at: https://proesa.gob.sv//exportar-mas/.

increase business competitiveness, focusing on renewable energy and green technologies. Furthermore, in coordination with the Ministry of Economic Affairs and the Ministry of Foreign Affairs, PROESA participates in the implementation of the *Divulgación de Tratados de Libre Comercio* programme to disseminate trade opportunities under the free trade agreements (FTAs) signed by El Salvador. PROESA also facilitates exporters' access to financing, advising them on how to structure their business projects and validating these projects before they are submitted to the Development Bank of El Salvador (BANDESAL).

3.96. The manner in which PROESA provides services to exporters has also been adapted, particularly after the COVID-19 pandemic, in response to strong demand for virtual means of doing business. It is estimated that 75% of PROESA's activities will be carried out through such means in 2023. The authorities also consider that, while PROESA will continue to provide businesses with export training, this will not be a major part of its services in the future, as other institutions are dedicated to this.

3.97. Salvadoran exporters also receive support from the National Commission for Micro and Small Enterprises (CONAMYPE) attached to the Ministry of Economic Affairs. CONAMYPE offers services to micro- and small enterprises (MSEs) wishing to export. Such services include foreign trade advice and export-focused technical assistance; mentoring during the first export operation; the development of export catalogues and support with international sample shipments; the promotion of MSE products at the international level through marketing agencies; export pricing support; and advice on accessing and penetrating new markets.[76] CONAMYPE also operates export-oriented forums or platforms, such as EXPOMYPE (a virtual fair to boost MSE product marketing through digital means) and the FORO EXPORTASV, an exhibition event aimed at promoting MSEs' exportable supply and fostering their export culture. By September 2022, CONAMYPE had advised 1,200 MSEs, and 240 MSEs were contributing 1,009 products to El Salvador's exportable supply in sectors such as food, beverages, textiles and clothing, food agro-industry, services, natural cosmetics, miscellaneous manufactured articles, footwear, handicrafts and furniture.[77]

3.2.5 Export finance, insurance, and guarantees

3.98. The Development Bank of El Salvador (BANDESAL) is a public credit institution created in 2012 by the Law on the Financial System for the Promotion of Development.[78] Its aim is to facilitate access to financing for production sectors, giving priority to MSMEs and sectors not served by commercial banks, including agriculture, agro-industry, industry, services, energy, exports, tourism, housing and production infrastructure. BANDESAL manages the Economic Development Fund (FDE), which seeks to meet the financial needs of MSMEs, as well as the Salvadoran Guarantee Fund (FSG), which provides additional guarantees to natural and legal persons. In addition, BANDESAL manages 14 financial trusts.

3.99. In accordance with its roles and responsibilities, BANDESAL grants loans directly as a first-tier bank, as a second-tier bank through other financial institutions and using FDE resources. In general, the main purpose of loans offered by BANDESAL in their various modalities is to support production and competitiveness in productive sectors through financing for, *inter alia*, capital formation, industrial park expansion and conversion, machinery and equipment modernization, and energy efficiency projects. Only some loans are export-oriented, such as the direct credit line for agro-industry, which aims to finance the increase in production and industrialization of products so as to facilitate their export. Terms range from 5 to 10 years, and the rates are competitive. BANDESAL also makes available to eligible financial institutions a foreign trade line for working capital financing intended for enterprises exporting goods and services.[79]

3.100. The FSG offers guarantees to encourage eligible financial institutions to grant credit to businesses. On the one hand, it provides eligible institutions with automatic guarantees that are granted immediately, without the need for prior authorization from the FSG, for a maximum coverage amount of USD 200,000 per beneficiary. On the other hand, for coverages over

[76] CONAMYPE, *Exportación*. Viewed at: https://www.conamype.gob.sv/blog/servicios/exportacion/.
[77] CONAMYPE. Viewed at: https://www.conamype.gob.sv/blog/2022/11/14/desarrollamos-el-foro-nacional-exportasv-para-formar-en-cultura-exportadora-a-la-micro-y-pequena-empresa-del-pais/.
[78] Legislative Decree No. 847 of 22 September 2012, amended by Legislative Decree No. 653 of 4 June 2022 (see also Section 3.3.1.1).
[79] This line was not active at the time of writing this report.

USD 200,000 or when the credit amount exceeds USD 400,000, the guarantee requires a prior risk assessment for the beneficiary and the approval of the BANDESAL Board of Directors. The FSG's automatic guarantees include a programme that guarantees up to USD 200,000 in working capital credit for export. The term is one year, and the maximum coverage is 70% if the credit guaranteed is backed by the exporter's commercial invoice or 50% if it is backed by purchase orders. Between 2016 and 2021, the FGS provided guarantees totalling USD 260.4 million that supported an eligible institution credit portfolio of USD 489.7 million, with 0.11% corresponding to export credit.[80]

3.101. The loans and guarantees granted by BANDESAL in support of exports are mostly directed to MSMEs and represent fairly modest amounts (Table 3.14). According to the information provided by the authorities, support to the export sector accounted for 1.3% of total credit and guaranteed amounts provided by BANDESAL during the period from 2016 to 2021. The authorities explained that this small proportion is due to the fact that most of the credit requested by businesses and granted directly by BANDESAL focuses on promoting economic activities within the country. At the same time, there is low activity in export-related credit granted by financial institutions.

3.102. As part of its non-financial product offering, BANDESAL established the Business Training and Development Centre (CEDE) in 2019 to provide enterprises with training and technical assistance on various business and investment topics, including a business training programme for the export sector in which 20 enterprises participated in 2021.

Table 3.14 Amount of export credit and guarantees, 2016-21

(USD million)

Year	BANDESAL First-tier	BANDESAL Second-tier	Salvadoran Guarantee Fund (FSG)
2016	1.4	8.7	0.2
2017	0.0	2.6	0.1
2018	0.0	0.0	0.0
2019	0.0	0.0	0.0
2020	0.0	0.0	0.0
2021	11.0	0.0	0.0

Source: Information provided by BANDESAL.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.103. The incentives given by El Salvador to its production sector focus on financial and technical support programmes for MSMEs, and promoting technology transfers and programmes to attract investment. In recent years, support has also been directed towards efforts to facilitate the recovery of enterprises affected by the COVID-19 crisis, to assist women entrepreneurs and to encourage investment in renewable energy and energy efficiency.

3.3.1.1 BANDESAL

3.104. BANDESAL plays an important role in the implementation of support and financing programmes for the Salvadoran production sector. The Bank's main objective are to provide financial and technical support to promote viable and profitable investment projects in the country in order to boost the growth and development of all productive sectors; promote the development and competitiveness of entrepreneurs; foster the development of MSMEs; promote development and job creation; and improve education, art, sport, culture and health services.

3.105. In order to achieve these objectives, in addition to its functions as a first-tier and second-tier bank, BANDESAL has extensive powers, which include granting loans in foreign currency to finance the importing and marketing of goods and services of Salvadoran origin in the destination countries; developing financial products in support of the regionalization of Salvadoran industries;

[80] Information provided by BANDESAL.

implementing training and technical assistance programmes for enterprises; and managing the resources of the Economic Development Fund (FDE) and the Salvadoran Guarantee Fund (FSG).[81]

3.106. On 17 June 2020, an amendment to the BANDESAL Law entered into force, which changed the law's name to the Law on the Development Bank of El Salvador and the name of the institution to the Development Bank of El Salvador. Under the amendment, BANDESAL has greater scope for action and new functions, such as powers to consolidate loans granted by other financial institutions, provided that they were intended for financing productive activities; powers to apportion up to 50% of its profits to credit programmes with special conditions for projects setting out to enhance health, art, culture and sport; and powers to establish special conditions for financing specific social-impact projects.[82] Corporate governance reforms were also introduced, as well as other changes.[83]

3.107. As a first-tier bank, BANDESAL finances investment projects of up to USD 40 million, for up to 80% of the investment and with a maximum of 15% of its net assets with a single customer.[84] Loans are granted for viable and profitable projects in all economic sectors, with terms of 1 to 15 years depending on the type of loan and with competitive rates of interest. During the review period, BANDESAL consolidated its first-tier loans across 11 lines of credit, which are summarized in Table A3.2. According to the authorities, at the end of June 2022, BANDESAL's portfolio was made up of 110 direct loans worth USD 182.1 million, mainly to the services and construction sectors.

3.108. As a second-tier bank, BANDESAL offers loans to users through 63 eligible financial institutions. There are 15 medium- and long-term indirect credit lines (up to 20 years), aimed mainly at MSMEs, including women-led companies. These credit lines include loans for investing in coffee plantations, energy-efficiency schemes and economic-recovery programmes (Table A3.3). At the end of June 2022, the indirect-loan portfolio stood at USD 365.7 million, with the majority of these loans to the services and trade sector.[85] In accordance with the BANDESAL Law, the interest rates applied by the Bank to eligible financial institutions must not be lower than the institutions' actual cost of raising capital from the public so as not to disincentivize these institutions from handling transactions with the public.[86] The interest rates applied to financial intermediaries vary depending on whether the intermediary is a regulated on a non-regulated institution (surcharges apply to non-regulated institutions) and the term of the loan. Table 3.15 sets out the rates applied to financial intermediaries for credit lines which do not have an interest rate set under the conditions approved by BANDESAL

Table 3.15 Lending rates applied by BANDESAL to financial intermediaries, 2022

Term	Regulated institutions	Non-regulated institutions[a]
Up to 1 year	5.75%	6.00%-6.50%
From 1 year to 5 years	6.00%	6.25%-6.75%
From 5 year to 7 years	6.25%	6.50%-7.00%
From 7 year to 10 years	6.50%	6.75%-7.25%
From 10 year to 15 years	6.75%	7.00%-7.50%
From 15 year to 20 years	7.00%	7.25%-7.75%
Over 20 years	7.25%	7.50%-8.00%

a Non-banking institutions, coffee-producing entities and sugar mills.

Source: Information provided by BANDESAL.

3.109. Through the FDE, BANDESAL grants short-, medium- and long-term direct loans through 17 financing facilities, mainly to MSMEs, for investment projects across a range of productive

[81] Article 55 of the Law on the Development Bank of El Salvador.

[82] Pursuant to Article 51 of the new Law, BANDESAL can create lines of credit with special conditions for projects with the following objectives: (i) to have a significant impact on environmental rehabilitation and maintenance; (ii) to plant and maintain non-traditional permanent crops; (iii) to provide support for traditionally excluded economic sectors; (iv) to provide people with limited means with access to education; and (v) to revitalize a specific economic sector, in emergency situations.

[83] Legislative Decree No. 653. Amendments to the Law on the Financial System for the Promotion of Development, 4 June 2020. Viewed at: http://extwprlegs1.fao.org/docs/pdf/els195901.pdf.

[84] Article 45 of the Law on the Development Bank of El Salvador.

[85] Information provided by the authorities.

[86] Article 47 of the Law on the Development Bank of El Salvador.

activities (Table A3.4). BANDESAL is required by law to maintain at all times a ratio of at least 12% between its regulatory capital and its total risk-weighted assets.[87]

3.110. The FSG provides users with guarantees to reduce risk for financial intermediaries. Its programmes include guarantees for women entrepreneurs, tourism, education and, in particular, MSMEs that cannot otherwise obtain financing on the open market (Table A3.5).

3.111. According to data provided by the authorities, between 2016 and 2021, direct loans granted by BANDESAL totalled USD 243.6 million, while credit provided by the Bank through financial intermediaries amounted to USD 1.203 billion. During the same period, the FDE granted 1,650 loans for a total contracted amount of USD 130.6 million, and the FSG provided 70,049 guarantees worth USD 260.4 million in total.

3.112. At the end of June 2022, BANDESAL's total assets stood at USD 275.8 million. As of the same date, the combined assets of the FDE and FSG amounted to USD 105.4 million. BANDESAL also manages 14 financial trust funds, including, the Trust Fund for the Economic Recovery of Salvadoran Companies (FIREMPRESA) and the Trust Fund for Micro- and Small Enterprises (FIDEMYPE).

3.113. In order to mitigate the effects of the COVID-19 pandemic on the Salvadoran economy, the FIREMPRESA trust fund, which is managed by BANDESAL, was created through Legislative Decree No. 685 of 15 July 2020. In October 2022, the trust fund was authorized to disburse up to USD 710 million, which was divided between wage subsidies and formal and informal loans.[88] These subsidies pay 50% of the salaries of employees of formal MSMEs. Through the "Loans for the Formal Sector" and "Productive Financing for the Informal Sector" programmes, FIREMPRESA grants soft loans with a 3% annual interest rate, a 10-year term and a 1-year grace period on paying the first instalment. Between 1 October 2020 and 30 June 2022, FIREMPRESA provided USD 360.4 million in loans to support 5,657 formal-sector enterprises, USD 141.6 million for 27,666 million informal-sector enterprises and USD 59.8 million in subsidies to help pay MSME employees.[89] In December 2020, FIREMPRESA began to redirect its funds to other vulnerable sectors affected by the pandemic, in particular, artists, artisans, fishers, school and tourism transport, taxi drivers and people with disabilities. By August 2022, 23,857 people had received a total of USD 26.4 million.

3.114. BANDESAL also manages the FIDEMYPE trust fund, with financing from the Inter-American Development Bank (IDB). This fund channels resources through financial intermediaries in order to grant loans to MSMEs. BANDESAL placed USD 63.6 million across 28,850 loans during the 2016-21 period through this trust fund.[90]

3.3.1.2 Support to micro-, small and medium-sized enterprises

3.115. In addition to the aforementioned financial support, micro- and small enterprises (MSEs) can benefit from the support programmes offered by the National Commission for Micro- and Small Enterprises (CONAMYPE). CONAMYPE, which is attached to the Ministry of Economic Affairs, is responsible for promoting, protecting and developing MSEs and implementing domestic policies for the promotion and competitiveness of these enterprises. The Ministry is responsible for framing and defining these policies.

3.116. The Law on the Promotion, Protection and Development of Micro- and Small Enterprises (or the MSE Law, Legislative Decree No. 667 of 25 April 2014) defined the functions of CONAMYPE and the concepts of micro- and small enterprises[91], created a public-private institutional coordination mechanism to facilitate the implementation of MSE support policies and required state banks to

[87] Article 26 of the Law on the Development Bank of El Salvador.
[88] Legislative Decree No. 540 of 18 October 2022.
[89] Information provided by the authorities.
[90] Information provided by the authorities.
[91] According to Article 3 of this Law, micro- and small enterprises are defined as: (i) microenterprise: a natural or legal person operating with annual gross sales up to 482 times the monthly minimum wages and up to 10 workers; and (ii) small enterprises: a natural or legal person operating with annual gross sales from 482 to 4,817 times the monthly minimum wages and up to 50 workers.

promote these enterprises' access to credit and other financial services. CONAMYPE runs 11 support programmes and oversees 14 Micro- and Small Enterprise Development Centres.[92]

3.117. Since the previous review, the MSE Law has been amended twice. Through Legislative Decree No. 838 of 15 November 2017, a gender approach was incorporated into the Law and CONAMYPE was given the responsibility of disseminating information about export opportunities and access to international markets to MSEs, as well as other changes. Legislative Decree No. 64 of 15 June 2021 amended the operating mechanism for the Fund for Entrepreneurship and Working Capital (FECAMYPE) and the Guarantee Programme for Micro- and Small Enterprises (PROGAMYPE), which were created by the MSE Law, to guarantee these enterprises' access to credit. The objective of FECAMYPE is to grant direct loans to MSEs, particularly enterprises with technological or environmental components, or that promote entrepreneurship among women or gender equality. PROGAMYPE guarantees short-, medium- and long-term loans for up to 90% of the amount financed. In 2021, the FECAMYPE trust fund was set up, with an initial capital of USD 10 million. PROGAMYPE received a USD 5 million fund in 2022.

3.118. In December 2020, CONAMYPE introduced the policy to promote MSE involvement in public procurement and ensure that government bodies fulfil their obligation to purchase at least 25% of their goods and services from MSEs (Section 3.3.6). The policy seeks to remove the barriers faced by MSEs in government procurement and in the tender submission process.

3.119. The Ministry of Economic Affairs also operates a number of MSE support programmes, such as training for the restructuring of business models, driving innovation and competitiveness, market opportunities and taking advantage of trade agreements.[93] A number of these programmes are implemented using resources from the Productive Development Fund (FONDEPRO). FONDEPRO is a non-reimbursable co-financing fund that sets out to make Salvadoran enterprises more competitive, to increase their domestic and foreign market shares, and to promote job creation. FONDEPRO's contribution can range from USD 1,500 to USD 100,000, depending on enterprises' intended business activities, their geographical locations (within or outside of the San Salvador metropolitan area) and the lead times for the business activities. The Fund has five support lines: innovation and technology; market development; quality; cleaner production; and productivity. The strategic sectors supported include nine industrial activities and seven service activities (Table 3.16).

Table 3.16 FONDEPRO: support lines and main strategic sectors

Support lines	
Innovation and technology	Technology acquisition, shipping and installation of technology equipment, infrastructure upgrades, technical assistance, process and product innovation, human resource training, prototype development, technology transfers, and intellectual property creation and protection.
Market development	Product launches, the design and implementation of digital marketing strategies for exports, translation services, adaptation of products for exports, packaging, labelling, product promotion abroad, business travel and related expenses, identification of distributors, sending samples, brand image for exports, product analysis, promotional material (design and printing), among other things.
Consistent quality	Quality assessments, infrastructure upgrades to comply with quality standards, the certification of standards and processes, implementation of quality systems, human resource training, introduction of machinery and equipment in order to comply with quality systems, and technical assistance.
Cleaner production, energy efficiency and renewable energy	Energy-efficiency and cleaner-production assessment, acquisition and installation of more efficient technology powered by renewable energy, infrastructure upgrades, technical assistance, human resources training and development.
Productivity	Specialized-system assessments, implementation of specialized software, installation of equipment, assessment-based actions, and technical assistance to make processes more productive and efficient.
Strategic sectors	
Industry	Agri-business; food and beverages; crafts for export; footwear, leather and accessories; electronics; paper and cardboard; plastics; chemicals, pharmaceuticals and natural cosmetics; and textiles and clothing.
Services	Aeronautics, creative industries, computer industry, logistics and transportation, business services, medical services and tourism.

Source: Information provided by the authorities.

[92] These programmes cover areas such as entrepreneurship, business acceleration, administrative management, financial education and enhancing production, quality, marketing and formalization. For more detailed information, see the CONAMYPE website at: https://www.conamype.gob.sv/blog/servicios/servicios/.

[93] MINEC, *Programas*. Viewed at: https://www.economia.gob.sv/guia-de-programas/.

3.120. The general requirements for applying to FONDEPRO are as follows: applicants must be a Salvadoran enterprise that produces goods or services, have gross sales worth between USD 100,000 and USD 15 million and exports worth no more than USD 7 million, have been operating for at least two years, have formal accounting records, submit up-to-date formal financial and legal information, be financially capable of performing the required activities, be up-to-date with their labour obligations and be located anywhere in the national territory. There are other conditions and requirements specific to each type of support and/or activity, which are set out in the Fund regulations. Since it was created in 2002, FONDEPRO has placed more than USD 40 million with some 1,200 enterprises and 2,800 initiatives. It is estimated that, during the last five years, each dollar committed has generated USD 12.1 in incremental sales.[94]

3.3.1.3 Sector-specific incentives

3.121. El Salvador offers incentives for investing in renewable energies (Section 4).

3.122. In the financial sector, the Law on Investment Funds, enacted by Decree No. 77 of 19 September 2014, seeks to encourage public participation in investment funds in the country. The Law classifies these funds into two types: open-ended funds and closed-ended funds.[95] The tax benefits given to the funds' investors are summarized in Box 3.1.

Box 3.1 Benefits of investing in investment funds

Exemption from income tax (ISR), VAT and any other type of taxes, fees and special fiscal contributions.
Exemption from the real estate transfer tax for property transfers to closed-ended investment funds, as contributions, and for property acquisitions by closed-ended investment funds. Exemption from all assignment, endorsement, registration and marginal annotation fees for the transfer of movable assets or real estate made for the purpose of setting up an investment fund.
Exemption from ISR on income, returns and profits from investments in open-ended or closed-ended funds during the first five years following the establishment of the first investment fund.
Natural or legal persons not domiciled in the country shall enjoy a reduced income tax rate of 3%.

Source: PROESA, *Guía del Inversionista 2020*. Viewed at: https://bit.ly/30zNU5S.

3.3.2 Standards and other technical requirements

3.123. The Agreement on Technical Barriers to Trade (TBT Agreement) became national law as a result of the ratification of the Marrakesh Agreement in 1995.[96] The enquiry point provided for in Articles 10.1 and 10.3 of the TBT Agreement is the Directorate for the Administration of Trade Agreements (DATCO) of the Ministry of Economic Affairs, which is also responsible for submitting the notifications required by the Agreement. During the review period, no specific trade concerns were raised in the TBT Committee about measures applied by El Salvador.

3.124. El Salvador submitted 58 notifications to the TBT Committee between January 2016 and July 2022.[97] Approximately a third of the notifications related to foodstuffs (ground and green coffee beans, dried fish, poultry and dairy products), with the objective of ensuring food safety and protecting human health. Another third of the notifications related to domestic electrical appliances (refrigerators, air conditioners and lighting equipment), with the aim of preventing deceptive practices and ensuring consumer protection. Due to the COVID-19 pandemic, pursuant to Article 2.10 of the TBT Agreement, four emergency technical regulations on medical devices and medicines for human use were notified, as well as others relating to information technologies. These technical regulations remained in force for one year and, upon expiration, the usual regulatory drafting process was followed, with a 60-day national and international consultation period and the

[94] Information provided by the authorities.

[95] The difference between open-ended and closed-ended funds is that investors in open-ended funds can withdraw their investments, in full or in part, at any time, while investors in closed-ended funds only receive the amount corresponding to their shares at the end of a fixed period. Open-ended funds must have a minimum capital of USD 350,000 and at least 50 investors, or 10 if one of these is an institutional investor. Closed-ended funds must have a minimum capital of USD 350,000 and at least 10 investors, or two if one is an institutional investor.

[96] WTO document G/TBT/2/Add.78, of 22 March 2004.

[97] WTO documents G/TBT/N/SLV/183, of 25 August 2016, and G/TBT/N/SLV/221, of 7 July 2022.

relevant notification to the WTO. The other notifications followed this 60-day timeframe and, in some instances, this period was extended. El Salvador has not notified the WTO of any mutual recognition agreement on technical regulations, conformity assessment procedures or standards.

3.125. The legal-institutional framework established in 2011 by the Law creating the Salvadoran Quality System[98] has not been substantially amended during the review period. The National Quality Council is the governing body of the system, and is, in turn, made up of four technical bodies: the Salvadoran Technical Regulation Agency (OSARTEC), the Salvadoran Standardization Agency (OSN), the Salvadoran Accreditation Agency (OSA) and the Metrological Research Centre (CIM). The most recent amendment to the Law creating the Salvadoran Quality System, enacted by Legislative Decree No. 40 of 5 June 2021, made some changes to the membership of the National Quality Council without changing its rules.

3.126. The Salvadoran Technical Regulation Agency (OSARTEC) is responsible for coordinating the adoption, adaptation, updating and publication of Salvadoran mandatory technical regulations. These instruments are known as Salvadoran Technical Regulations (RTS) and were originally referred to as Salvadoran Mandatory Standards (NSO), prior to the Law Creating the Salvadoran Quality System. In accordance with the Law, all technical regulations applied by El Salvador must comply with the TBT Agreement and with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). OSARTEC's functions include ensuring compliance with existing international guidelines and with El Salvador's commitments in the area of technical regulations.

3.127. The authorities have indicated that the majority of RTS included in their conformity assessment procedures are based on international standards.[99]

3.128. As a member of the Central American Common Market (CACM), El Salvador applies the Central American Regulations on Standardization Measures, Metrology and Authorization Procedures[100] and the Central American Guide to Good Regulatory Practices[101] and its annexes, when drafting Central American Technical Regulations (RTCA). As part of its efforts to eliminate any inconsistencies between NSO, RTS and RTCA, OSARTEC has, since 2011, repealed 29 NSO and has replaced them with RTS or RTCA[102], and plans to take steps to repeal 12 more. OSARTEC has online databases of all of the technical regulations in force. In July 2022, there were 32 RTS, 81 NSO and 92 RTCA.[103] In the Salvadoran system, there are no legal provisions requiring a technical regulation be updated or expire within a specific time period, instead these steps are taken as and when necessary.

3.129. The procedures for drafting RTS have not changed during the review period. They are based on the Handbook of Good Technical Regulation Practices drawn up by OSARTEC, which sets out the principles for and stages of drafting, reviewing and approving technical regulations, including public consultation and international notification. The steps are outlined in Chart 3.2. At the time of writing this report, OSARTEC was updating the Handbook, with a view to turning it into mandatory regulations for drafting Salvadoran Technical Regulations; the final version is expected to be ready before the end of 2022.

3.130. Natural and legal persons and government bodies may ask OSARTEC to draw up technical regulations. OSARTEC determines whether the request should be included in the Annual Technical Regulations Plan. If OSARTEC decides to include the request, it checks whether the draft technical regulation is in line with international standards. OSARTEC then sets up a national technical regulation committee, composed of public sector representatives, which is responsible for drawing up the draft technical regulation and addressing any related comments. It then sets up a consultation committee involving all relevant sectors in order to come to an agreement on the draft technical

[98] Legislative Decree No. 790 of 04 September 2011. Viewed at: https://www.asamblea.gob.sv/sites/default/files/documents/decretos/64319787-F4DE-447E-A137-0EDFB85E13B9.pdf.

[99] Given their structure, RTS include requirements related to conformity assessment procedures.

[100] Resolution No. 37-99 (COMIECO-XIII) of 17 September 1999.

[101] Resolution No. 390-2017 (COMIECO-LXXX) of 28 June 2017.

[102] OSARTEC, Register of NSO that have been repealed and replaced by RTCA or RTS. Viewed at: http://osartec.gob.sv/?servicios=derogaciones.

[103] OSARTEC, Lists of RTS, NSO and RTCA. Viewed at: http://osartec.gob.sv/?servicios=inventario-rts, http://osartec.gob.sv/?servicios=inventario-nso and http://osartec.gob.sv/?servicios=inventario-rtca.

regulation. The regulation will then be subject to national and international public consultation for 60 calendar days, which may be extended by a further 30 days. Any comments received are reviewed in meetings convened by OSARTEC, attended by representatives of the public and private sectors, academia and consumers. Once the technical regulation has been approved by the National Technical Regulation Committee, OSARTEC submits it for endorsement to the competent regulatory authority, which issues the relevant legal instrument and publishes it in the Official Journal.

3.131. El Salvador applies technical regulations on labelling for products such as textiles, footwear, cosmetics, medicines, food and beverages.

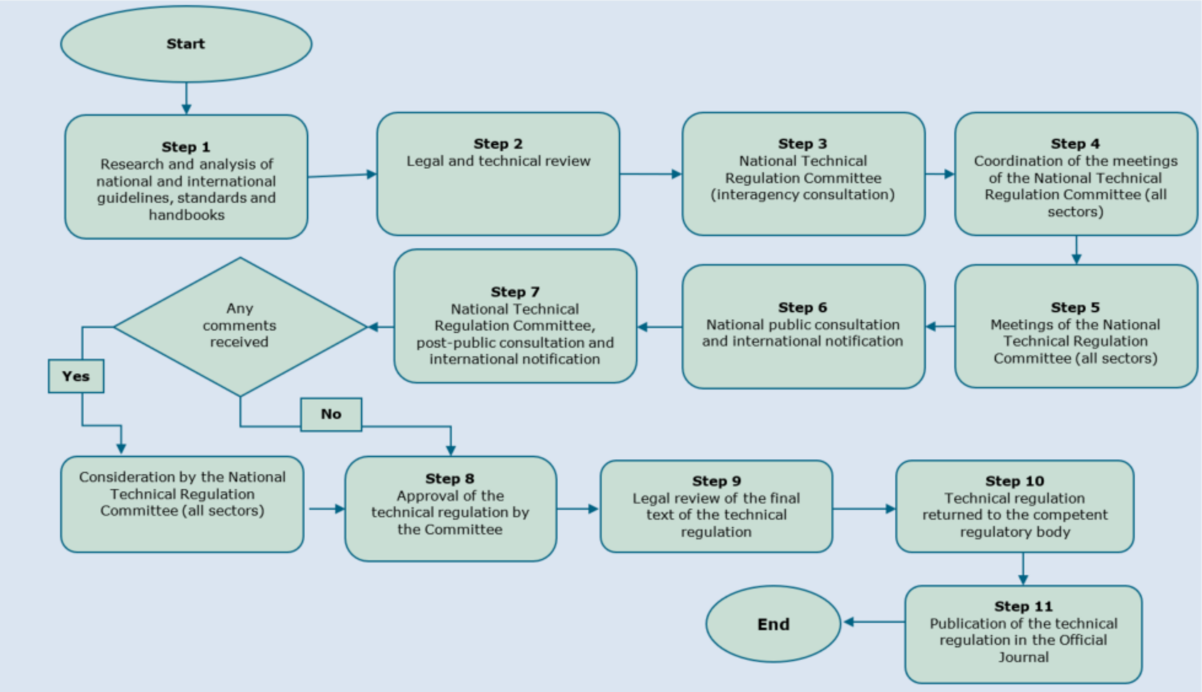
3.132. The Salvadoran Standardization Agency (OSN) is responsible for drafting, updating, adopting, adapting, repealing and publishing Salvadoran Technical Standards (NTS) which facilitate conformity assessment. Unlike RTS, NTS are voluntary. According to the OSN catalogue, in July 2022, there were 1,522 technical standards in force in El Salvador. The most common NTS refer to food technologies (almost a third of the total), followed by, *inter alia*, management systems, construction materials, health, industrial safety and occupational hygiene, technical design, information technology, textiles and tourism.[104] The OSN is also responsible for developing an annual standardization programme; under the 2022-23 programme, 90 standards are expected to be drawn up, mainly in relation to health and food. With regard to conformity assessment, the OSN provides certification services that take into account national and international standards. To date, it has developed seals of quality and given certifications for biosecurity, tourism quality, quality management and products.

3.133. Any interested party may ask the OSN to create a new Salvadoran Technical Standard. In such cases, the OSN sets up a technical standardization committee (CTN), comprising public and private actors, which reviews the request and prepares a draft technical standard. This draft technical standard is then subject to public consultation for 30 days if it is an identical copy of an existing international standard, or for 60 days if the standard is new and unique to El Salvador. The CTN reviews any comments made and develops the draft standard, which is submitted to the OSN for approval. Once the standard is approved, steps are taken to publish it.

3.134. The OSN represents El Salvador at the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the American Society for Testing and Materials (ASTM). At the regional level, El Salvador is a member of the Pan American Standards Commission (COPANT), the Central American and Caribbean Standardization Commission, and the Inter-American Metrology System (SIM).

[104] Information from the OSN. Viewed at: http://www.osn.gob.sv/servicios/normalizacion/catalogo-de-normas/.

Chart 3.2 Flow chart for the drafting of technical regulations



Source: OSARTEC, *Guía de Buenas Prácticas de Reglamentación Técnica*. Viewed at: http://osartec.gob.sv/?servicios=guia-de-buenas-practicas-de-reglamentacion-tecnica.

3.135. The Salvadoran Accreditation Agency (OSA) is responsible for accrediting calibration, testing or sampling laboratories, inspection agencies, certification agencies and any other compatible system. In accordance with the Law creating the Salvadoran Quality System, the OSA must work on the basis of the criteria laid down in the ISO standards and guides, the guidelines of Inter-American Accreditation Cooperation (IAAC), the International Laboratory Accreditation Cooperation (ILAC), and the International Accreditation Forum (IAF) The requirements for requesting accreditation and the steps that must be followed are set out on the OSA website.[105]

3.136. During the period under review, El Salvador continued to expand its network of accredited conformity assessment bodies. In 2022, 87 public and private institutions were accredited: 64 testing laboratories, 8 calibration laboratories, 4 clinical laboratories, 11 inspection bodies and 2 management-system certification bodies. The OSA has received international accreditation from the IAAC and ILAC for its testing laboratories (2014), calibration laboratories (2017) and inspection bodies (2018), and is expected to obtain accreditation in additional areas soon. Consequently, the results of OSA-accredited bodies are recognized in more than 100 countries.

3.137. The Metrological Research Centre (CIM) is the technical body responsible for scientific, industrial and legal metrology in El Salvador. In addition to coordinating the national metrology system, its functions include acting as the national laboratory for the Salvadoran Quality System, maintaining national measurement standards, ensuring the dissemination of the standards and traceability to the International System of Units (SI), providing research laboratories and verification agencies with services for calibrating measuring standards and instruments, and issuing the relevant certificates.[106]

3.3.3 Sanitary and phytosanitary measures

3.138. El Salvador's legal framework for sanitary and phytosanitary measures (SPS) has not substantially changed since the most recent trade policy review. This framework is mainly made up of the Law on Plant and Animal Health[107], the regulations on the preparation of standards containing

[105] Information from the OSA. Viewed at: http://www.osa.gob.sv.
[106] Article 16-IV of the Law creating the Salvadoran Quality System.
[107] Legislative Decree No. 524 of 18 December 1995.

phytosanitary and animal health measures in accordance with the Law on Plant and Animal Health[108], the Health Code, the National Law on Organic Farming[109], and the Law creating the Salvadoran Quality System, as well as other legislation. The WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) has been incorporated into domestic law in El Salvador.

3.139. Recently, the authorities have drawn up a draft law to protect health, animal health and food safety, which sets out to modernize national regulations and adapt them to international standards in order to facilitate trade, while also ensuring sanitary and phytosanitary protection. A new aspect of the proposed law is the chapter on the safety of food of animal and plant origin, which establishes the basis for certification processes for foods of animal origin, for the seizure of foods suspected of posing a danger to human and animal health, and for measures to prevent food adulteration. It also explicitly recognizes the standards and guidelines of international reference organizations. At the time of writing this report (late 2022), the proposed law was expected to be subject to public consultation, before being submitted to the legislature.

3.140. The Directorate for the Administration of Trade Agreements (DATCO) within the Ministry of Economic Affairs serves as the national enquiry point and is responsible for notifications under the SPS Agreement. El Salvador submitted 33 notifications to the WTO's Committee on Sanitary and Phytosanitary Measures (SPS Committee) between January 2016 and November 2022.[110] Of these notifications, half related to RTS and RTCA and the rest concerned updates to existing technical regulations. A 60-day consultation period was set for all of these notifications, with the exception of some notifications relating to emergency measures. The products covered by the notifications include drinking and waste water, salted fish, poultry, livestock (sheep and cattle), coffee, veterinary medicines and dairy products. Of the total, eight referred to an international standard (Codex Alimentarius, WOAH or IPPC). During the review period, no WTO Member has raised a trade concern in the SPS Committee regarding El Salvador's sanitary or phytosanitary measures.

3.141. El Salvador applies the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures, whose purpose is to ensure that sanitary and phytosanitary measures do not directly or indirectly affect intraregional trade.[111] El Salvador recognizes registration certificates issued by the regulatory authorities of CACM member countries for fertilizers, pesticides and other agricultural inputs[112], as well as those for medicines for human use that have been registered pursuant to harmonized legislation.[113] It also recognizes the sanitary registration certificates for food and beverages issued by Guatemala, Honduras, Nicaragua and Costa Rica.[114] Under the CAFTA-DR Agreement, El Salvador recognizes the equivalence of the United States meat and poultry inspection system, and, since 2018, has accepted certificates from the Seafood Inspection Program of the National Oceanic and Atmospheric Administration for fish and seafood farmed and cultivated in the United States. El Salvador also recognizes the equivalence of Chile's sanitary measures for fishery product inspection systems.[115] Under the Association Agreement between Central America and the European Union, El Salvador recognizes the inspection systems for establishments processing products of animal and plant origin for human consumption in European Union member States. El Salvador has not notified the WTO's SPS Committee of any agreement that recognizes the equivalence of measures.

3.142. El Salvador is a member of the World Organisation for Animal Health (WOAH) and has signed the International Plant Protection Convention (IPPC). The Ministry of Agriculture and Livestock is the focal point for both organizations. El Salvador is also a member of the Codex Alimentarius Commission and its focal point is OSARTEC. In 2021, the National Codex Committee endorsed the Strategic Plan of the National Codex Programme 2022-24, the main objectives of which are to ensure

[108] Executive Decree No. 45 of 10 June 1997.
[109] Executive Decree No. 52 of 12 May 2004.
[110] WTO documents G/SPS/N/SLV/123, of 23 August 2016, through G/SPS/N/SLV/141, of 31 October 2022.
[111] Resolution No. 271-2011 (COMIECO-LXI) of 17 September 1999.
[112] Legislative Decree No. 315 of 10 May 1973.
[113] Resolution No. 446-2021 of 28 April 2021 (COMIECO-XCIV).
[114] Resolution No. 80-2001 (COMIECO-XVII) of 24 October 2001, and Resolution No. 92-2002 (COMIECO-XXIV) of 27 September 2002.
[115] Executive Decision No. 18-2015, Official Journal No. 28, Volume No. 406 of 11 February 2015.

the availability of safe food, protect consumers' health and facilitate international food trade.[116] At a regional level, El Salvador belongs to the International Regional Organization for Plant and Animal Health (OIRSA).

3.143. The Ministry of Agriculture and Livestock (MAG), through the Directorate-General of Livestock (DGG) and the Directorate-General of Plant Health (DGSV), issues regulations on animal and plant health, agricultural quarantine and the registration and control of agricultural inputs. The MAG follows the same procedure for drafting and adopting SPS measures as that followed for technical regulations (Section 3.3.2). The Ministry of Health, through the Food and Beverages Unit of the Environmental Health Directorate, is responsible for issuing regulations for ensuring food safety.

3.144. The MAG has the power to issue regulations and determine procedures for the entry and transport to and within the national territory of plants and animals, the products and by-products thereof.[117] Imports will be admitted only if they come from countries whose inspection systems, veterinary services, systems for food safety and phytosanitary surveillance of quarantine pests and diseases have been assessed and approved by the DGG or the DGSV, as appropriate. In the event that the exporting country's system has not been approved, imports may only come from individual plants or establishments approved by the DGG or the DGSV. Based on the findings of their assessments, the DGG and DGSV may impose sanitary or phytosanitary requirements as a condition for allowing imports. The requirements will vary based on the product's level of risk and may take the form of a certificate issued by the exporting country, inspection at the point of entry, special treatment or quarantine. With regard to pest risk analysis, the authorities have stated that they apply ISPM No. 1.

3.145. El Salvador does not require importers of plants, animals or their products and by-products to be included in a special register. However, an authorization issued by the MAG is required to import the majority of these products, in addition to the official sanitary or phytosanitary certificate issued by the authority of the country of origin. The Agricultural Health Information System (SISA) is an online database, managed by the MAG, where the sanitary and phytosanitary requirements applying to specific products may be consulted, together with the products and countries of origin for which a sanitary/phytosanitary evaluation by the MAG's competent authorities is a prerequisite for imports.[118] In order to facilitate trade, the MAG is involved in the CIEX platform, where users can register and generate most sanitary and phytosanitary import authorizations online, as well as import visas for agricultural inputs (Section 3.1.1.1).

3.146. According to the Health Code, the Ministry of Health (MINSAL) is responsible for determining the minimum requirements for food, whether it is produced in the country or imported.[119] The procedure for drafting and adopting these requirements is the same as that for technical regulations.

3.147. In order to import processed food or beverages, authorization must be obtained from MINSAL and a sanitary registration certificate must first be issued by the Food and Beverages Unit of the Environmental Health Directorate of MINSAL.[120] Sanitary registration is required both for national and foreign products. In March 2022, MINSAL introduced changes to the sanitary registration process for pre-packaged food and beverages.[121] The objectives of these changes include streamlining the procedure by allowing temporary registration and facilitating accreditation of certificates of free sale or equivalent documents issued by the authorities of the exporting countries. The sanitary registration requirements for food and beverages produced abroad are summarized in Box 3.2.

[116] OSARTEC. Viewed at: http://osartec.gob.sv/?p=5670. The Strategic Plan can be viewed at: https://drive.google.com/file/d/1OMwvygVpBAhaSb7OJ_4v0yu2mB6xxUoI/view?usp=sharing.
[117] Article 13 of the Law on Plant and Animal Health.
[118] MAG, *Sistema de Información en Sanidad Agropecuaria*. Viewed at: http://sistemas.mag.gob.sv/sisa_consultas_web/pages/consulta_productos_vet_01.jsf and http://oas.mag.gob.sv/sisa/tramites.jsp.
[119] Article 94 of the Health Code.
[120] Articles 88 and 95 of the Health Code.
[121] Sanitary Register Regulations for Products classified in Risk Class A, B, C and the Special Authorization for the Import of Pre-packaged Food and Beverages, Agreement No. 390 of the executive authority for health, published in Official Journal of 8 March 2022.

3.148. The sanitary registration application is processed through the Comprehensive Environmental-Health Information System (SISAM) of MINSAL, which is linked to CIEX and the Regional Sanitary Register Integration System (SIRRS). Provided they meet the requirements, within eight working hours of submitting the application, importers will receive a temporary registration which is valid for three months. If the subsequent laboratory test results are satisfactory, the registration will become definitive, which is valid for five years. SISAM enables users to view the full list of their sanitary registrations and their applications.[122]

3.149. As a general rule, laboratory analyses are performed by the National Public Health Laboratory, which is an agency of the National Institute of Health. Private laboratories may perform analyses on national holidays only, in which case, these analyses must be validated subsequently by the Laboratory for Food Quality Control and Toxicology of MINSAL.[123]

Box 3.2 Requirements for the registration of foreign foods and beverages

Documents to be submitted with the application
Certificate issued by the competent health authority of the country of origin, which may be a certificate of free sale, sanitary certificate, export certificate, health certificate, quality certificate or similar, depending on the country issuing it.
Label or draft label for each food and beverage submission; the original label if the application is to renew the registration, and a sketch if it is a new registration application.
A list of ingredients, in descending order, i.e. from highest to lowest, as a percentage of the mass.
Valid operating permit for the warehouse where the product will be stored, or a three-month temporary operating permit.
Copy of the microbiological and physicochemical analyses, as appropriate, performed by the manufacturer or by a third party at the request of an interested party.
Sworn declaration from the sanitary registration applicant, in accordance with the model provided by the competent authority.
Laboratory analysis
Submission of three samples of 200 grams for solid foods or 200 millilitres for liquids, properly labelled with a batch number and expiry date for each product.

Source: Secretariat of the WTO, based on information from the MINSAL transparency portal. Viewed at: https://www.transparencia.gob.sv/institutions/minsal/services/1010.

3.150. Importers of foods and beverages who have already registered with the sanitary register must submit an online import application for each operation through CIEX. To this end, importers must be registered in SISAM and in the CIEX Foreign Trade Facilitation System, must complete the import application and must be duly registered in the sanitary register. The authorization is issued automatically.[124] The same procedure is followed for the accreditation of food and beverage sanitary registration certificates issued by the authorities of CACM member countries. El Salvador also recognizes the food and beverage sanitary registration certificates from member countries of the European Union and from the United Kingdom, pursuant to the respective partnership agreements in force.

3.151. As stated in the previous TPR report, genetically modified foods may be imported into El Salvador, provided that they comply with the provisions of the Special Regulations on the safe handling of genetically modified organisms.[125]

3.152. The National Directorate of Medicines (DNM), an autonomous legal public entity, is responsible for regulating and overseeing pharmaceutical products, cosmetics and hygiene products,

[122] SISAM. Viewed at: https://sisam.salud.gob.sv.
[123] The list of bodies authorized to perform laboratory analysis which was included in the 2016 TPR report by the Secretariat is no longer valid.
[124] Online information from the Ministry of Health. Viewed at: https://www.transparencia.gob.sv/institutions/minsal/services/1015.
[125] Special Regulations on the Safe Handling of Genetically Modified Organisms, Legislative Decree No. 78 of 1 June 2008.

chemicals and medical devices.[126] Each of these product categories has its own sanitary register, managed by a different unit of the DNM.[127] Persons wishing to import these products must register as importers with the DNM, file a power of attorney form (authorizing the distribution of the product, or designating a responsible qualified pharmacist-chemist or a responsible legal representative) and, subsequently, enter their products in the relevant sanitary register.

3.153. For medicines, the main sanitary registration requirement is the Certificate of Pharmaceutical Product issued by country of origin, in accordance with the format recommended by the World Health Organization (WHO). If it is not available, importers may submit a good manufacturing practices (GMP) certificate or a certificate of free sale from the country of origin.[128] In addition, potential importers must submit an analysis certificate issued by the manufacturer's quality control laboratory. However, the DNM also reserves the right to request additional laboratory tests. El Salvador recognizes the sanitary registration certificates for cosmetic products issued by the authorities of other CACM countries. For medical devices, it recognizes products registered with a level 4 regulatory authority, as classified by the WHO.

3.154. In addition to being registered in the sanitary register, a permit is required to import products regulated by the DNM, which is processed through CIEX. A guide to this process is available to view online.[129]

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.155. The Supervisory Authority for Competition (SC) remains in charge of enforcing competition policy, including (*ex ante*) control of mergers, investigations into anti-competitive practices and administrative adjudication.[130] The SC also issues advisory opinions on draft legislation, government procurement procedures and other public proceedings, and conducts market research with the aim of issuing public policy recommendations. As a general rule, the advisory opinions and public policy recommendations are not binding[131], although the SC promotes their implementation. The SC may act *ex officio* or on the basis of a complaint/request by any economic operator with a legitimate interest.

3.156. The legal framework of El Salvador regarding competition policy has undergone changes since the previous review. The Competition Law was amended in 2017 and 2021 to ensure that it remained consistent with the Law on Administrative Litigation and the Law on Administrative Procedures, which entered into force in 2018 and 2019, respectively.[132]

3.157. The courts in which the SC must apply for authorization to conduct a raid were clarified in the 2017 amendment. Since February 2018, it has been possible to challenge SC decisions before the administrative courts established by the Law on Administrative Litigation. Judicial reviews may take place in the courts or chambers of administrative litigation, depending on the size of the fine imposed by the SC. When the courts are consulted in the first instance, their judgement may be appealed before the chambers, while judgements first issued by the chambers may be appealed before the Administrative Litigation Division of the Supreme Court of Justice.[133] The new Law on Administrative Litigation seeks to share out the burden of judicial review, which previously lay

[126] Law on Medicines, Legislative Decree No. 1008 of 22 February 2012.
[127] DNM. Viewed at: https://www.medicamentos.gob.sv/index.php/es/servicios-m/descargables.
[128] Article 43 of the Law on Medicines.
[129] The guide is available at https://www.medicamentos.gob.sv/index.php/es/servicios-m/descargables/uiedm-m. See also: https://www.medicamentos.gob.sv/index.php/es/secciones-m/como-importar.
[130] The Consumer Ombudsman, an independent body, is responsible for enforcing the Law on Consumer Protection. The SC is a member of the Advisory Board of the Consumer Ombudsman.
[131] The SC has exclusive powers to implement the Competition Law in all economic sectors, regardless of whether or not they are regulated sectors. The interaction between the SC and certain regulatory bodies is prescribed in sectoral legislation, such as the Law on Telecommunications, the Civil Aviation Organization Law, the General Maritime Port Law, the General Electricity Law and the Special Law on Public-Private Partnerships.
[132] Legislative Decree No. 819 of 1 November 2017 (entry into force 31 January 2018) and Legislative Decree No. 207 of 17 November 2021.
[133] Appeals relating to violations of constitutional rights continue to be resolved in the Constitutional Division of the Supreme Court of Justice.

exclusively with this Division; four years since the entry into force of the new jurisdiction, two new courts and one new chamber have been created to comply with the legal timeframes provided for in the Law. Prior to judicial review, an appeal for reconsideration may be made to the SC Board of Directors in respect of its administrative decision.

3.158. Under the 2021 amendment, a number of procedures were modernized and the use of electronic and technological means of conducting SC proceedings was enabled. The leniency programme was expanded, and its procedures and benefits were strengthened, with the introduction of immunity for the first applicant and the reduction of the fine issued to the second and third applicants by up to 50% and 30%, respectively. For economic operators investigated for anti-competitive practices other than cartels (vertical restraints or abuse of a dominant position), it was clarified that the party under investigation may provide assurances that any anti-competitive practices will be suspended until the issuance of the file to the Board of Directors, and, in exchange, receive a lower fine from the SC in its final decision. In addition, several aspects related to provisional measures, the means of challenge, the limitation period for infringements, the determination of penalties, the verification of compliance with sanctions and obligations, and enforcement were also expanded or clarified.

3.159. In the 2021 amendment, some of the recommendations of the peer review of Salvadoran competition law and policy, conducted in 2019 in cooperation with the OECD and the Inter-American Development Bank, were taken into account. The review had identified scope for the improvement of, *inter alia*, institutional design, resource availability, the prioritization of efforts to enforce the Law, the dissuasive role of remedies and penalties, the appeal periods for judicial appeals, the leniency programme and the thresholds for the control of mergers.[134] The authorities have indicated that they are developing another draft amendment.

3.160. While all economic operators are subject to the Competition Law, it does not cover economic activities that are reserved for and exclusive to the State or municipalities. El Salvador's regulations do not provide for *ex ante* control of public aid. As in many other jurisdictions, anti-competitive practices, including cartels, which are not a feature of the Salvadoran market, are excluded from the scope of the Law.

3.161. Mergers with combined total assets exceeding 50,000 annual minimum urban salaries in industry[135] (USD 219 million) or with total income exceeding 60,000 annual minimum urban salaries in industry (USD 262.8 million) remain subject to prior notification. Although there is no requirement in the legislation for the relevant assets or income to be located or obtained in El Salvador, the SC only examines a merger application if the parties are directly or indirectly present in the country, and when assessing whether the thresholds are exceeded, it only takes into account the assets and income located or obtained in the country. For regulated sectors, the SC's decision regarding a merger is binding for regulatory or supervisory bodies.

3.162. The Competition Law does not provide for or prohibit private enforcement. However, a compensation mechanism is established in the Law on Administrative Procedures under which the administrative authorities, including the SC, could award compensation for damages caused by the proven and sanctioned infringement in the respective proceedings. In this regard, complainants could initiate an assessment of damages before the civil courts by attaching to their applications the SC resolution that imposes sanctions.

3.163. Between 2016 and 2021, the SC initiated 29 investigations, the majority of which were launched following a complaint, and penalized five unlawful practices (Table 3.17). In addition, 16 applications for mergers, mainly from the financial, beverage and telecommunications sectors, were accepted for consideration. During the same period, the SC conducted market research on financial services for MSEs, the distribution and marketing of electrical energy, the barriers to the entry of MSEs into government procurement processes, the wholesale electricity market, the distribution of bovine meat, the provision of inputs for construction and the provision of new housing; the results led to the development of a total of 92 public policy recommendations aimed at strengthening competition in the markets studied, which are promoted through inter-agency work. The SC also issued 107 advisory opinions, with 228 recommendations aimed specifically at

[134] OECD-IDB Peer Reviews of Competition Law and Policy: El Salvador (2020). Viewed at: https://www.oecd.org/daf/competition/El-Salvador-Peer-Reviews-of-Competition-Law-and-Policy-2020.pdf.

[135] Since 1 August 2021, the monthly minimum wage in industry has been USD 365.

regulators. In September 2022, the SC began research on the conditions of competition in the production and distribution of eggs and chicken meat. No applications under the leniency programme or offers of guarantees were received between 2016 and 2021. According to the peer review report, the fines imposed by the SC do not serve as a deterrent because they are dependent on the proceedings of other governmental and judicial bodies.

Table 3.17 Activities of the Supervisory Authority for Competition, 2016-21

	2016	2017	2018	2019	2020	2021
Total complaints/applications	6	7	3	2	1	5
Investigations launched	7	9	4	2	1	6
Ex officio	1	2	1	0	0	1
By complaint	6	7	3	2	1	5
Cases of horizontal agreement penalized	0	1	2	1	0	0
Cases of vertical agreement penalized	0	0	0	0	0	0
Cases of abuse of a dominant position penalized	0	0	0	1	0	0
Mergers accepted for consideration, of which	3	3	2	3	3	2
Refused	0	0	0	0	0	0
Unconditional authorization	2	2	2	3	2	2
Conditional authorization	1	1	0	0	1	0
Advisory opinions issued	22	19	18	18	16	14
Recommendations arising from market research	29	14	13	17	6	13
Recommendations arising from advisory opinions	67	31	41	28	33	28
Total amount of fines and monetary penalties (USD)	959,496	185,760	315,697	866,164	0	49,884
Requests for review	1	3	1	0	0	0
Requests for reconsideration	0	0	0	2	0	0
Requests for appeal	0	0	0	0	0	0

Source: Information provided by the authorities.

3.164. The SC has signed cooperation agreements with the competition agencies of Colombia, Ecuador, Mexico, Panama and Peru, as well as with international organizations that also work on competition policy. Collaboration agreements are aimed at strengthening the technical capacity of these agencies at the regional and sub-regional levels. Some of these agreements cover public information exchanges in cases involving violations of the law or mergers. The SC is also a member of the Central American Network of Competition Authorities (RECAC), together with Honduras, Nicaragua, Costa Rica, Panama and the Dominican Republic (with Guatemala as an observer), and, in accordance with the Central American Competition Regulations, represents El Salvador in the Central American Competition Committee, together with the authority responsible for economic integration (Ministry of Economic Affairs), in order to encourage regional competition through cooperation mechanisms and the promotion of competition so as to contribute to the development of economic activities and maximize the benefits of trade liberalization.

3.3.4.2 Price controls

3.165. El Salvador continues to regulate the prices of electricity (transmission and public use), certain hydrocarbons, fixed and mobile telephony services (Section 4), and the supply of water for public consumption. The maximum retail prices (PVMP) for pharmaceutical products sold with medical prescription are also regulated. The National Directorate of Medicines, in coordination with the Consumer Ombudsman, determines and monitors the application of PVMP. In September 2022, some 6,983 pharmaceutical products were subject to PVMP, compared to 5,904 products in September 2016. A pharmaceutical establishment contravening the maximum prices established for medicines can face a fine equivalent to 100 to 200 minimum urban salaries in the trade and services sector, in accordance with Articles 79 and 84 of the Law on Medicines.

3.166. In the event of a national emergency, the Consumer Ombudsman may also regulate the prices of essential goods and services. The authorities have indicated that the Consumer Ombudsman is granted this exceptional power on the basis of the provisions of Article 58 of the Law on Consumer Protection, and the Constitution of the Republic and the Law on Administrative Procedures must also be taken into consideration for its exercise and enforcement. This price regulation is based on maximum prices.

3.3.5 State trading, state-owned enterprises, and privatization

3.167. Pursuant to the notifications submitted by El Salvador to the WTO, during the period under review, El Salvador did not have any state trading enterprises within the meaning of Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII. The most recent notification on this issue covers the period from 1 January 2020 to 31 December 2021.[136]

3.168. The privatization process in El Salvador was at its most dynamic in the 1990s and the early 2000s. The sectors that were privatized include the marketing of sugar and coffee, petroleum imports, banks, telecommunications and electricity distribution. At present, the State does not participate in the economy to any great extent, although it continues to play an important role in sectors such as the drinking water service and the management of ports and airports, and the production of renewable energy through the Hydroelectric Executive Commission of the Río Lempa. There were no privatizations during the review period.

3.169. In November 2021, the Legislative Assembly approved a public-private partnership to modernize and expand the cargo terminal of international airport of San Salvador, which is owned by the State. This was the first partnership of its kind to be approved, and consists of a long-term contract between a public company, the Executive Autonomous Ports Commission, and a private investor (Section 4.4.4.3).[137]

3.3.6 Government procurement

3.3.6.1 Overview

3.170. According to the information from El Salvador's electronic government procurement system, the value of public procurement contracts reached a peak of USD 1,255 million in 2017, equivalent to more than 5% of GDP. The authorities have indicated that this peak can be partly explained by high levels of investment in road infrastructure works in 2017 and the implementation of important social development programmes. Since 2018, a downward trend has been observed in the values awarded through the electronic government procurement system, which the authorities link to the use of the stock market as an alternative mechanism for government procurement.[138] In 2020, this trend was emphasized as a result of the health emergency caused by COVID-19. The value of government procurement has returned to its pre-pandemic level, reaching USD 692 million in 2021, equivalent to 2.48% of GDP (Table 3.18).

Table 3.18 Government procurement statistics by type and method, 2016-21

	2016	2017	2018	2019	2020	2021
Total value of contracts awarded (USD million)	1,040	1,256	821	680	453	692
As a percentage of GDP	4.3	5.03	3.16	2.53	1.84	2.48
By subject	(% of total)					
Goods and services (including consultancy services)	96.6	97.0	97.9	97.2	97.7	97.6
Works	3.4	3.0	2.1	2.8	2.3	2.4
By method						
Public bidding or competition	76.87	77.48	70.49	59.19	37.1	60.33
Free contracting	8.25	8.99	13.49	25.95	31.36	11.28
Single tendering	10.35	8.15	11.72	10.29	8.62	27.06
Other	4.54	5.38	4.31	4.56	22.92	1.34

Source: Information provided by the Salvadoran authorities.

3.171. Collectively, competitive procurement methods, such as public bidding, open competition, and free contracting, accounted for more than 70% of total government procurement during the

[136] WTO document G/STR/N/19/SLV of 15 February 2022.
[137] CEPA, *Terminal de carga aérea inicia transición a modalidad de asocio público privado*. Viewed at: https://www.cepa.gob.sv/terminal-de-carga-aerea-inicia-transicion-a-modalidad-de-asocio-publico-privado/.
[138] The regulations allow the use of El Salvador's commodity and service exchange (BOLPROS) as an alternative mechanism for government procurement. BOLPROS is regulated by the Supervisory Authority for the Financial System.

review period. The vast majority of total expenditure was on goods and services, including consultancy services, while spending on public works remained low.

3.3.6.2 Regulatory framework

3.172. The regulatory framework for government procurement in El Salvador includes the Constitution (Articles 86 and 234), the Law on Government Procurement and Contracting (LACAP)[139] and its implementing Regulations (RELACAP)[140] and, since 2021, the Simplified Law on Procurement for Municipal Works.[141] The regulatory framework is complemented by the government procurement provisions in El Salvador's trade agreements. El Salvador is not a signatory to the WTO Agreement on Government Procurement and does participate as an observer in the Committee on Government Procurement.

3.173. LACAP applies to central government agencies and local authorities, as well as state-owned enterprises, hospitals and autonomous institutions. Certain contracts are excluded from the scope of LACAP, including procurement and contracts financed by agreements or treaties with other States or international bodies, agreements concluded between state institutions, banking and financial services other than insurance, operations to place securities on the international market, public distribution services for electricity and drinking water, and construction work carried out by municipal councils.[142]

3.174. LACAP does not distinguish between Salvadoran and foreign suppliers in their participation in public procurement. However, if there is no difference between two bids in the price and compliance with other conditions, preference will be given to the Salvadoran bid.[143] This provision does not apply to the suppliers to whom El Salvador gives national treatment under trade agreements. According to the data provided by the authorities, the share of foreign suppliers in the total amounts awarded in the period 2016-21 fluctuated between 4.7% and 16.6%, and rose to 10% in 2021. For the total number of suppliers awarded, the share of foreign suppliers varied between 1.8% and 3.3% over the same period, and accounted for 2.0% in 2021.

3.175. In 2019, LACAP was amended to increase from 12% to 25% the minimum percentage of the annual budget that each government entity must give over to the procurement and contracting of goods and services from domestic micro and small enterprises. The amendment also included the introduction of the requirement that at least 10% of each public entity's budget for the procurement and contracting of goods and services be given over to companies that are wholly or majority female-owned or that have legal representation of women.[144] RELACAP was also amended in 2019 to clarify that the term "newspapers in national circulation", for the purposes of publishing the call for bids and the results of procurement procedures, includes both printed and digital media. The amendment also allowed for the use of email in the submission of bids or quotations when free contracting and single tendering are used.[145]

3.176. From an operational standpoint, government procurement in El Salvador is decentralized. Each public entity carries out its procurement processes through its own Institutional Procurement and Contracting Unit (UACI).[146] The Government Procurement and Contracting Regulatory Unit (UNAC) in the Ministry of Finance is the national governing body in El Salvador. UNAC proposes the annual procurement and contracting policy of public administration institutions, issues general guidelines, instructions and manuals related to LACAP, and monitors and advises the UACI on compliance with the regulations.

3.177. El Salvador has an electronic government procurement system known as COMPRASAL. Together, the legal regulations, UNAC, the UACIs and COMPRASAL form the integrated procurement

[139] Legislative Decree No. 868 of 21 August 2000 and amendments thereto.
[140] Executive Decree No. 53 of 10 April 2013 and amendments thereto.
[141] Legislative Decree No. 210 of 17 November 2021.
[142] Article 4 of Legislative Decree No. 868.
[143] Article 55 of Legislative Decree No. 868.
[144] Article 1 of Legislative Decree No. 240 of 14 February 2019.
[145] Executive Decree No. 30 of 10 August 2020.
[146] There are around 340 UACIs.

and contracting system, which manages the administration, implementation, operation, coordination and monitoring of government procurement.[147]

3.178. The UACIs must publish their annual programmes and their LACAP-regulated contracting and procurement processes (all forms and phases) in COMPRASAL. The system also includes the Register of Suppliers in which any Salvadoran or foreign person interested in participating as a bidder may register.[148] The COMPRASAL public portal can be used to search for contracting and procurement processes, regulations and statistics.[149] It should be noted that the system is currently not authorized to receive the submission of online offers or electronic quotations.

3.179. It is only necessary to register in COMPRASAL to participate in public bidding or open tendering procedures. Natural persons may register with their national identity card (DUI) if they are Salvadorans, or with their passport if they are foreign suppliers. Salvadoran legal persons must submit their tax identification number (NIT), while foreign companies need to submit the letter of appointment and the passport or DUI of their legal representative.

3.180. Under LACAP, government procurement methods for goods, services and works include public bidding, open tendering procedures, free contracting and single tendering. Public bidding applies to the procurement of works, goods and services, while open tendering applies only to consultancy services.[150] In both cases, a public and open invitation to tender is issued and all interested suppliers are able to participate.

3.181. Free contracting is the method used by government agencies to meet their regular needs for small amounts of works, goods or services. A limited number of suppliers are invited to participate, but there must be at least three in order to ensure competitive terms. The suppliers are invited or selected from an information database or register.

3.182. In single tendering, suppliers are selected directly; this occurs only under the circumstances expressly defined in LACAP. These include the following circumstances: where the subject matter of the procurement relates to patents, copyright, artistic or highly specialized services; where a state of emergency, disaster, war or serious disturbance of public order has been declared; where a company is the sole provider of goods or services; where trust and confidentiality are relevant elements in the selection of service professionals; for purchases of supplies, machinery or equipment for use in scientific research or technological development; for purchases of weapons and equipment to combat crime; or where a public bidding process or competition has been declared void for the second time. The contracting agency must issue a well-reasoned decision in order to be able to award a contract directly.[151]

3.183. With the exception of single tendering, the method to be followed depends on the subject of the procurement, the threshold and the type of contracting entity, as summarized in Table 3.19. It should be noted that LACAP does not establish any limits on amounts for single tendering. The free contracting method may be suspended if the value of the goods is below 10% of the established threshold. In such cases, the goods may be purchased directly in commercial establishments, but the purchase must not be recurrent or occur more than once per quarter.[152]

[147] Article 10 *bis* of Legislative Decree No. 868.
[148] There are currently around 16,000 registered suppliers.
[149] COMPRASAL website. Viewed at: https://www.comprasal.gob.sv.
[150] Article 39 of Legislative Decree No. 868.
[151] Articles 71 and 72 of Legislative Decree No. 868. The grounds for the procurement of medicines to supply the public health system have been declared unconstitutional.
[152] Article 39 of Legislative Decree No. 868.

Table 3.19 Government procurement methods by threshold and procuring entity, 2022

Method	Threshold			
	Public entities except municipalities		Municipalities	
	SMSC[a]	USD	SMSC	USD
Public bidding or open tendering	> 240	≤ 87,600	> 160	> 58,400
Free contracting	≤ 240	≤ 87,600	≤ 160	≤ 58,400
Non-recurrent free contracting	< 10% of 240	< 8,760	< 10% of 160	< 5,840
Single tendering	There are no thresholds as it is only used in "exceptional" cases			

a The threshold is expressed in minimum monthly wages in the trade and services sector (SMSC). In 2022, the SMSC was equal to USD 365. Article 40 of Legislative Decree No. 868.

Source: Article 40 of Legislative Decree No. 868 and information provided by the authorities.

3.184. Invitations to tender and bidding conditions for public bidding and open tendering procedures are published on COMPRASAL, as well as in national and/or international newspapers, both printed and digital. Technical and economic bids are open and public, and are assessed by an evaluation commission within each UACI, in accordance with the criteria specified in the public bidding or open tendering conditions. According to RELACAP, these criteria must be objective, measurable or quantifiable and non-arbitrary.[153] Following the opening of the tendering process, the procuring entity has a period of 60 days (extendable by 30 days) to decide on the award of public bidding or open tendering contracts.

3.185. The outcome of any procurement process must be notified to interested parties within two working days from the time a decision is made. Interested parties may make an appeal in writing within five working days of receipt of the notification. The time limit for ruling on appeals received is 10 working days from the date of their acceptance.

3.186. During the period under review, some exception measures were approved to allow the suspension of LACAP provisions to address the emergency caused by COVID-19, as well as to expedite the construction of penitentiary centres and to combat organized crime. These measures were temporary and limited to the above-mentioned situations and to the public institutions directly involved in them.

3.187. During the review period, the Law on the Creation of the National Directorate of Municipal Works[154] and the Simplified Law on Procurement for Municipal Works were enacted[155], with both approved in 2021. The first law created the National Directorate of Municipal Works (DOM), and conferred on it the responsibility for qualifying, approving, contracting and implementing investment projects financed by the General State Budget in the 262 municipalities of El Salvador, as well as issuing rules for this purpose. These projects include infrastructure works and goods, services and consultancy services related to these works, aimed at incentivizing the economic, social, cultural, religious, sporting, housing, environmental and tourism activities of municipalities. The contracting and procurement carried out by the DOM are subject to the Simplified Law on Procurement for Municipal Works, and LACAP is therefore not applied. The Law on the Creation of the DOM requires at least 3% of the current net revenue from the General State Budget to be used for municipal works through the DOM, with resources transferred by the Ministry of Finance.[156] The Simplified Law on Municipal Works applies to all natural or legal persons wishing to enter into a contract with the DOM. Suppliers interested in participating in projects administered under this law must be registered in the DOM computer system[157], which is independent of COMPRASAL.

3.188. According to data provided by the authorities, in 2021, the amount of public works awards granted by municipalities amounted to USD 4.8 million, representing 0.6% of the total amount of awards from all public institutions and 22.1% of the total amount of awards from municipalities.

3.189. El Salvador has undertaken commitments on government procurement in a number of the regional trade agreements it has signed, notably the Central America - Dominican Republic - United States Free Trade Agreement (CAFTA-DR), the Association Agreement between Central America and

[153] Article 46 of Executive Decree No. 53.
[154] Legislative Decree No. 210 of 17 November 2021.
[155] Legislative Decree No. 215 of 23 November 2021.
[156] Article 21 of Legislative Decree No. 210. The DOM has an initial budget of USD 900 million.
[157] DOM website. Viewed at: https://sistemas.obrasmunicipales.gob.sv/procesos/publico.

the European Union, the Association Agreement between the United Kingdom and Central America, the Free Trade Agreement between Central America and Chile, the Free Trade Agreement between Colombia, El Salvador, Guatemala and Honduras, and the Free Trade Agreement between the Republic of Korea and the Republics of Central America. These agreements contain disciplines of varying scopes on government procurement and thresholds above which suppliers from the other party may participate in open tenders on a non-discriminatory basis. Time limits for the submission of tenders are usually 40 calendar days.

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.190. The TRIPS Agreement entered into force in El Salvador on 1 January 2000. El Salvador is a member of the World Intellectual Property Organization (WIPO) and has signed various WIPO-administered agreements (Table 3.20). During the review period, El Salvador ratified two new intellectual property treaties: the Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty) in October 2014, and the Treaty on Audiovisual Performances (Beijing Treaty) in October 2016, which entered into force on 30 September 2016 and 28 April 2020, respectively. El Salvador has made a request to the International Union for the Protection of New Varieties of Plants (UPOV) for assistance in applying legislation based on the UPOV Convention but has not signed the Convention as it uses the patent system.[158]

Table 3.20 Intellectual property treaties signed by El Salvador, 2022

International treaty	Date of ratification/accession
Convention Establishing the World Intellectual Property Organization (WIPO)	18 June 1979
Copyright and related rights	
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	29 March 1979
Berne Convention for the Protection of Literary and Artistic Works	18 November 1993
Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (Phonograms Convention)	25 October 1978
WIPO Performances and Phonograms Treaty	20 October 1998
Treaty on Audiovisual Performances (Beijing Treaty)	10 October 2016
WIPO Copyright Treaty (WCT)	20 October 1998
Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty)	1 October 2014
Trademarks and other distinctive signs	
Paris Convention for the Protection of Industrial Property	18 November 1993
Trademark Law Treaty (TLT)	14 August 2008
Patents, industrial designs and utility models	
Paris Convention for the Protection of Industrial Property	18 November 1993
Patent Cooperation Treaty	17 May 2006
Other	
Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite	22 April 2008
Nairobi Treaty on the Protection of the Olympic Symbol	14 September 1984
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	17 May 2006

Source: World Intellectual Property Organization (WIPO).

3.191. It is not possible to analyse intellectual property rights (IPRs) in El Salvador in detail on the basis of the available data. An examination of the balance of payments shows that El Salvador posted a negative balance on charges for the use of intellectual property (IP) during the review period. Debits for IP use peaked at USD 138 million in 2017, as did credits at USD 62 million. Since 2018 credits have fallen significantly to have been almost zero since 2020 when the COVID-19 pandemic began. In 2021, debits (and the deficit) stood at USD 112 million (Table 3.21).

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[158] Online information from UPOV. Viewed at: https://www.upov.int/export/sites/upov/members/es/pdf/status.pdf.

Table 3.21 Charges for the use of intellectual property 2016-22Q1

(USD million)

	2016	2017	2018	2019	2020	2021	2022Q1
Credits	56	62	8	3	1	0	0
Debits	137	138	89	98	98	112	27

Source: Central Reserve Bank of El Salvador.

3.192. The authorities consider that the information posted in the balance of payments does not fully reflect information on the use of the intellectual property system in El Salvador because it uses only a small dataset collected from payment surveys carried out by international franchise contracts. Moreover, there is no requirement in domestic legislation for those contracts to be filed in the Intellectual Property Register. The data reflect only the payments made by franchises for use of international trademarks, where credits represent payments made to Salvadoran businesses to use trademarks abroad, and debits represent payments made by Salvadoran businesses to use or franchise foreign trademarks. The information is collected using surveys and there is no up-to-date list of businesses.

3.193. The Intellectual Property Register only contains the number of licences applied for in a given period. The authorities indicated that the numbers of licence applications were as follows: 87 in 2016; 57 in 2017; 83 in 2018; 140 in 2019; 228 in 2020; 111 in 2021; and 4 in the period from January to June 2022.

3.194. The authorities also stated that in the review period the system for registering intellectual property rights improved to allow people to make applications online and complete various formalities electronically, thus helping to streamline procedures and reduce response times.

3.195. Additionally the authorities said that they are currently working on a National Intellectual Property Strategy with the assistance of WIPO; the strategy will be a public policy linking the institutions within the national innovation ecosystem and forming a hub that supports IP transactions and management nationally, regionally and internationally.

3.3.7.2 Institutional and legislative framework

3.196. Responsibility for drafting and implementing El Salvador's IPR protection policy lies with the Ministry of the Economy (MINEC). The Intellectual Property Register (RPI) is the authority in charge of administering the IP system.[159] It is one of the five main directorates within the National Registry Centre (CNR), a decentralized agency under MINEC with administrative and financial autonomy.[160] The RPI is in charge of recording, depositing and registering all IPRs in El Salvador, with the exception of test data and undisclosed information on chemicals. These duties are performed by the RPI's Intellectual Property Register Directorate, which in turn comprises three line departments: the Distinctive Signs Department, the Patents Department and the Copyright Department.

3.197. The regulatory framework for the protection of IPRs essentially comprises the Intellectual Property Law[161] (LPI) of 1993, last amended in 2017, and the Law on trademarks and other distinctive signs[162] (LMOSD) of 2002, last amended in 2013.[163] The LPI governs the protection of copyright and related rights, and certain industrial property rights (inventions, utility models, industrial designs, industrial and trade secrets, test data and new plant varieties). The LMOSD governs trademarks, signs or expressions of commercial advertising, trade names, emblems, geographical indications and appellations of origin, and prohibits unfair competition in those areas.[164] El Salvador's regulatory framework for intellectual property does not stipulate any nationality or domicile requirement in order to qualify for IPR protection.[165]

[159] Article 104 of the Law on trademarks and other distinctive signs (LMOSD) and Article 98(e) of the Intellectual Property Law (LPI).

[160] Online information from El Salvador's National Registry Centre. Viewed online at: https://www.cnr.gob.sv/marco-institucional/.

[161] Legislative Decree No. 604 of 15 July 1993.

[162] Legislative Decree No. 868 of 6 June 2002.

[163] Legislative Decree No. 358 of 2 May 2013.

[164] Article 1 of the LMOSD.

[165] Article 3 of the LMOSD and Article 11 of the LPI.

3.198. The provisions in the TRIPS Agreement have been incorporated into El Salvador's legislation (Table 3.22). Some provisions, for example those on the protection of copyright in literary works, computer programs and audiovisual works, exceed the minimum protection required by the TRIPS Agreement. The TRIPS Council examined El Salvador's IPR legislation in 2000.[166] El Salvador did not notify any new intellectual property legislation during the review period. The authorities indicated that an internal assessment is under way on the submission of the notifications concerned.

Table 3.22 Overview of El Salvador's intellectual property legislation, 2022

Legislation	Term	Scope
Copyright and related rights		
Intellectual Property Law (LPI), Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; Amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	Protection is granted for the author's lifetime plus 70 years. Computer programs, collective and audiovisual works are protected for 70 years as of the date of their disclosure.	Artistic, literary and audiovisual works and computer programs. The copyright holder's economic rights include the right to authorize or prohibit distribution to the public of the original or copies of the works, whether by sale, rental, hire, loan or any other manner. The LPI contains special provisions relating to computer programs and databases, audiovisual and three-dimensional works of art, musical compositions and newspaper articles. Protection is given irrespective of any registration formality. El Salvador does not provide for any exceptions in respect of national treatment for foreigners publishing their works in El Salvador. The Law applies indiscriminately to Salvadorans and foreigners.
Patents		
The LPI, Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; Amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	Protection gives the inventor or applicant exclusive rights within El Salvador for a non-renewable term of 20 years as of the date of filing the application with the CNR Intellectual Property Register.	The LPI provides for the right to obtain protection for an invention, utility model or industrial design, an invention meaning any product or process applicable in practice to the solution of a specific technical problem. An invention may be patented if it is new, involves an inventive step and is susceptible of industrial application. Contractual licences for working a patent have legal effects against third parties only if they have been registered. The following may not be patented: discoveries, scientific theories and mathematical methods; economic plans, principles or methods for advertising or business, those pertaining to purely mental or intellectual activities or to games; methods for treatment of the human or animal body by surgery, therapy or diagnosis, except for products intended to put any of these methods into practice; and inventions whose publication or industrial or commercial application would be contrary to public order or morality.
Industrial designs and utility models		
The same legislation as that for patents.	10 years as of the date of filing the application, non-renewable.	Industrial designs are protected on the basis of the provisions of the LPI and amendments thereto. Such protection does not exclude or affect protection that may be available to such designs under other legal provisions, in particular those relating to copyright. There is no protection for industrial designs which are not considered to be new in the country, that is to say, merely differ in minor or secondary respects from other earlier designs or merely refer or apply to another category of products; nor is protection granted for designs whose disclosure would be contrary to public order or morality.
Layout-designs of integrated circuits		
There is no relevant national legislation. The provisions in the TRIPS Agreement apply.		

[166] The questions put to El Salvador by Members and El Salvador's replies in connection with this examination can be found in WTO document IP/Q/SLV/1 of 18 August 2000.

Legislation	Term	Scope
Distinctive signs		
Law on trademarks and other distinctive signs (LMOSD), Legislative Decree No. 868 of 6 June 2002; Legislative Decree No. 913 of 14 December 2005, Legislative Decree No. 986 of 17 March 2006 and Legislative Decree No. 358 of 2 May 2013.	The right to exclusive use of a trademark is granted for 10 years and may be renewed indefinitely for successive 10-year periods. The concept of geographical indications has been introduced, offering *sui generis* protection indefinitely for protected products. Protection continues for as long as the special conditions for which it was granted persist.	Any visually perceptible proprietary, figurative or three-dimensional sign capable of distinguishing products or services. The owner of a trademark is entitled to oppose registration of an identical or similar sign, to prevent its use and to request the authorities to prohibit or suspend imports of products that make use of such signs.
Undisclosed information (including test data)		
The LPI defines and protects industrial or trade secrets and test data. Law on medicines: Legislative Decree No. 1008 of 22 February 2012 and the General Regulations implementing the Law on medicines, Executive Decree No. 245 of 18 December 2012.	Indefinitely in the case of industrial or trade secrets. Protection for test data is conferred by a legal provision that lays down the time-limits for such protection, i.e. 5 years for pharmaceuticals and 10 years for agricultural chemicals. Undisclosed information is protected if it complies with the requirements of Article 181-A of the LPI.	Protection of commercial and industrial rights applies whether or not the secrets are fixed on a physical medium. No registration is required. The submission of undisclosed information is required by the competent administrative authority as a condition for approving the marketing of pharmaceuticals or agricultural chemicals that use new chemical substances. Criteria are laid down for the protection of such data against unfair commercial use and against disclosure. There are exceptions regarding disclosure when the authority deems it necessary to protect the public or when measures have been taken to ensure that the data are protected against unfair commercial use. If any undisclosed information regarding safety and efficacy submitted to an authority in order to obtain marketing approval is disclosed by the said authority, such information will continue to be protected against any unfair commercial use.
New plant varieties		
Intellectual Property Law, Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	20 years, protected by a patent.	In the special case of new plant varieties, the criteria of an inventive step and being susceptible of industrial application must be met.

Source: WTO Secretariat, based on information provided by the authorities.

3.199. In 2010, El Salvador notified the WTO that the Trade Policy Directorate at MINEC was its intellectual property contact point pursuant to Article 69 of the TRIPS Agreement.[167] In 2016 El Salvador provided information regarding the list of issues on geographical indications under Article 24.2 of the TRIPS Agreement.[168]

3.200. The LPI establishes the right to obtain protection for an invention, utility model or industrial design. Acquisition of the right requires registration with the RPI. The term of protection for industrial designs and utility models is a non-renewable period of 10 years calculated from the date of filing the application. Patents enjoy a non-renewable term of protection of 20 years calculated from the date of filing the application, which may be extended in the event of delays attributable to the authorities. El Salvador's legislation applies a system of national exhaustion for patents, the right becoming exhausted after the patented product has been "legally placed on the market for the

[167] WTO document IP/N/3/Rev.11/Add.4 of 18 August 2010.
[168] WTO document IP/C/W/117/Add.34 of 9 December 2016.

first time on the national territory".[169] New plant varieties may only be protected by patents. To protect a new plant variety, it must be shown that it is susceptible of industrial application and involves an inventive step.[170]

3.201. El Salvador does not have any special domestic legislation on the protection of layout designs of integrated circuits as the country directly applies the provisions in Section 6, Article 35 of the TRIPS Agreement.

3.202. Copyright enshrined in the LPI protects all literary, artistic and scientific works irrespective of their means or form of expression, provided that they meet the requirement of originality established in the Law.[171] El Salvador recognizes the principle of copyright protection without requiring registration. The protection afforded to the copyright owner includes moral and economic rights, dealt with separately in the LPI, and continues for 70 years following the author's death.

3.203. The main change to the regime for protection of intellectual property rights (IPRs) during the review period was the amendment to the LPI in 2017.[172] The amendment allows holders of copyright and related rights to manage the use of their works.

3.204. The LPI gives the holder of copyright covered by the Law the right "to import or export, or authorize the import or export of copies of his lawfully manufactured works, and the right to prevent the import or export of unlawfully manufactured copies"[173]; similar rights are regulated in the LPI for holders of industrial rights (Articles 115 and 128).

3.205. El Salvador allows the granting of compulsory licences solely in order to supply the domestic market. Compulsory licensing to work a patent may be granted for "declared reasons of emergency or national security and for as long as these persist", provided that this is necessary to satisfy the population's basic needs. The licence must be granted by the competent jurisdiction, and specify the term and scope of the measure, as well as the remuneration payable to the patent owner.[174] Until 2022, El Salvador had not issued any compulsory licence. In September 2006, El Salvador accepted the amendment in the Decision on the implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health as well as the protocol amending the TRIPS Agreement. The protocol accords facilities to countries which do not have the capacity to manufacture pharmaceuticals, allowing them to import patented medicines under compulsory licences. On 17 June 2022, the exceptional circumstances of the COVID-19 pandemic led El Salvador to adopt the Ministerial Decision on the TRIPS Agreement for the production and supply of COVID-19 vaccines.

3.206. The LMOSD sets out the procedure for the protection of trademarks and other distinctive signs. It provides for a specific protection procedure for geographical indications (GIs) in addition to their existing status, which included them under the protection provided for trademarks. IPR owners may choose under which of the two mechanisms they seek protection for their IPRs. As to the term, the LMOSD protects rights arising from geographical indications and appellations of origin indefinitely, for as long as the situation which gave rise to the protection persists. Protection for the exclusive use of trademarks is for an indefinitely renewable term of 10 years. Owing to the value added that appellations of origin generate for the economy, a basic guide was drawn up in 2018 for SMEs interested in developing a collective mark, geographical indication or appellation of origin for exports to the European Union[175], along with a handbook for developing distinctive signs related to a place of origin for SMEs.[176] On 23 June 2022 the Association Council of the European Union-Central America Association Agreement approved the inclusion of 10 new geographical indications under the protection afforded by the agreement, specifically the following appellations of origin: Alotepec,

[169] Article 116(d) of the LPI.
[170] Article 111 of the LPI. Article 114 of the LPI states that "[a]n invention shall be considered to involve an inventive step if, for a person having ordinary skill in the technical field concerned, the invention would not have been obvious or could not obviously have been derived from the relevant prior art".
[171] Article 12 of the LPI.
[172] Legislative Decree No. 611 of 15 February 2017.
[173] Article 7(e) of the LPI.
[174] Articles 133 and 134 of the LPI.
[175] Information from MINEC. Viewed online at: http://infotrade.minec.gob.sv/wp-content/uploads/Guia-b%C3 per centA1sica-para-Pymes.1.pdf.
[176] Information from MINEC. Viewed online at: http://infotrade.minec.gob.sv/wp-content/uploads/Manual-de-signos-distintivos.1.pdf-.

Bálsamo-Quezaltepec, Chichontepec, Tecapa-Chinameca and Cacahuatique (all types of coffee); and Chaparro, Camarón Bahía de Jiquilisco (a shrimp), Jocote Barón Rojo San Lorenzo (a fruit), Loroco San Lorenzo (a vegetable); and the geographical indication Pupusa de Arroz de Olocuilta (a flatbread).[177] Previously Apaneca-Ilamatepec and Bálsamo de El Salvador were the only recognized appellations of origin.

3.207. Administrative proceedings and appeals are governed by the Law on administrative procedures (LPA) of 13 February 2019 and, where appropriate and consistent with this law, by the Law on the submission, examination and registration or filing of instruments in the registers of real estate and mortgages, corporate property, commerce and intellectual property (LPU) of 2004. Before the entry into force of the LPA, administrative appeals against registration comments or decisions to refuse a registration were governed by the LPU. Since its entry into effect the appeals available are as laid down in the LPA (reconsideration, appeal for review and extraordinary review). Pursuant to the LPU, the RPI's Intellectual Property Registry Directorate has the authority to decide on requests for reconsideration and appeals for review or extraordinary review.

3.208. In accordance with the information supplied by the authorities, the average time taken for registration is two to four months for trademarks and other distinctive signs, four to six months for industrial designs, and two to three years for patents/utility models. These averages depend on whether objections or administrative actions are brought; if so, the time required can vary.

3.209. Table 3.23 provides information on applications for patents, industrial designs and trademarks for the period 2017-21, and on those granted.

Table 3.23 Applications and registrations of trademarks, utility models and industrial designs, patents and the number of patents granted, 2017-21

	2017	2018	2019	2020	2021
Applications for distinctive signs					
Emblem	38	40	34	32	39
Advertising sign or slogan	253	198	285	311	219
Trademark	7,245	7,247	8,121	6,826	8,159
Trade name	893	904	1,053	773	1131
Total	8,429	8,389	9,493	7,942	9,548
Applications for industrial designs, utility models and patents for inventions					
Industrial designs	49	45	40	34	27
Utility models	15	3	2	4	0
Utility models via PCT	0	1	3	0	0
Patents for inventions	2	6	3	23	16
Patents for inventions via PCT	167	138	148	123	115
Total applications (industrial designs, utility models and patents for inventions)	**233**	**193**	**196**	**184**	**158**

Source: National Registry Centre, Intellectual Property Register of El Salvador, statistical data.

3.210. The authorities indicated that during the review period the Salvadoran authorities have made the following progress in improving IPR protection:

- introduction of the online "Intellectual Property Agents" platform pursuant to Legislative Decree No. 856 containing the Law on administrative procedures. The platform can be used to file and manage applications for distinctive signs electronically and to easily store and search for information on the procedures for registering applications for various IP assets.

- automated novelty searches for trademarks. The purpose of this service is to provide users with an always-on, 100% electronic method of checking for possible similarities with previous applications or registrations.

[177] See the Official Journal of the European Union of 23 June 2022.

- introduction of the "Online payment link" system that generates an electronic link between a filing fee payment and the associated filing number and forwards it to the applicant. The link system automates 100% of the procedure for registering distinctive signs, which is the principal IPR service.

- express deposit of copyrighted works. The aim is to contribute to the development of creative industries in El Salvador by simplifying the administrative process. The time required to deposit an author's works averages one hour. The objective of this initiative is to ensure that performers can deposit their works as a means of proving their rights.

- express industrial property services, to make the use of the intellectual property system viable for the country's various productive sectors. The simplification of administrative steps has resulted in a response time of eight working hours for the following services: (a) requests for distinctive signs, trademark renewal applications; (b) applications for the payment of fees to maintain a patent right; (c) publications of rulings on distinctive signs; and (d) proof of payment of registration fees for distinctive signs.

- creation of a network of Technology and Innovation Support Centres (CATI). With WIPO support, the CATI-CNR was launched in November 2021 as a short-term coordinator of a national CATI network.

3.3.7.3 Enforcement

3.211. El Salvador has notified the WTO of the checklist of issues on enforcement, indicating the extent to which its national legislation satisfies the requirements of the TRIPS Agreement.[178] This notification was made in 2000 and has not been updated subsequently. In El Salvador, responsibility for oversight and compliance with intellectual property regulations is shared jointly across several government agencies. These include the Private Property and Intellectual Property Offences Unit at the Public Prosecutor's Office and the National Civil Police, both of which have the authority to prosecute offences relating to the protection of IPRs, and the Directorate-General of Customs (DGA), which is responsible for border control of goods suspected of being counterfeit.

3.212. The Salvadoran courts with jurisdiction in civil and commercial matters are the competent courts for proceedings initiated by IPR holders.[179] The civil penalties laid down in the LPI are: immediate cessation of the unlawful activity, preventive seizure, withholding or deposit of the infringing goods, prohibition on importing the infringing products, materials or media, and compensation for damage. El Salvador's legislation does not provide for the imposition of fines for infringing IPRs as such, but it does provide for the imposition of financial penalties as compensation for the damage caused by IPR infringements, on the basis of the LMOSD (Article 90(f) and Article 91); the LPI (Articles 90, 172(b) and 173); the Code of Civil and Commercial Procedure (Articles 240, 241 and 417); and the Code of Criminal Procedure (Article 399). Financial penalties are imposed when there has been a conviction either in civil proceedings for infringement or in the determination of civil proceedings in criminal cases.

3.213. Pursuant to Article 5(j) of the RECAUCA, one of the powers of the Customs Service is to apply the appropriate control measures to protect IPRs, in accordance with the relevant international conventions. Moreover, Article 316 of the RECAUCA gives the DGA competence to apply border measures for the proper enforcement and protection of industrial property rights, copyright and related rights. The DGA may act to apply border measures: (i) on the basis of resolutions by the competent authority; (ii) *ex officio* where applicable; or (iii) following a complaint from the owner of the duly accredited right.

3.214. As indicated by the DGA as part of this Review, the DGA does not have a register of IPR holders. The procedure for implementing border measures to protect industrial rights in relation to the import or export of suspected counterfeit goods is carried out in accordance with

[178] WTO document G/IP/N/6/SLV/1 of 13 June 2000.
[179] Article 184 of the LPI.

General Administrative Provision DACG No. DGA-007-2012.[180] According to the DACG, border measures may be implemented in the following circumstances:

- by order of the competent judicial authority: where the judicial authority directs the customs service to enforce border measures, the latter must notify the measure ordered to the importer's or exporter's representative, and to the person who applied for the measure. In this case, the border measures will apply for the period determined by the competent judicial authority and in accordance with the order issued by it. Upon the expiry of that period or after 10 working days following implementation of the measure, where the customs service has not received formal notification of an extension to that period, the goods will be cleared and any duties, taxes and/or fines determined as would have been the case under the normal clearance process.

- following an application by the owner or representative of the trademark or distinctive sign. Where the owner of a trademark or distinctive sign covered by the third subparagraph of Article 316 of the RECAUCA has reasonable grounds to suspect that imports or exports of goods infringe his rights in a trademark or distinctive sign, he must submit an application; following analysis of the application, the amount of the guarantee required from the applicant will be established, and the proof of the deposit of that guarantee must be forwarded to the Directorate-General of Treasury within a maximum of two working days. The application is regarded as authorized when that proof has been forwarded. Within three working days of receipt of the authorization, the owner or representative of the trademark or distinctive sign making the application must give notice that he has brought the relevant judicial proceedings or made an application to the competent judicial authority for ratification of the precautionary border measure. The judicial order will be enforced subject to presentation of a document proving that the competent judicial authority has ratified the adopted measure.

- *ex officio*. Where the customs service is responsible for the physical verification of the good and determines that the import or export of goods may be counterfeit, the Comptroller of Customs must inform the declarant or his representative of the possibility that border measures may apply if a rightholder steps forward. The DGA publishes any finds on its webpage, and the owner or representative of the trademark or distinctive sign has a maximum period of three working days from midnight of the day following the last date of publication, to give written notice to the DGA of his intention to open the relevant judicial proceedings. Having established the rightholder's interest in opening the relevant judicial proceedings at the DGA, the DGA will forward the documentation to the customs office where the good is located, inform the importer and request the guarantee where appropriate.

3.215. Between 2016 and 2022 the DGA took action in 110 cases to implement border measures for the proper enforcement and defence of industrial property rights, copyright and related rights (Table 3.24):

Table 3.24. Border measures taken to protect IPRs, 2016-22

Year	*Ex officio*	Request
2016	16	0
2017	7	6
2018	18	3
2019	14	1
2020	14	0
2021	17	0
2022	14	0
Total	100	10

Source: Information provided by the authorities.

[180] The provision can be viewed online at the DGA portal: https://sitio.aduana.gob.sv/check/plugins/download-manager/viewer/viewer.php?dl=https://sitio.aduana.gob.sv/wp-content/uploads/download-manager-files/DACG%20007-2012.pdf.

3.216. El Salvador's Penal Code defines intellectual property offences (infringement of copyright and related rights, effective technological measures, information on the management of rights and rights in satellite signals), as well as offences concerning industrial property (infringement of patents, utility models, industrial designs, trademarks and other distinctive commercial signs, trade secrets and disclosure of industrial secrets). The Code provides for criminal penalties for these offences depending on the type and gravity of the offence committed, ranging from two to six years' imprisonment for intellectual property offences[181], and six months to four years for industrial property offences.[182] Nonetheless, combating music and video piracy and, to a lesser extent, the infringement of rights in satellite signals, continues to be one of the major challenges facing the Salvadoran Government as far as enforcement of IPRs is concerned.

[181] Intellectual property offences and the penalties applicable are defined in Title VIII, Chapter VII (Articles 226, 227, 227-A, 227-B and 227-C) of El Salvador's Penal Code.
[182] Industrial property offences and the penalties applicable are defined in Title IX, Chapter I (Articles 228-231) of El Salvador's Penal Code.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Features

4.1. El Salvador's agricultural sector (which includes crop farming, livestock farming, forestry, hunting, fisheries and aquaculture) contracted significantly between 2016 and 2021, slowing an average of 1.1% annually. With the exception of 2016, when the growth rate was 8.3%, the rest of the period was marked by alternating years of expansion and contraction. The agricultural sector's share in GDP fell from 5.7% in 2016 to 4.9% in 2021 (Table 4.1). Its structure saw some changes, with crop farming representing 49.5% of the sector in 2021, down from 55.5% in 2016 mainly due to a lower level of coffee and staple grain production. The share of livestock farming, however, increased considerably, rising from 30.8% in 2016 to 36.5% in 2021 primarily as a result of growth in poultry farming. Both forestry and hunting and fisheries and aquaculture posted higher percentages in 2021 than in 2016. As these data refer only to the agricultural sector, they do not include the value of agro-industrial production, input production or services. The agricultural sector is a significant source of employment. It is mostly composed of small farms, which have grown in number in recent decades despite a decline in the rural population.[1]

4.2. In 2021, approximately 38% of the population lived in rural areas, and the sector employed 425,256 people, or 15.7% of the total working population.[2]

Table 4.1 Principal indicators for the agricultural sector (maquila excluded), 2016-21

	2016	2017	2018	2019	2020	2021
Share of agricultural sector in GDP (% at current prices)	5.7	5.4	5.1	5.1	5.5	4.9
Real growth rate (%, volume indices, reference year 2014)	8.3	0.7	-2.7	1.0	-2.8	2.1
Share in value added (% of agricultural total)						
Crop farming	55.5	50.4	50.5	50.6	50.3	49.5
- Coffee farming and processing	5.6	5.6	5.5	4.3	4.7	5.4
- Sugar cane farming	8.5	8.4	9.1	9.2	9.1	8.6
- Cereal, vegetable and oilseed farming	25.2	18.7	18.0	19.9	18.9	18.0
- Other crops	16.2	17.7	17.9	17.2	17.6	17.5
Livestock farming	30.8	35.4	35.4	35.2	35.6	36.5
- Cattle breeding and raw milk production	17.0	18.1	17.8	17.8	18.7	18.1
- Pig breeding	1.1	1.3	1.3	1.2	1.2	1.2
- Poultry breeding and egg production	11.8	15.0	15.1	15.1	14.5	16.0
- Breeding of other animals and animal products not classified elsewhere	0.9	1.0	1.2	1.1	1.2	1.2
Activities in support of crop farming and post-harvest and mixed farming activities	1.5	1.5	1.4	1.6	1.6	1.6
Forestry, harvesting of wood and other forestry products, and hunting	6.3	6.6	6.8	6.7	6.8	6.6
Fisheries and aquaculture	5.7	6.1	5.9	6.0	5.9	5.8

Source: WTO Secretariat, based on data from the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv/esp/.

4.3. Agricultural production in El Salvador is relatively diversified. The leading products during the review period were staple grains (maize, sorghum, beans and rice), although their share dropped from 25.2% in 2016 to 18.0% in 2021 mainly as a result of extreme events, such as severe droughts and floods. Also prominent were cattle breeding and milk production (18.1% in 2021), other crops (17.5% in 2021), poultry farming (16.0% in 2021) and sugar cane farming (8.6% in 2021), which contributed more to agricultural GDP than in 2016. The coffee subsector continued its downward trend during the review period, falling from 5.6% in 2016 to 5.4% in 2021, essentially due to low international coffee prices and pests and diseases, such as coffee rust.

4.4. El Salvador is a net importer of agricultural products. The agricultural trade balance is in deficit and deteriorated throughout the review period, dropping from USD -936 million in 2016 to

[1] Regional Research Programme on Development and the Environment (PRISMA), *El Salvador: Evolución de la agricultura y las estrategias de los pequeños agricultores*, San Salvador, 2017. Viewed at: https://www.prisma.org.sv/wp-content/uploads/2020/02/El_Salvador_evolucion_de-_la_agricultura_y_las_estrategias_de_los_pequenos_agricultores.pdf.

[2] Directorate-General of Statistics and Census, *Encuesta de Hogares de Propósitos Múltiples (EHPM), 2021*. Viewed at: http://www.digestyc.gob.sv/phocadownload/DIVISION_DE_ESTADISTICAS_SOCIALES/Publicacion_EHPM_2021.pdf.

USD -1,441 million in 2022 (up to September). The sector's share in total exports remained stable during the period, reaching a maximum of 24.7% in 2020. Overall, agricultural exports recorded a positive, albeit very uneven, trend between 2016 and 2021, with a decrease of -10.6% (2016) and increases of 9.0% (2019) and 15.7% (2021). As at September 2022, the sector's growth rate was 18.0%. The main exports during the period were sugars and sugar confectionery, preparations of cereals, flour, starch or milk, and beverages, spirits and vinegar. Coffee, a traditional Salvadoran export, accounted for 17.3% of agricultural exports in 2022 (up to September), a much higher value than that recorded in previous years. The leading export destinations in 2021 were Guatemala (25%), the United States (20%) and Honduras (15%) (Table 4.2).[3]

4.5. Agricultural products accounted for 19.2% of total imports in 2021 and consisted primarily of miscellaneous edible preparations (12.0%), staple grains (11.7%) and dairy produce (11.0%). In 2021, imports came mainly from the United States (27%), Guatemala (20%) and Nicaragua (15%) (Table 4.2).[4]

Table 4.2 Agricultural trade balance for El Salvador (maquila excluded), 2016-22Q3

	2016	2017	2018	2019	2020	2021	2022Q3
Exports[a]							
Value (USD million)	915	994	965	1,052	1,023	1,184	1,055
Contribution to total exports (%)	21.2	21.3	20.4	22.2	24.7	22.0	23.0
Growth rate (%)	-10.6	8.7	-2.9	9.0	-2.7	15.7	18.0
Five most important products, by HS Chapter (% of agricultural total)							
17. Sugars and sugar confectionery	23.0	28.5	24.6	24.1	27.9	26.7	23.3
19. Preparations of cereals, flour, starch or milk	14.9	13.7	15.1	16.2	14.3	14.5	13.8
22. Beverages, spirits and vinegar	13.0	13.5	14.8	14.8	9.0	11.3	11.0
09. Coffee, tea, maté and spices	12.1	12.3	11.9	10.5	10.7	10.5	17.3
21. Miscellaneous edible preparations	6.3	6.5	6.9	7.7	9.2	8.6	7.9
Imports[a]							
Value (USD million)	1,851	1,829	2,019	2,209	2,347	2,764	2,496
Contribution to total imports (%)	19.7	18.4	18.7	20.2	24.0	19.2	19.5
Growth rate (%)	1.1	-1.2	10.4	9.4	6.3	17.8	22.8
Five most important products, by HS Chapter (% of agricultural total)							
21. Miscellaneous edible preparations	13.7	14.0	13.4	12.8	12.0	12.0	11.6
10. Cereals	13.6	11.2	13.1	12.9	11.2	11.7	14.5
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	9.9	10.0	8.9	10.4	11.4	11.0	10.5
02. Meat and edible meat offal	6.6	7.4	7.8	9.7	8.9	9.4	7.9
15. Animal or vegetable fats and oils; prepared edible fats	8.1	9.2	7.8	6.9	7.7	9.2	10.3
Agricultural trade balance (USD million)[b]	-936	-835	-1,054	-1,157	-1,323	-1,580	-1,441

a Agricultural sector values calculated using Chapters 1 to 24 of the Harmonized System.
b Agricultural trade balance calculated using Chapters 1 to 24 of the Harmonized System.

Source: WTO Secretariat, based on data from the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv/esp.

4.1.2 Agricultural policy

4.1.2.1 Institutional framework

4.6. There have been no major institutional changes since the previous review undertaken in 2016. The Ministry of Agriculture and Livestock (MAG) is still the agricultural sector's governing body. It is responsible for formulating and implementing the country's agricultural policy in cooperation with various centralized and decentralized technical bodies and with the sector's autonomous institutes.[5] In 2021, the MAG Environmental and Climate Change Office[6] was created to oversee all environmental, agro-climatic risk and climate change management for the sustainable development of the agricultural sector. The MAG's Sectoral Policies and Planning Office (OPPS) continues to be in

[3] Information provided by the authorities.
[4] Information provided by the authorities.
[5] Article 41 of the Rules of Procedure of the Executive Branch.
[6] Decision No. 355 of 3 September 2021, establishing the MAG Environmental and Climate Change Office.

charge of analysing the sector's economic performance and carrying out diagnostic studies of the domestic and international environment to provide guidance for decision-making and the formulation of sectoral plans and policies.

4.7. The MAG's organizational structure also includes the following technical offices: Directorate-General of Rural Development (DGDR), Directorate-General of Agricultural Economics (DGEA), Directorate-General of Plant Health (DGSV), Directorate-General of Forest Management, Catchment Areas and Irrigation (DGFCR), Directorate-General of Fisheries and Aquaculture Development (CENDEPESCA) and Directorate-General of Livestock (DGG). Other decentralized state agencies forming part of the agricultural sector are the Salvadoran Agricultural Processing Institute (ISTA), the National Agricultural and Forestry Technology Centre (CENTA), the National Agricultural College (ENA), the Agricultural Development Bank (BFA), the Salvadoran Coffee Council (CSC) and the Salvadoran Sugar Agro-Industry Council (CONSAA). These institutions provide the Ministry with technical support and advice in their respective jurisdictions.

4.8. El Salvador participates in various regional and international bodies dedicated to the development of the agricultural sector, such as the Inter-American Institute for Cooperation on Agriculture (IICA), the Central American Agricultural Council (CAC), the International Regional Organization for Plant and Animal Health (OIRSA), the International Coffee Organization (ICO) and the Food and Agriculture Organization of the United Nations (FAO).

4.1.2.2 Legal framework

4.9. The laws governing El Salvador's agricultural sector did not undergo any substantial changes during the period under review. Table 4.3 lists the main agricultural laws.

Table 4.3 Main agricultural sector laws, 2022

Instrument	Title
Decree No. 60 of 22 August 1941 (last amended on 30 October 1997)	Farm Law
Decree No. 522 of 27 November 1961 (last amended on 30 November 1989)	Agricultural Development Law
Decree No. 588 of 11 December 1969	Law on Sanitary Meat Inspection
Decree No. 153 of 11 November 1970 (last amended on 30 November 1989)	Irrigation and Drainage Law
Decree No. 312 of 10 April 1973 (last amended on 8 October 1980)	Agricultural Development Bank Law
Decree No. 315 of 25 April 1973	Law on the Control of Pesticides, Fertilizers and Products for Agricultural Use
Decree No. 302 of 26 June 1975 (last amended on 5 March 1980)	Law Establishing the Salvadoran Agricultural Processing Institute
Decree No. 221 of 9 May 1980 (last amended on 24 November 1994)	Special Law on Agricultural Associations
Decree No. 1013 of 8 March 1982	Law on the "Roberto Quiñonez" National Agricultural College
Decree No. 219 of 25 September 1984 (last amended on 30 November 1989)	Livestock Promotion and Development Law
Decree No. 353 of 19 October 1989 (last amended on 23 April 2015)	Law on the Salvadoran Coffee Council
Decree No. 462 of 11 February 1993	Law Establishing the National Agricultural and Forestry Technology Centre
Decree No. 844 of 14 April 1994 (last amended on 9 August 2013)	Wildlife Conservation Law
Decree No. 524 of 30 November 1995 (last amended on 5 September 2013)	Plant and Animal Health Law
Decree No. 97 of 10 August 1998 (last amended on 2 May 2000)	Regulation for the Control of Activities Related to Cotton Farming
Decree No. 530 of 30 August 2001 (last amended on 30 April 2008)	Law on Seeds
Decree No. 490 of 26 July 2001	Salvadoran Sugar Agro-Industry Production, Processing and Marketing Law
Decree No. 637 of 6 December 2001 (last amended on 21 November 2017)	General Law on the Organization and Promotion of Fisheries and Aquaculture
Decree No. 852 of 22 May 2002	Forestry Law

Instrument	Title
Decree No. 35 of 15 April 2009	Special Regulation Governing International Trade in Endangered Species of Wild Fauna and Flora
Legislative Decree No. 206 of 9 November 2021	Law Establishing the Salvadoran Coffee Institute
Legislative Decree No. 309 of 13 March 2022	Special Transitory Law to Combat Inflation in Commodity Prices

Source: WTO Secretariat.

4.10. El Salvador's agricultural policy is set out in the document entitled "National Agricultural Policy 2019-24" as well as in the Institutional Strategy Plan 2019-24 and the Agricultural Recovery Master Plan, developed based on the Salvadoran Five-Year Strategic Plan 2019-24.[7] The general objective of the policy is to boost the sector's sustainable development by encouraging investment in the territory in order to improve living conditions for farming families, guarantee food security and build new value chains. This policy pays particular attention to aspects such as climate change and the role of women and young people in the sector's revival.

4.11. At the regional level, El Salvador participates in the Agricultural Policy for the SICA Region 2019-30, which replaced the Central American Agricultural Policy 2008-17 (PACA). It applies the Policy jointly with Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Belize. This policy focuses on the following strategic areas: (i) competitiveness and agribusiness; (ii) sustainable agriculture adapted to climate; (iii) innovation and technological development; (iv) agricultural health and food safety; and (v) effective institutional coordination.[8]

4.1.3 Policy instruments

4.1.3.1 Border measures

4.12. Tariff protection in El Salvador's agricultural sector is higher than in the manufacturing sector. On 1 January 2022, the simple average of MFN tariffs applied to agricultural products (WTO definition) was 12.4% (12.5% in 2015), as compared with the average tariff of 5.3% (5.2% in 2015) on non-agricultural products (petroleum excluded). Under the Special Transitory Law to Combat Inflation in Commodity Prices[9], the tariffs applicable to 49 tariff lines comprising staple foods (milk, rice, beans, maize, sugar, etc.) and certain agricultural inputs (fertilizers, insecticides) were reduced to zero in March 2022. These reductions will be effective until 31 March 2023. At the end of June 2022, the aforementioned law was also amended to reduce tariffs on beef-derived foods to zero.[10] For agricultural products, the highest average tariffs are on dairy produce (26.6%), sugars and sugar confectionery (26.2%), and animals and animal products (25.5%). The highest tariff rate (164%) is still on imports of poultry thighs and legs.[11] A 40% tariff is levied on 79 tariff lines comprising products such as pig meat, sausages, milk, rice, sugar, rum and ethyl alcohol, although tariff reductions apply to some of these lines pursuant to Legislative Decree No. 309 (Section 3.1.3.1). El Salvador does not apply any specific or mixed tariffs or seasonal or variable tariffs (Section 3.1.3.1).

4.13. Within the Central American Common Market (CACM), El Salvador accords duty-free treatment to the vast majority of imports from the group's member countries, except for some agricultural products such as roasted and unroasted coffee and cane sugar, to which El Salvador applies MFN rates. El Salvador also grants preferential treatment to agricultural imports from countries or territories with which it has free trade agreements or partial scope agreements (Section 3.1.3.3). The tariff reduction process for most of the sensitive agricultural products under the CAFTA-DR began in 2021 and will end in 2024.

4.14. Under its WTO commitments, El Salvador established tariff quotas for imports of meat, milk, cheese, yellow maize, fats and oils, sugars, tobacco and tobacco products. During the period under

[7] At the time of writing, the Government's Five-Year Plan 2019-24 was still awaiting final release. Viewed at: https://www.transparencia.gob.sv/system/disclaimers/files/000/001/385/original/Aclaraci%C3%B3n_Plan_de_Gobierno_2019-2024_-_enero.pdf?1594326558.

[8] Central American Agricultural Council, *Política Agropecuaria de la Región SICA 2019-30*. Viewed at: https://www.cac.int/sites/default/files/Politica%20Agropecuaria%20CAC.pdf.

[9] Legislative Decree No. 309 of 13 March 2022.

[10] Legislative Decree No. 433 of 28 June 2022.

[11] HS headings 0207.13.93, 0207.13.94, 0207.14.93, 0207.14.94, 1602.32.10 and 1602.32.90.

review, El Salvador opened an annual quota for cheddar cheese (HS 0406.90.20.00), with an in-quota tariff of 0% and an out-of-quota rate of 40%. The fill rates varied from year to year, reaching a maximum of 40% in 2021.[12] The country also has tariff quotas for various agricultural products (dairy produce, meat, maize, rice) under certain trade agreements (Section 3.1.3.4 and Table A3.1).

4.15. During the period under review, El Salvador continued to use scarcity quotas to deal with shortages of some agricultural products caused by adverse weather events, such as droughts and tropical storms. For example, in 2017, a quota was opened for 25,000 tonnes of paddy rice imports that expired on 31 March 2018.[13] In 2019, separate quotas were opened for imports of 50,000 tonnes of white maize and 146,000 tonnes of yellow maize for animal consumption as well as 62,000 tonnes for human consumption that expired on 31 December 2019 and 31 January 2020, respectively.[14]

4.16. As a result of the COVID-19 pandemic, various support measures were adopted for the agricultural sector, as described in Table 4.4. In addition to scarcity quotas, they included tariff and VAT exemptions, price caps on products considered essential and a temporary restriction on red bean exports (Section 3.2.3).

Table 4.4 Main measures adopted in the agricultural sector as a result of the COVID-19 pandemic

Title	Purpose	Term	Entity	Date
Decision No. 27	Setting of price caps for the following essential products: beans, rice, maize, powdered milk and eggs.	During the national emergency	Consumer Ombudsman	Official Journal of 19/3/2020
Decision No. 501	Scarcity quota for up to 20,000 tonnes of imports of rice in the husk (1006.10.90.00) from any source outside the Central American region. In-quota tariff rate of 0% and out-of-quota rate of 40%.	31/12/2020	Ministries of the Economy, of Agriculture and Livestock, and of Finance	Official Journal of 23/3/2020
Decision No. 502	Scarcity quota for up to 180,000 tonnes of imports of yellow maize (1005.90.20.00) from any source outside the Central American region. In-quota tariff rate of 0% and out-of-quota rate of 15%.	31/12/2020	Ministries of the Economy, of Agriculture and Livestock, and of Finance	Official Journal of 23/3/2020
Decision No. 503	Scarcity quota for up to 140,000 tonnes of imports of white maize (1005.90.30.00) from any source outside the Central American region. In-quota tariff rate of 0% and out-of-quota rate of 20%.	31/12/2020	Ministries of the Economy, of Agriculture and Livestock, and of Finance	Official Journal of 23/3/2020
Decision No. 512	Temporary restriction on red bean exports and re-exports (0713.33.40.00).	31/12/2020	Ministries of the Economy and of Agriculture and Livestock	Official Journal of 26/3/2020
Decision No. 33	Amendment of Decision No. 27 of 19 March 2020 to set price caps for the following essential products: beans, rice, maize, powdered milk and eggs; and to include in this list of essential products certain fruits (banana, plantain and orange), certain vegetables (onion, green chilli, tomato, potato, cabbage, chayote and garlic) and certain fats (oil, margarine and butter).	During the national emergency	Consumer Ombudsman	Official Journal of 30/3/2020
Decree No. 616	Exemption for the MAG and for individual importers from the payment of tariffs and VAT on imports of white maize, black beans, white rice and parboiled rice and from the payment of VAT on imports of red beans for human consumption in order to guarantee a domestic supply in the context of the COVID-19 pandemic.	During the national emergency	Legislative Assembly	Official Journal of 2/4/2020
Decision No. 37	Amendment of Decision No. 33 of 30 March 2020 to modify and set caps on listing prices for specific and generic brands of products considered essential.	During the national emergency	Consumer Ombudsman	Official Journal of 17/4/2020

[12] WTO documents G/AG/N/SLV/61-64 and G/AG/N/SLV/82 of 11 November 2020 and 7 March 2022, respectively.
[13] Decision No. 1134, Official Journal of 4 September 2017.
[14] Decisions No. 177 and No. 179, Official Journal of 19 February 2019.

Title	Purpose	Term	Entity	Date
Decision No. 39	Amendment of Decision No. 37 of 17 April 2020 to modify and set caps on listing prices for specific and generic brands of products considered essential.	During the national emergency	Consumer Ombudsman	Official Journal of 8/5/2020

Source: WTO Secretariat.

4.17. El Salvador reported that no export subsidies were applied to agricultural product exports during the period under review (2016-21).[15] Nor did it use special safeguard provisions under the Agreement on Agriculture.[16]

4.18. El Salvador requires permits, authorizations and/or certificates for the import and export of various agricultural products for reasons of public health, sanitary and phytosanitary protection, and environmental protection or to fulfil international commitments (Tables 3.9 and 3.10).

4.1.4 Domestic support

4.19. The most recent notification of domestic support submitted by El Salvador under the Agreement on Agriculture dates back to 2021 and refers to the financial year 2015/2016. It describes pest and disease control measures, capacity building and technical assistance measures, and development programmes aimed at improving the productivity of various agricultural subsectors.[17] These measures fall under the "green box" and the special and differential treatment (development programmes) provided for in the Agreement. The total amount of domestic support for the financial year 2015/2016 was USD 113.6 million.

4.20. El Salvador provides support to the agricultural sector through the MAG. This support is structured around the following major themes: food and nutritional safety; revival and sustainable development of coffee growing; revival and modernization of livestock farming; exploitation and sustainable development of fisheries and aquaculture; promotion of sustainable production and marketing of cocoa, fruits and vegetables; mitigation of and adaptation to climate change; and strengthening of the country's health status.[18]

4.21. With a total budget of USD 17 million, the MAG's National Economic Transformation Programme - Rural Adelante seeks to sustainably increase the incomes of poor and vulnerable rural families in the eastern part of the country and to enhance their resilience to climate change. The programme will wrap up at the end of 2024 and will have benefited 8,300 families, including many women and young people.[19]

4.22. The MAG's Support Programme for Family Farming (PAAF), with a total budget of USD 67 million, ended on 31 December 2021. The programme's objective was to improve living conditions for its users and to enhance the competitiveness of rural businesses and production chains. This activity benefited 395,000 families.[20]

4.23. With an investment of USD 65 million, the MAG also delivers agricultural packages to supply staple grains to 664,402 producers, as well as coffee plants, valued at USD 5 million, to revive the national coffee-growing industry. In addition, it provides technical assistance for agriculture, fisheries and aquaculture throughout the country in order to increase agricultural production.

4.24. The new Agricultural Recovery Master Plan is based on two key pillars. The Agricultural Transformation Plan for Food Sovereignty aims to promote agricultural production and reduce dependence on imports by creating a trust that provides agricultural producers with financial support. The Sustainable Coffee Take-Off Plan seeks to revive the coffee subsector to make it

[15] WTO documents G/AG/N/SVL/80 of 3 February 2022; G/AG/N/SLV/75 of 16 March 2021; G/AG/N/SLV/55 of 28 May 2020; G/AG/N/SLV/54 of 28 May 2020; G/AG/N/SLV/51 of 2 May 2018.

[16] WTO documents G/AG/N/SVL/81 of 15 February 2022; G/AG/N/SLV/73 of 4 February 2021; G/AG/N/SLV/53 of 8 May 2020; G/AG/N/SLV/53 of 8 May 2020; G/AG/N/SLV/50 of 2 May 2018.

[17] WTO document G/AG/N/SLV/79 of 18 June 2021.

[18] Ministry of Agriculture and Livestock, Sectoral Operational Plan 2021. Viewed at: https://www.transparencia.gob.sv.

[19] Ministry of Agriculture, *Memoria de labores*, June 2020–May 2021. Viewed at: https://www.mag.gob.sv/wp-content/uploads/2021/06/MEMORIA-DE-LABORES-2021-AGRICULTURA.pdf.

[20] Ministry of Agriculture, *Memoria de labores*, June 2020–May 2021. Viewed at: https://www.mag.gob.sv/wp-content/uploads/2021/06/MEMORIA-DE-LABORES-2021-AGRICULTURA.pdf.

profitable again. Investments of USD 635 million and USD 637.5 million have been earmarked for the implementation of these two pillars, respectively.

4.25. In accordance with the Rules of Procedure of the Executive Branch, one of the functions of the MAG is to "develop and promote credit policies to facilitate medium- and long-term financing for agricultural producers, especially for sectors not covered by commercial banking."[21] During the period under review, the national financial system granted an average of USD 250 million annually in credit to the agricultural sector, which represents approximately 3% of total credit granted. Most of the credit granted to the agricultural sector was for coffee, sugar cane and maize.

4.26. Development banking, consisting of the Agricultural Development Bank (BFA), Mortgage Bank of El Salvador and Development Bank of El Salvador (BANDESAL), is the mechanism through which government support is channelled to the agricultural sector. Together, these institutions account for a considerable share of the credit that the national financial system grants to the sector.

4.27. The BFA is the principal provider of first-tier credit for agricultural production. BFA credit is intended for the production of staple grains and certified seeds, vegetables, fruit trees and coffee and for livestock and agro-industrial production. The Mortgage Bank has a large portfolio of products related to the agricultural sector, and in particular to coffee, sugar cane, grain and vegetable production and agro-industry. Between 2016 and 2021, the Mortgage Bank's agricultural credit portfolio amounted to USD 393 million.

4.28. In 2021, BANDESAL offered four lines of direct financing to the agricultural sector (agricultural activities, coffee, sugar cane and agro-industry). That same year, eight credits were granted to the agricultural sector worth USD 8.03 million, equivalent to 4.4% of total credit granted (Table A3.2). The Economic Development Fund (FDE), administered by BANDESAL, offered five lines of credit related to the agricultural sector in 2021: promotion of agricultural activities, investment in coffee plantations, coffee production costs, refinancing of the coffee growing industry (for credit granted with FDE resources) and refinancing of credits for coffee growing. That same year, 17 credits were granted to the agricultural sector through the FDE; these credits amounted to USD 2.81 million, equivalent to 21% of the total. BANDESAL also offered eight lines of second-tier financing to the agricultural sector, mostly for the coffee subsector. In 2021, 339 second-tier credits were granted to the agricultural sector worth USD 10.3 million, equivalent to 8% of the total.[22]

4.29. The BANDESAL Salvadoran Guarantee Fund (FSG) provides guarantees in support of financial operations to facilitate access to credit for MSMEs in productive sectors. In 2021, the agricultural sector accounted for just 0.4% of the guarantees granted by the FSG, for a guaranteed amount of USD 0.24 million. That same year, the Agricultural Guarantee Programme (PROGARA), administered by BANDESAL, registered 10,076 guarantees for a guaranteed amount of USD 21.1 million.[23]

4.30. In August 2015, the Agricultural Banking Programme was launched to boost the development of agricultural MSMEs through financing and guarantee programmes for agricultural activities. By December 2021, 6,371 first- and second-tier credits totalling USD 234.03 million had been granted under this programme and USD 207.3 million in credit had been guaranteed through PROGARA.[24]

4.31. According to the MAG, the fact that the agricultural sector receives such a low level of the total credit granted by the Salvadoran financial system is reflective of the need to modify the legal and institutional framework in order for El Salvador's financial system to promote a new agricultural development model that prioritizes economic and social development. The importance of strengthening development banking to that end is also recognized.[25] In this regard, the new

[21] Article 41 of the Rules of Procedure of the Executive Branch.

[22] BANDESAL, *Memoria de Labores*, 2021. Viewed at: https://www.bandesal.gob.sv/wp-content/uploads/2022/09/VF-MEMORIA-BANDESAL-2021-v2-15-JUN.pdf.

[23] BANDESAL, *Memoria de Labores*, 2021. Viewed at: https://www.bandesal.gob.sv/wp-content/uploads/2022/09/VF-MEMORIA-BANDESAL-2021-v2-15-JUN.pdf, and information provided by the authorities.

[24] BANDESAL, *Memoria de Labores*, 2021. Viewed at: https://www.bandesal.gob.sv/wp-content/uploads/2022/09/VF-MEMORIA-BANDESAL-2021-v2-15-JUN.pdf.

[25] Ministry of Agriculture and Livestock, Sectoral Operational Plan 2022. Viewed at: https://www.transparencia.gob.sv/system/documents/documents/000/487/788/original/POS_2022.pdf?1651528117.

Agricultural Recovery Master Plan provides for the re-engineering of state banking as a strategic axis to serve the agricultural sector with special credit lines and rates.[26]

4.1.5 Fisheries and aquaculture

4.1.5.1 Features

4.32. El Salvador has an exclusive economic zone covering 88,026 km^2 over 332 km of Pacific coastline and an area of 528 km^2 of surface water.[27] El Salvador's fisheries sector has a very small share in domestic GDP (1% in 2021), but is important in terms of job creation, food security for coastal populations and marine resource management. The sector is essentially characterized by artisanal fishing, primarily for shrimp, shark and demersal fish. In 2021, the fisheries sector employed 29,219 people, most of whom were artisanal fishers. The aquaculture subsector employed 2,491 people.[28]

4.33. The contribution that fisheries and aquaculture made to agricultural GDP remained stable during the review period and stood at 5.8% in 2021. El Salvador's fisheries trade balance was positive throughout the period under review. The leading fishery exports are tuna loin and canned tuna, with a value close to USD 90 million. Tilapia, dorado, eel and corvina are also exported. Imports include yellowfin and skipjack tuna, which are destined for the canning industry.

4.1.5.2 Legal and institutional framework

4.34. The fisheries sector is governed by the General Law on the Organization and Promotion of Fisheries and Aquaculture and its implementing regulations.[29] The purpose of the Law is to regulate the organization and promotion of fishery and aquaculture activities, ensuring the conservation and sustainable development of hydrobiological resources.[30] In 2017, the Law was amended to require a special fishing licence to allow nationals or foreigners who are authorized to fish to harvest highly migratory species using purse seine gear and to set relevant fishing fees.[31] The National Fisheries and Aquaculture Policy 2015-30, the 2012 Environmental Strategy for Adaptation to and Mitigation of Climate Change in the Agricultural, Forestry and Aquaculture Sector, the National Environment Policy, the Strategic Aquaculture Plan 2015-25, and the Fisheries and Aquaculture Integration Policy 2015-25 of the Central America Fisheries and Aquaculture Organization (OSPESCA) round off the legal framework for the fisheries sector.

4.35. Under the Law, the MAG is responsible for formulating fisheries and aquaculture policy and planning fisheries and aquaculture organization and promotion. Pursuant to the Law, CENDEPESCA was created as a directorate-general of the MAG, the functions of which include adopting measures to preserve fisheries resources, regulating fishery and aquaculture activities, conducting research in this area, providing advice and technical assistance to industry players, granting and renewing the required licences and authorizations, and establishing closed seasons for certain hydrobiological species. The Law also establishes the National Council for Fisheries and Aquaculture (CONAPESCA), as an advisory and consultative body of the competent authority, and the National Scientific Advisory Committee on Fisheries and Aquaculture (CCCNPESCA), as an advisory body of CENDEPESCA providing scientific and technical support.[32]

4.36. El Salvador has not ratified the 1982 United Nations Convention on the Law of the Sea. In 2014, it joined the International Commission for the Conservation of Atlantic Tunas (ICCAT). The country adopted the FAO Code of Conduct for Responsible Fisheries, but is not a party to the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (IUU fishing). It is also a member of the Central America Fisheries and

[26] MAG, Agricultural Recovery Master Plan. Viewed at: https://www.transparencia.gob.sv/system/documents/documents/000/417/721/original/Plan_Maestro_Rescate_Agropecuario_2020-2024_PP.pdf?1614727806.

[27] FAO, Fishery and Aquaculture Country Profiles – El Salvador. Viewed at: https://www.fao.org/fishery/en/facp/slv?lang=es.

[28] Information provided by the authorities.

[29] Decree No. 637 of 6 December 2001 (last amended in 2017). The regulations implementing the Law were published by way of Decree No. 38 of 26 April 2007.

[30] Article 1 of the General Law on the Organization and Promotion of Fisheries and Aquaculture.

[31] Decree No. 810 of 20 November 2017.

[32] Articles 7 to 12 of the General Law on the Organization and Promotion of Fisheries and Aquaculture.

Aquaculture Organization (OSPESCA), the Commission on Small-Scale, Artisanal Fisheries and Aquaculture for Latin America and the Caribbean (COPPESAALC), the Inter-American Tropical Tuna Commission (IATTC) and the Latin American Organization for Fisheries Development (OLDEPESCA).

4.37. El Salvador has a National Fisheries and Aquaculture Register, created under the General Law on Fisheries and Aquaculture, containing records of authorizations, licenses and renewals granted for fishery and aquaculture activities as well as information on skippers or captains, fishing vessels, shipyards and landing centres.[33]

4.38. Authorization must be obtained from CENDEPESCA to carry out fishery or aquaculture activities in El Salvador. Issuance of such authorization will depend on the state and level of exploitation of the fishery resources in question. There are no restrictions for foreign natural or legal persons. These authorizations are valid for one year for wholesale marketing and exportation; two years for individual artisanal harvesting; and five years for processing, legally associated artisanal harvesting, industrial harvesting and harvesting of highly migratory species using purse seine gear. For aquaculture, authorizations are usually valid for five years, although they may be indefinite if the activities are carried out in privately owned areas.[34]

4.39. In addition to the CENDEPESCA authorization, one licence per physically present vessel in proper operating condition is also required for the harvesting phase. This licence is valid for one year and can be extended for equal periods. These licences may be transferable with the vessel.[35]

4.2 Mining and energy

4.2.1 Mining

4.40. Mining and quarrying accounts for around 0.27% of El Salvador's GDP[36], and is concentrated in non-metallic mining (quarrying). There are 51 licensed quarries, producing limestone, rough cut stone, crushed stone, sand, selected fill, chips, *tierra blanca* (pozzolana), scoria, granular material and gravels, 35 of them for sale and 16 for self-consumption only.[37]

4.41. Metal mining was banned in El Salvador for environmental reasons by the Law prohibiting metal mining.[38] The Law prohibits metal mining in the soil and subsoil. The ban on metal mining includes exploration, extraction, exploitation and processing, whether opencast or underground. It also prohibits the use of toxic chemicals, such as cyanide and mercury. The Law provides that no institution, regulation, administrative act or resolution may authorize the exploration, exploitation, extraction or processing of metallic minerals in El Salvador, or grant licences, permits, contracts or concessions for such purposes. All pending proceedings for obtaining metal mining licences or concessions were terminated upon the entry into force of the Law.

4.42. The Directorate of Hydrocarbons and Mining at the Ministry of Economic Affairs (MINEC) regulates the exploration, exploitation, processing and marketing of non-renewable natural resources (metallic and non-metallic minerals). The Directorate is also responsible for supervising the environmental aspects of authorized projects. In addition, it checks that the exploitation is carried out without risk to the health and safety of workers, promotes rational use of the resource and the progressive restoration or rehabilitation of already exploited areas, and ensures that the exploitation of resources is not carried out illegally.[39]

[33] Chapter III, National Fisheries and Aquaculture Register, General Law on the Organization and Promotion of Fisheries and Aquaculture.
[34] Chapter I, Authorizations, of the General Law on the Organization and Promotion of Fisheries and Aquaculture.
[35] Article 58 of the General Law on the Organization and Promotion of Fisheries and Aquaculture.
[36] Online information from the Central Reserve Bank of El Salvador. Viewed at: https://www.bcr.gob.sv/bcrsite/?cdr=160&lang=es.
[37] Information from the Directorate of Hydrocarbons and Mining. Viewed at: https://www.edrhym.gob.sv/drhm/estadisticas.aspx?uid=12.
[38] Decree No. 639 of 29 March 2017.
[39] Directorate of Hydrocarbons and Mining, *Marco Legal*. Viewed at: https://www.edrhym.gob.sv/drhm/marco_legal.aspx.

4.43. Mining activity is regulated by the Mining Law[40] and amendments thereto.[41] The purpose of the Law is to regulate aspects related to the exploration, exploitation, processing and marketing of non-renewable natural resources found in the soil and subsoil of the territory of El Salvador, except for hydrocarbons in liquid or gaseous state, which are regulated by specific laws, the extraction of stone material from rivers, beaches and lakes, which is regulated in accordance with existing environmental regulations and the extraction of salt through marine water evaporation processes, which is governed by the Regulations for the establishment of salt marshes and mangrove forest aquaculture operations.

4.44. All mineral deposits found in the subsoil of the territory of El Salvador and those found in its continental shelf and insular territory are property of the State, and its ownership thereof is inalienable and imprescriptible. For the purposes of this Law, mineral deposits are classified as metallic (mines) and non-metallic (quarries). As noted above, currently only quarrying is permitted. For the exploration and exploitation of quarries, the State grants licences or concessions through the Directorate of Hydrocarbons and Mining at MINEC, subject to compliance with the provisions of the Mining Law and its implementing Regulations.

4.45. The Ministry of Economic Affairs is empowered to: (a) define policies, plans, programmes and research projects for the promotion and development of mining; (b) grant concessions for the exploitation of mining resources and sign the respective contracts with holders; (c) issue provisions and instructions related to mining activities, in accordance with the provisions of the Law, and put out to tender special areas in which deposits with researched economic potential are located. The Directorate is in charge of: (a) drawing up policies for the promotion and development of mining activities with respect to technical, economic, industrial and trade aspects, and must first submit them to the Ministry for consideration; (b) taking the necessary measures for beneficiaries to carry out the exploration and exploitation of mines and quarries; (c) processing and deciding on applications for mining licences and concessions; and (d) keeping a register of licences and concessions granted.

4.2.2 Energy

4.46. Petroleum products dominate El Salvador's energy resource matrix (primary and secondary), accounting for approximately 67% of total energy supply in 2021, with bagasse accounting for 10%, renewables (wind, solar and geothermal) for 7%, other biomass for 7%, hydroelectric sources for 5%, and fuel wood for 4%.[42] During the review period, renewable electricity generation has been boosted, with a marked increase in the installed capacity of solar photovoltaic power, and the introduction of the first wind power plant. However, most of the country's energy needs continue to be supplied by fossil fuels. El Salvador has no discovered oil resources and remains an importer of oil derivatives.

4.47. Since November 2022, the Directorate-General of Energy, Hydrocarbons and Mining, an autonomous entity, has been responsible for formulating and implementing domestic energy and mining policy, and for authorizing, regulating and supervising hydrocarbon and mining activities.[43] The new institution carries out the functions previously exercised by the National Energy Council (CNE) and by the Ministry of Economic Affairs (MINEC), through its Directorate of Hydrocarbons and Mining, as regards the energy (electricity and hydrocarbons) and mining sectors.[44] The regulation, supervision and control of the electricity sub-sector continue to fall under the responsibility of the General Supervisory Authority for Electricity and Telecommunications (SIGET). The institutional reform aims to reduce the dispersion of responsibilities in energy matters among various state entities.

4.48. During the review period, El Salvador developed a new strategy, the National Energy Policy 2020-50, which sets out a long-term vision and establishes guidelines towards achieving an efficient

[40] Decree No. 544 of 14 December 1995.
[41] Legislative Decree No. 475 of 11 July 2001.
[42] International Energy Agency, IEA World Energy Balances database (2022).
[43] Legislative Decree No. 190 of 8 November 2021.
[44] From 2007 to 2022, the National Energy Council was the governing and regulatory body for the energy sector (electricity and hydrocarbons) and was responsible for developing energy policy. The regulation, supervision and control of the hydrocarbons sub-sector fell under the responsibility of the Directorate of Hydrocarbons and Mining, a unit of MINEC. MINEC was also in charge of administering certain subsidies/the LPG subsidy for residential consumption.

and competitive energy system that protects the environment. The document includes five strategic pillars: (i) updating regulations, (ii) research, development and innovation, (iii) sustainable energy supply, (iv) energy security and integration, and (v) efficient energy consumption. The 2020-50 policy contains key energy transition measures, such as: decarbonizing the electricity matrix and carbon sequestration; fulfilling international commitments; updating the sector's regulations; energy efficiency and universal access; exploring future energy alternatives and clean technologies; waste-to-energy; promoting high/low-temperature geothermal energy; using renewable energy; migrating from liquefied petroleum gas (LPG) to natural gas in industry; and developing the green hydrogen value chain.

4.2.2.1 Electricity

4.49. The Salvadoran electricity infrastructure comprises power-generation plants interconnected through the transmission system to distribution grids, and distributed power-generation plants and producer users (self-consumption) that supply their electricity directly to the distribution grids. The supply from distributed power-generation operators and producer users constitutes the retail market. The wholesale market comprises the long-term contract market and the regulatory market. Regional import and export transactions are also carried out through the Regional Electricity Market (MER).

4.50. By the end of 2022, El Salvador had nominal installed electricity generation capacity of 2,816.5 MW compared with 1,670.3 MW in 2016. In May 2022, the country's first natural gas-fired thermal power plant came into operation. In 2016-22, renewable sources grew significantly in electricity-generating capacity, mainly due to the introduction of long-term contract tenders to develop non-conventional renewable power generation projects, together with the fiscal incentives that have been granted (Table 4.5).

Table 4.5 Installed capacity by source, 2016 and 2022

Market/source	2016		2022	
	Installed capacity		Installed capacity	
	MW	(%)	MW	(%)
Wholesale market	**1,629.0**	**97.5**	**2,453.7**	**87.1**
Hydraulic	472.6	28.3	552.7	19.6
Geothermal	204.4	12.2	204.4	7.3
Biomass	195.4	11.7	293.6	10.4
Photovoltaic	0.0	0.0	213.9	7.6
Wind	0.0	0.0	54.0	1.9
Thermal (diesel and bunker)	756.6	45.3	757.1	26.9
Natural gas	0.0	0.0	378.0	13.4
Retail market	**41.3**	**2.5**	**362.8**	**12.9**
Hydraulic	22.5	1.3	21.1	0.7
Biogas	6.8	0.4	6.9	0.2
Photovoltaic	12.0	0.7	309.9	11.0
Thermal	0.0	0.0	14.0	0.5
Biomass	0.0	0.0	11.0	0.4
Total	**1,670.3**	**100**	**2,816.5**	**100**

Source: SIGET.

4.51. In 2022, the transmission network had 41 lines at 115 kV (totalling 1,073.8 km in length), 28 power substations and 4 lines at 230 kV (totalling 287 km in length), the latter comprising sections of the Electricity Interconnection System for the Countries of Central America (SIEPAC). During the review period, El Salvador remained a net importer of electricity. The share of imported electricity in wholesale market supply ranged from 12.6% to 27.6%. Transmission losses averaged 1.84%[45] and total distribution losses[46] averaged 10.5%[47] in 2021.

4.52. The authorities estimate that in 2018 around 97% of Salvadoran households had access to the electricity service and around 45,000 households still lacked access to electricity. In 2018, the

[45] Statistical Yearbooks 2016-21 of the Transactions Unit.
[46] Total distribution losses consist of total technical and non-technical losses.
[47] General Supervisory Authority for Electricity and Telecommunications (SIGET) (2021), Electrical Statistics Bulletin.

average cumulative hours of supply disruption amounted to 10 hours for urban users and 24 hours in rural areas.

4.53. In 2022, operators active in the Salvadoran electricity market included 25 wholesale market generators, 764 retail market generators, 1 transmitter, 8 distributors and 34 marketers. Four of the eight distribution companies, which supply around 70% of electricity demand, belong to the same parent company.

4.54. The Transactions Unit (UT), a partly state-owned entity operating as a corporation, manages the wholesale electricity market and operates the transmission system. Power transmission is operated by *Empresa Transmisora de El Salvador* (ETESAL), a private entity partly owned by the State, through the Río Lempa Hydroelectric Executive Commission (CEL). CEL, a state-owned company, is responsible for the development, conservation, management and use of domestic energy resources and energy sources. During the review period, CEL operated four hydroelectric power plants supplying power to the wholesale electricity market. CEL's subsidiaries also undertake generation activities using thermal, geothermal and hydroelectric sources, and carry out marketing activities.

4.55. The sub-sector is mainly governed by the General Electricity Law (LGE), the Law on tax incentives for the promotion of renewable energies in electricity generation, the Law regulating the granting of small-scale generating project concessions and their respective implementing Regulations.[48] The LGE regulates the generation, transmission, distribution and marketing of electricity. It is applicable to all entities engaged in such activities, be they public, mixed or private, regardless of their degree of autonomy and legal form. The LGE's implementing Regulations set out the procedures necessary to comply with the LGE. The Regulations for the operation of the transmission system and the wholesale market based on production costs (ROBCP) contain rules and procedures for the operation of the transmission system and the administration of transactions in El Salvador's wholesale electricity market, taking into account transactions with the regional electricity market (MER).

4.56. A single entity may carry out electricity generation, transmission, distribution and/or marketing activities, provided that it establishes separate accounting systems for each activity, duly registered with SIGET. In accordance with the regional regulations, those eligible to participate in the MER are nationally-registered agents granted "authorized market participant" status, which are required to provide payment guarantees to carry out transactions on the MER.[49]

4.57. Generation and distribution companies must allow their installations to be interconnected and used for transporting electricity, except insofar as this may pose a threat to the functioning or safety of the system. A concession is required only in order to generate electricity from hydraulic or geothermal sources. There are no nationality requirements for obtaining concessions or operating in the electricity sub-sector in El Salvador.

4.58. During the review period, amendments to the General Electricity Law (LGE) established: (i) the authority of the Legislative Assembly to approve concessions for the generation of electricity from hydraulic and geothermal sources; (ii) the definition of public service for the activities of electricity generation, transmission, distribution and marketing; (iii) the possibility for a concession to be granted to a public-private partnership; and (iv) the inclusion of public contracts in the tariff schedules.[50]

4.59. Public contracts are those that distribution companies enter into with companies in which the State has a majority interest and direct control. Such contracts may be short or long-term, and are entered into in accordance with the guidelines issued for this purpose by the Directorate-General of Energy, Hydrocarbons and Mining and the procedures established by SIGET, and their prices are transferable to the distributors' electricity tariffs. Such contracts have served to implement measures aimed at achieving electricity price stability for all end-users.

[48] Legislative Decrees No. 843 of 25 October 1996, No. 462 of 8 November 2007 and No. 460 of 26 September 2013.

[49] Regulations governing the regional electricity market, No. 3, Vol. 1 (General aspects).

[50] Legislative Decrees No. 542 of 17 November 2016, No. 146 of 31 August 2021, and No. 331 of 22 March 2022.

4.60. Bilateral contracts signed between market participants are entered into freely by the parties and, since they are not overseen or regulated by SIGET, their prices are not transferable to the electricity tariffs of distributors' end-users.

4.61. In accordance with the regulations in force, distributors must enter into long-term contracts (CLPs) through free competition processes, to comply with the minimum contracting percentage relative to maximum demand, and such contracts may concern existing generation or the development of new generation, be it conventional or using non-conventional renewable resources. Contracting procedures on the signing of CLPs are contained in the "Rules on long-term contracts through free competition processes" approved by SIGET.

4.62. SIGET's responsibilities in electricity matters include: (i) regulating and approving the maximum tariffs for sale to final consumers, and the charges for related services,[51] (ii) applying sanctions as applicable according to the regulations, (iii) issuing technical norms and standards, (iv) settling disputes between operators by administrative means, and (v) approving the plan for the expansion of the transmission network.

4.63. Until 2021, the Social Investment Fund for Local Development (FISDL), an autonomous public institution, managed the Fund for National Electricity and Telephony Investment Fund (FINET), created in 1998, a responsibility that was transferred in 2022 to the Directorate for Municipal Works.[52] The fund is used to administer and allocate the following subsidies: (i) subsidy for the construction of electrification projects, (ii) subsidy for residential electricity consumption, and (iii) subsidy for communal pumping systems. The subsidy for residential electricity consumption applies to low-income residential users who, in the six months prior to electricity billing, have consumed an average of up to 105 kWh per month; the user must also be the owner of a single dwelling and the dwelling must not be used for recreational or leisure purposes.

4.64. The tax incentives scheme for investment in renewable energy projects has remained unchanged since El Salvador's last review. Through the Law on tax incentives for the promotion of renewable energies in electricity generation, in force since the end of 2007, and the 2015 amendment thereto, El Salvador maintains a number of tax exemptions.[53] Under this incentive scheme, any new investment in electricity generation using renewable energy sources (hydraulic, geothermal, wind, solar or biomass) is eligible for tariff concessions and other tax benefits. Specifically, these benefits include: (i) exemption from import duties (for the first 10 years) for machinery, equipment, materials and inputs intended exclusively for pre-investment and investment in the construction and expansion of electricity-generating plants, including substations and transmission or sub-transmission power lines; (ii) exemption from income tax for five years for projects of more than 10 MW and for 10 years for projects of less than 10 MW; and (iii) total exemption from the payment of taxes on income stemming directly from the sale of reduced emission certificates (CERs) under the clean development mechanism (CDM) or similar carbon markets.

4.2.2.2 Hydrocarbons

4.65. El Salvador remains a net importer of refined petroleum products, as it has no oil reserves or functioning oil refinery. In 2021, the oil bill reached USD 1,662,363,297.35, accounting for 5.5% of GDP.

4.66. Refined petroleum products are imported by sea and land, and are subject to 0-15% tariffs. El Salvador has 1,306 registered liquid fuel storage tanks and 1,774 registered liquefied petroleum gas (LPG) storage tanks, which are privately owned. El Salvador does not impose restrictions on the import, export, storage, refining, transport and distribution of petroleum and petroleum products. There is no legislation requiring stockpiles.

[51] The following charges are subject to regulation and prior approval by SIGET: (i) for the use of the transmission and distribution networks; (ii) for the operation of the transmission system and the wholesale market; and (iii) the charges for connecting users to the distribution networks.

[52] Legislative Decree No. 210 of 17 November 2021.

[53] Legislative Decree No. 462 of 20 December 2007 and Legislative Decree No. 148 of 28 October 2015, respectively.

4.67. In 2022, three private oil companies were engaged in the import, export and distribution and 477 in the marketing of petroleum products on the domestic market at service stations. Regarding the LPG market, four companies are engaged in marketing, export, import and storage activities.

4.68. The sub-sector is mainly governed by the Hydrocarbons Law[54], the Law regulating the storage, transport and distribution of petroleum products[55], and the Natural Gas Law[56]. El Salvador continues to provide a specific subsidy for LPG for residential consumption. From October 2021, through the Temporary Law to stabilize the price of liquefied petroleum gas, a general subsidy was introduced for all Salvadorans, as a temporary measure to reduce the impact of the global economic crisis, effective until 31 December 2022.[57] The LPG-specific subsidy amounted to USD 99 million in 2021, reflecting rising LPG prices, up from USD 62.9 million in 2020 and USD 66.2 million in 2019. In the first nine months of 2022, the LPG subsidy amounted to USD 80.3 million.

4.69. The special tax on fuels (IEC) is levied on the import and distribution of gas oil, diesel oil, gasoline and their blends with other fuels. The IEC is applied at an *ad valorem* rate on the international reference price of a barrel of oil and is part of the structure of the reference prices of gasoline and diesel oil for the local market, which are published fortnightly by the Ministry of Economic Affairs (MINEC). MINEC also draws up a quarterly executive decision that is forwarded to the Ministry of Finance to determine the IEC's value. The rate is 1% if the value of a barrel of oil does not exceed USD 50; 0.5% if the price of a barrel is between USD 50 and 70; and 0% if the price of a barrel exceeds USD 70.

4.70. In 2022, a number of measures were taken to mitigate rising hydrocarbon prices and to counter inflation in general. On 13 March 2022, three legislative decrees were published suspending the special transport contribution (COTRANS) and the charge related to the special account for the stabilization of economic development (FEFE), and establishing a different penalty framework (special law) on penalties for offences in the marketing of petroleum products. Legislative Decree No. 321 of 22 March 2022 established differentiated VAT for petroleum products, whereby each liquid fuel is levied at a different rate. Legislative Decree No. 345 of 4 April 2022 also established maximum fuel prices until the end of May 2022, a decision that was amended and extended until December 2022. The temporary suspension of the FEFE and COTRANS taxes was repealed on 28 September 2022. The subsidy mechanism for fuel pricing is implemented through petroleum product importing companies, which absorb the fortnightly increases in fuel prices; the central Government then reimburses these amounts by granting tax and treasury credit notes. The subsidy to stabilize gas prices is financed from a fund.

4.3 Manufacturing

4.71. This sector, including the maquila industry, recorded a GDP share at current prices of 15.2% in 2021 (17.1% of value added), compared with 16.3% in 2016 (17.9% of value added); this share climbed to 16.5% in the first quarter of 2022. The manufacturing sector employed 461,811 people in 2019, accounting for 15.3% of the labour force.

4.72. Manufacturing value added totalled USD 4,182.4 million (including maquila) in 2019, the most recent year for which complete information is available. Industries contributing most to value added in 2019 were: bakers' wares (10.3% of the total); made-up articles (8.4%); textiles (7.4%); alcoholic and non-alcoholic beverages (7.2%); processing and preserving of meat (5.8%); maintenance and repair of machinery (5.8%); and manufacture of other non-metallic mineral products (5.8%) (Table 4.6).

[54] Legislative Decree No. 626 of 17 March 1981.
[55] Legislative Decree No. 169 of 30 November 1970.
[56] Legislative Decree No. 630 of 20 June 2008.
[57] Legislative Decree No. 168 of 28 September 2021, as extended by Legislative Decree No. 514 of 27 September 2022.

Table 4.6 Value added in manufacturing, 2015-19 (most recent year available)

(USD million)

	2015	2016	2017	2018	2019
Manufacturing industries	3,840.94	3,939.74	4,017.81	4,082.11	4,182.35
Processing and preserving of meat	265.45	268.3	236.89	240.06	244.52
Processing and preserving of fish, crustaceans and molluscs and products of fish	33.97	40.83	41.42	34.81	33.95
Production of vegetable and animal oils and fats	26.88	22.08	22.86	27.13	25.69
Production of dairy products	136.10	137.25	141.98	144.78	148.71
Production of grain mill products, starches and starch products	197.76	187.96	199.71	189.25	201.27
Production of bakers' wares, macaroni, noodles, couscous and similar farinaceous products	361.37	374.13	389.07	413.85	424.16
Sugar production	201.41	162.18	201.05	181.16	184.31
Production of other food products	190.79	173.38	172.87	171.1	169.41
Production of alcoholic and non-alcoholic beverages and mineral waters	272.17	288.69	286.83	280.44	300.34
Manufacture of textile products	271.8	284.66	285.39	310.73	309.77
Manufacture of clothing	324.22	338.5	350.25	368.65	350.26
Maquila of made-up articles	168.26	187.9	136.23	133.68	134.83
Leather and footwear	80.27	66.23	69.73	66.41	63.58
Production of wood and products of wood and cork	42.55	50.13	47.51	48.03	51.16
Manufacture of paper and paper products	89.44	91.55	98.04	93.85	98.88
Printing	72.73	69.97	66.55	74.75	80.72
Manufacture of coke and refined petroleum products	14.83	16.96	16.1	11.5	13.65
Manufacture of chemicals and chemical products	119.48	116.69	111.46	110.67	116.36
Manufacture of pharmaceuticals, medicinal chemicals and botanical products	79.76	84.59	97.09	100.7	106.07
Manufacture of rubber and plastic products	149.1	162.34	158.9	163.39	165.19
Manufacture of other non-metallic mineral products	168.04	220.96	256.33	218.99	242.44
Manufacture of base metals	63.85	64.76	68.02	75.95	70.95
Manufacture of metal and electronic products	156.33	160.75	171.75	183.18	186.48
Manufacture of furniture	89.82	89.09	87.68	96.3	84.63
Maintenance and repair of machinery	190.07	197.64	209.01	218.45	243.64
Maquila of other products	74.5	82.22	95.08	124.3	131.38

Source: National Accounts Department, BCR.

4.73. In 2022, the average MFN tariff for the manufacturing sector (according to the ISIC Rev.2 classification) was 6.2% and the tariff applied to non-agricultural products (WTO definition) was 5.3%. Manufactured products with above-average tariffs are clothing (14.8%), textiles (8.1%) and transport equipment (7.8%).

4.74. Manufacturing companies can take advantage of the free zone (LZFIC) and inward-processing warehouses (DPA) regimes. In accordance with the LZFIC regime, Salvadoran or foreign manufacturing companies (among others) may become established in a free zone when engaged in any of the following: production, assembly or maquila, manufacturing, processing, transformation or marketing of industrial goods (Chapter 3 and Chapters 25-97 of the Central American Tariff System). Companies under the free-zone regime may benefit from tax concessions (Section 3.2.4.3). In October 2022, 17 free zones were in operation and there were plans to expand nine existing free zones and one plan to establish a new free zone. In 2021, some 205 companies were operating under the free-zone and DPA regime, creating some 80,000 permanent jobs. Free-zone exports amounted to USD 1,252 million in 2021.

4.4 Services

4.4.1 Multilateral commitments

4.75. El Salvador undertook specific commitments in six of the 12 service categories covered by the General Agreement on Trade in Services (GATS). Those six categories were financial services; communication services; business services; environmental services; tourism services; and transport services (air transport only).[58] El Salvador undertook commitments in 25 of the sectors on the Services Classification List prepared by the WTO Secretariat.

4.76. El Salvador's Schedule of Specific Commitments includes the following horizontal commitments: the requirement for a foreign company seeking to engage in commercial activities in El Salvador to appoint a permanent representative in the country and accept to be subject to Salvadoran laws; freedom for foreign investors to remit abroad profits, as well as payments for rights to use foreign trademarks and patents, subject to certain limits; with respect to the commercial presence of foreign investors, freedom to hire foreign personnel in certain numbers, but with the requirement that every employer ensures, unless specifically authorized otherwise, that the enterprise's total personnel is at least 90% Salvadoran and that at least 85% of total wages are paid to Salvadorans.

4.77. El Salvador's Schedule of Specific Commitments includes exemptions from MFN treatment, in all sectors, for member States of the Central American Common Market. In the case of financial services, such exemptions were added for Honduras and Nicaragua, pursuant to the Convention on facilitating the financial integration of the countries of the Central American Isthmus.[59]

4.78. After participating in the negotiations on the Fourth Protocol on Basic Telecommunications[60] and Fifth Protocol on Financial Services[61] annexed to the GATS, El Salvador accepted both protocols. As a result of those negotiations, El Salvador revised and amplified its Schedule of Specific Commitments for each of the sectors concerned.[62]

4.4.2 Financial services

4.4.2.1 Overview

4.79. The financial services sector (banks, insurance companies and other financial institutions) accounted for 6.6% of total current GDP in 2021, with total turnover amounting to USD 1.9 billion. This share of GDP surpassed the 6.3% recorded in 2015.[63]

4.80. The Supervisory Authority for the Financial System (SSF) is responsible for supervising the individual and consolidated activities of institutions within the financial system (banks, cooperative banks, insurance companies, savings and loan societies, securities, pensions, financial conglomerates, credit agencies, commodity exchanges and the occupational risks regime of the Salvadoran Social Security Institute (ISSS)) under a new regulatory framework. The SSF, as a supervisory body, forms part of the Central Reserve Bank of El Salvador, but has its own legal personality and assets, of indefinite duration, and administrative and budgetary autonomy for the exercise of its powers and duties under the law.[64]

4.81. The SSF's principal mission is to preserve the stability of the financial system, overseeing its efficiency and transparency in accordance with best international practice. The SSF's functions include implementing and enforcing laws, regulations, technical standards and other legal provisions applicable to the financial system; preventively monitoring risks to financial system institutions; promoting the efficient, transparent and orderly functioning of the system; and ensuring that

[58] WTO document GATS/SC/29 of 15 April 1994.
[59] WTO document GATS/EL/29 of 15 April 1994.
[60] Ratified by El Salvador by means of Legislative Decree No. 1.031 of 29 April 1997.
[61] Ratified by means of Legislative Decree No. 613, published in the Official Journal of 26 May 1999.
[62] WTO documents GATS/SC/29/Suppl.1 and GATS/SC/29/Suppl.2 of 11 April 1997 and 26 February 1998, respectively.
[63] Information provided by the authorities.
[64] Online information from the SSF. Viewed at: https://ssf.gob.sv/marco-institucional/.

supervised institutions conduct their business, activities and operations in accordance with existing legislation.[65]

4.82. The role played by the SSF and the legal framework in which it operates are defined in the Law on the Supervision and Regulation of the Financial Sector.[66] Other laws pertaining to the financial system are listed in Table 4.7. The Law on the Supervision and Regulation of the Financial Sector designates the SSF as the sole supervisory authority for the financial sector, including the financial system as well as pensions and securities. The SSF is composed of a Governing Board; a Superintendent appointed for a five-year term by the President of the Republic; four Deputy Superintendents, appointed for five-year terms by the President of the Republic from a list of candidates nominated by the Council of Ministers; and such officials and staff as the SSF may require..

Table 4.7 Main financial and money laundering laws, 2022

Financial laws
1 Law on Facilitating Financial Inclusion
2 Law on Electronic Book-Entry Securities
3 Financial Leasing Law
4 Banks Law
5 Law on Cooperative Banks and Savings and Loan Societies
6 Law on the Products and Services Exchange
7 Law on Foreign Currency Exchange Offices
8 Law against Usury
9 General Law on Cooperative Associations
10 Law on Credit Institutions and Auxiliary Organizations
11 Law on the National Institute for Public Employee Pensions
12 Law on the Institute of Social Security for the Armed Forces
13 Securities Market Law
14 Implementing Regulations for the Securities Market Law
15 Organic Law of the Central Reserve Bank
16 Law on the Privatization of Commercial Banks and Savings and Loan Associations
17 Law Regulating Personal Credit History Information Services
18 Law on the Reorganization and Strengthening of Commercial Banks and Savings and Loan Associations
19 Pension Savings System Law
19A Amendments to the Pension Savings System Law (Decree No. 787)
20 Law on the Financial System for the Promotion of Development.
21 Law on the Reciprocal Guarantee System for Small and Medium-Sized Enterprises in Rural and Urban Areas
22 Law on the Credit Card System
23 Law on the Supervision and Regulation of the Financial Sector
24 Law on Insurance Companies
25 Implementing Regulations for the Law on Insurance Companies
26 Asset Securitization Law
27 Law on Investment Funds
Legal framework for the prevention of money laundering and the financing of terrorism
1 Law against the Laundering of Money and Other Assets
2 Financial Investigation Unit Instructions to Prevent the Laundering of Money and Other Assets in Financial Intermediation Institutions
3 Special Law against Acts of Terrorism
4 Law on the Seizure of Illicitly Trafficked assets
5 Central American Convention for the Prevention and Repression of Money Laundering Crimes Pertaining to Illicit Drug Trafficking and Related Offences

Source: SSF. Viewed at: https://ssf.gob.sv/estadisticas/marco-legal-y-normativo/leyes-2/.

4.83. A series of amendments to the laws governing the financial system were introduced during the review period, as shown in Table 4.8.

[65] Online information from the SSF. Viewed at: https://ssf.gob.sv/marco-institucional/.
[66] Legislative Decree No. 592 of 14 January 2011.

Table 4.8 Principal amendments to financial laws, 2015-22

Financial laws	Action/amendment
Law on Facilitating Financial Inclusion	2015: Enactment of the law 2017: Amendment to permit participation in economic activity for excluded populations. 2019: Adjustment of the amounts and scope of certain transactions. 2022: Amendments to expand access to banking services.
Law against Usury	2016: Adjustments to certain methodological provisions. 2022: Amendments to strengthen the legislation and to prohibit and punish certain forms of behaviour.
Law Regulating Personal Credit History Information Services	2015: Amendment to prevent abuses in the storage of personal credit information. 2016: Amendment with respect to infringements. 2021: Amendment to protect citizens' rights with respect to the veracity of information.
Law on the Credit Card System	2019: Amendments to several articles of the Law 2021: Amendments for the protection of citizens' rights
Law on the Supervision and Regulation of the Financial Sector	2015: Amendment to treat persons sending or receiving money as participants in the system
Special Law to Facilitate Access to Credit	2020: Enactment of the Law

Source: Information provided by the authorities and the SSF. Viewed at: https://ssf.gob.sv/estadisticas/marco-legal-y-normativo/leyes-2/.

4.84. The aim of the Law on Facilitating Financial Inclusion[67], beyond such inclusion, is to promote competition in the financial system and reduce costs for users and customers through the application of minimum regulatory requirements, including: (a) requirements pertaining to the establishment and operation of electronic money suppliers, the capital and guarantees required for these companies to be authorized to operate, and the grounds for revoking such authorization; (b) requirements that banks, cooperative banks and savings and loan societies must meet to operate as electronic money suppliers, and the consequences of not meeting them; (c) provisions as to the creation and use of electronic money and the entities authorized to supply it; (d) provisions to simplify contracts and procedures for opening savings deposit accounts and thereby improve access to banking services for persons with limited income or living far from the traditional financial service establishments operated by banks, cooperative banks and savings and loan societies; (e) control as to the quantity of electronic money administered by the electronic platform; and (f) the groundwork required to formulate public policies for the promotion of financial inclusion.

4.85. The Law requires that electronic money suppliers be established with minimum registered capital of USD 200,000, 60% of which is to be fully subscribed and deposited in cash with the Central Bank at the time of incorporation. The remaining 40% is to be paid in the following three years of operation. The Law authorizes banks, cooperative banks, and savings and loan societies to operate as electronic money suppliers subject to specified conditions.

4.86. The Law provides that electronic money representing an equivalent amount of the funds received directly by suppliers, through their points of service or shops, whether of local or foreign origin and for a legitimate purpose and from a legitimate source, shall be accepted as a means of payment by other persons, in accordance with the client's membership contract with the supplier. The maximum amount for each such transaction may not exceed the minimum monthly wage in the trade and services sector. Neither the maximum cumulative amount of such transactions received and concluded in any month, nor the maximum balance electronically accredited for any natural person with any supplier, may at any time exceed the minimum trade-and-services-sector wage for five months. The Central Bank is required to update these limits every two years to maintain their value in real terms. Not subject to the transaction limits are accreditations for the payment of wages and pensions or the receipt of remittances amounting to less than the minimum trade-and-services-sector wage for five months. The Law defines the characteristics of electronic money regulated therein as: (a) being of a monetary value represented in an electronic register that increases or decreases according to the owner's use of it, effected by converting it into cash, transferring it or making payments with it; (b) not constituting a deposit of any kind nor guaranteed by the Deposit Guarantee Institute; (c) convertible into cash; (d) accepted as a means of payment,

[67] Decree No. 72 of 2 September 2015, as amended by Legislative Decrees No. 592 of 26 January 2017 and No. 464 of 31 October 2019.

provided the supplier and other concerned actors have contracted to such effect; and (e) verifiable, in terms of the electronic money balance on record in its owner's name, by consulting the supplier's electronic database into which the owner's electronic money transactions are to be entered. All electronic money transactions performed by a client within his membership network must be completed in real time.

4.87. The Special Law to Facilitate Access to Credit of 1 April 2020 was adopted to facilitate the awarding of credit during the COVID-19 pandemic. The Law establishes conditions for the granting of credit for productive activities, with a view to ensuring that regulatory requirements do not impede access to credit in financial institutions. The Law's special status gave its provisions precedence over the rules otherwise applied by financial institutions when granting credit in small amounts. "Small amounts" are defined as the minimum trade-and-services-sector wage for 10 months or less, and "productive activities" as activities that take place in the agricultural, industrial, commercial and service sectors and those carried out by entrepreneurs. The Law authorizes financial institutions, subject to their particular risk models, to accept all forms of collateral, including credit guarantees, movable and immovable property, certificates of deposit, performance bonds, or rights to future flows. It also provides that, to grant credit in small amounts, financial institutions are to simplify their requirements. Where a natural or legal person applies for credit for the first time, for an amount of USD 30,000 or less, for productive activities, they are not required to comply with financial indicators, particularly where the collateral provided to the institution sufficiently covers the credit amount. Where a natural or legal person that is a previous borrower applies for credit exceeding USD 30,000, for productive activities, they are not required to comply with financial indicators, especially where the collateral provided to the institution is enough to cover the credit amount.

4.88. Responsibility for monitoring risks in the financial system, and managing financial crises arising therefrom, rests with the Systemic Risk Committee, established by Executive Decree No. 172 of 13 September 2013. It is composed of members representing the Ministry of Finance, the Central Reserve Bank, the SSF and the Deposit Guarantee Institute (IGD).

4.89. El Salvador participated in the financial services negotiations and accepted the Fifth Protocol annexed to the GATS, incorporating it into domestic law by means of Legislative Decree No. 653 of 13 March 1999. Its commitments with respect to the banking sector included the granting of access to foreign financial institutions through the establishment of branches or participation in the ownership of domestic banks and finance houses up to a maximum of 75% of the capital, provided that they are classified as first-grade and are subject to prudential regulation and supervision in their countries of origin.[68] For foreign natural persons, the maximum percentage is 25%. El Salvador has not undertaken commitments with respect to insurance.

4.4.2.2 Banking

4.90. As at 31 May 2022, the Salvadoran banking sector consisted of 24 institutions authorized to take deposits: 11 private banks (10 of which were foreign-owned, including the branch of a foreign bank); two state-owned banks; seven cooperative banks; and four savings and loan societies.[69] Other entities, authorized to perform asset transactions but not to take deposits, were subject to SSF supervision and thus formed part of the Salvadoran financial sector as well. Also in operation were eight financial conglomerates, six state-owned financial institutions, two exchange offices, and one representative office of a foreign bank.[70]

4.91. As at 31 May 2022, total assets in the banking system amounted to USD 24,178.3 million (84.1% of 2021 GDP), of which loans accounted for USD 16,039.6 million. Deposits totalled USD 17,502.7 million (60.9% of 2021 GDP). In percentage terms, 66.3% of the assets were concentrated in net loans, 17.5% in cash and 12.2% in financial investments. In December 2015, by comparison, the figures were 68.2% for net loans, 20.4% for cash and 6.8% for financial investments, so the figures reflect a relative increase in net investment during the period analysed.[71]

4.92. The Salvadoran banking system remained characterized by good solvency and risk indicators during the review period, though somewhat inferior to those observed previously. The system's

[68] WTO document GATS/SC/29/Suppl.2 of 26 February 1998.
[69] Information from the SSF. Viewed at: https://ssf.gob.sv/servicios/entidades-supervisadas/.
[70] Information from the SSF. Viewed at: https://ssf.gob.sv/servicios/entidades-supervisadas/.
[71] Information provided by the authorities.

average capital adequacy ratio as at 31 May 2022 stood at 15%, below the 17.5% observed in December 2015 but still above the statutory minimum of 12% required by the Banks Law. Scoring highest here were cooperative banks, with a ratio of 22.2%. The system's 14% return on equity was higher than in the two previous years (9% and 10.6%), when bank profits, along with economic activity in general, had declined under the effects of the pandemic. The return on assets was 1.6% in May 2022 (compared to 1.2% and 1% in May 2020 and May 2021, respectively). Non-performing loans represented about 1.9% of the total at the same date. In May 2022, 33.6% of total loans were for consumption, 16.8% for the purchase of housing, and 49.6% for businesses. At 31 May 2022, the system's gross loan portfolio amounted to USD 16,513 million, about 8.5% larger than in the same month the year before. Activity in the commercial and manufacturing sectors was particularly dynamic.[72]

4.93. The banking sector is governed principally by the Banks Law[73] and amendments thereto, as well as various related laws.[74] Also important is the Law on Facilitating Financial Inclusion[75], enacted to regulate electronic money activities and facilitate access to credit for MSMEs. This latest review period saw the adoption of various new laws and regulations to improve supervision and promote financial inclusion, as shown in Table 4.8.

4.94. Under the Banks Law, all banks established in El Salvador must be organized and operate as closed-end public limited companies with their capital divided into registered shares held by no fewer than 10 shareholders. The Law stipulates that at least 51% of the shares must be owned by: natural persons of Salvadoran or Central American nationality; Salvadoran legal entities a majority of whose shareholders or members are either natural persons of Salvadoran or Central American nationality or other Salvadoran legal entities; or foreign banks and other financial institutions in whose country of origin there are prudential regulations and supervision in accordance with relevant international practices and which are classified as first-grade financial institutions by internationally recognized risk rating companies. The SSF maintains a register of such first-grade foreign banks and financial institutions.[76]

4.95. For foreign banks, commercial presence in El Salvador can take the form of a branch office or a representative office, with SSF authorization required in either case. SSF authorization is also required for any transaction representing more than 1% of a bank's capital. This applies to natural persons as well as legal entities. In the case of a foreign bank branch, the capital must reflect the volume of activity in the country (working capital) specified in the authorization. Foreign bank branches may engage in the same operations as banks established in the country, including the opening of subsidiaries in which the bank holds at least 51% of the capital. In general, the Banks Law stipulates that the branches and offices of foreign financial institutions operating in El Salvador shall be accorded national treatment in respect of rights as well as privileges. Representative offices of foreign banks may place funds in the country in the form of loans or investments but may not take deposits. The only exception to national treatment pertains to assets that a foreign financial institution may own in El Salvador. In cases of that kind, the Banks Law provides that depositors and creditors domiciled in El Salvador enjoy preferential rights over those domiciled abroad.

4.96. At 31 December 2022, the minimum capital requirement for the establishment of banks in El Salvador was USD 18.09 million (USD 18,091,993 to be precise). This requirement applies to domestic banks, whether owned privately or by the State, as well as foreign-owned banks. The

[72] Information provided by the authorities.

[73] Decree No. 697 of 2 September 1999.

[74] The related laws include the Financial Leasing Law (Decree No. 884 of 20 June 2002), and amendments thereto; the Law on the Reorganization and Strengthening of Commercial Banks and Savings and Loan Associations (Decree No. 659 of 30 November 1990), and amendments thereto; the Organic Law of the Supervisory Authority for Pensions (Decree No. 926 of 19 December 1996); the Law on Cooperative Banks and Savings and Loan Societies (Decree No. 849 of 23 February 2000); the Law Establishing the Multisectoral Investment Bank (Decree No. 856 of 21 April 1994); and the Law on Facilitating Financial Inclusion (Decree No. 72 of 13 August 2015).

[75] Decree No. 72 of 13 August 2015.

[76] As of February 2022, 71 such institutions from the following countries and territories had been so registered: Austria; Brazil; Canada; Chinese Taipei; Colombia; France; Germany; Honduras; India; Israel; Italy; Japan; Mexico; the Netherlands; Norway; Panama; Peru; Puerto Rico; Spain; Sweden; Switzerland; the United Kingdom and the United States. Information from the SSF. Viewed at: https://ssf.gob.sv/2022/02/02/bancos-de-primera-linea/.

minimum capital requirement for non-specialized savings and loan societies was USD 3.95 million (USD 3,948,598), while that for cooperative banks supervised by the SSF was USD 800,750.[77]

4.97. The SSF must be notified no fewer than five working days in advance of bank operations entailing any encumbrance of a bank's freely available assets amounting to more than 2.5% of its base capital. If observations do not arise from the Superintendent's analysis of the operation a "no objection" ruling is then issued. Banks are free to determine their own interest rates, commissions and fees subject to prior communication of their interest-rate variation policies to the Central Bank, which has the authority to intervene only in the event of severe disturbances to monetary and credit markets – and even then, for 180 days at most. The Banks Law requires banks to publicly disclose their interest rates, commissions and fees on a monthly basis, or after adjusting them.

4.98. The Banks Law contains no provisions on the cross-border supply of banking services or on the freedom of Salvadorans to procure such services abroad.

4.99. Financial conglomerates also fall within the regulatory scope of the SSF and are subject to consolidated SSF oversight. The Banks Law defines "financial conglomerate" as a group of companies controlled by a "holding company", i.e. a member of the group owning more than 50% of its total share capital.

4.100. The SSF may qualify a group as a "de facto conglomerate" if finding it to have operated in such fashion without authorization to do so. The Banks Law permits a presumption of concerted control where one of more individuals act jointly, directly or through third parties, to gain sufficient ownership of a company's shares or manage otherwise to: (a) control a majority of votes in general shareholders' meetings (or elect a majority of the company's directors); or (b) control 10% or more of the company's voting capital (or a percentage sufficient to defeat such attempts by other shareholders). Concerted control can also be presumed where two or more of a conglomerate's companies share common directors or a common corporate image. De facto conglomerates identified as such could be brought under SSF supervision and required to regularize their situations, but as at May 2022 this had never occurred.

4.101. A conglomerate may also be controlled by a domestically established "holding bank" (subject itself to SSF supervision) or by a company established specifically to that end (a sole-purpose holding company), each being subject to different limitations. While a holding bank is barred from investing in institutions that administer pension funds or insurance companies, a holding company that is not a bank can invest up to 25% of its base capital in the shares of institutions administering domestic pension funds or in companies that are not members of the respective conglomerate. A sole-purpose holding company must undertake to invest more than 50% of the conglomerate members' capital. Holding companies may not, moreover, maintain credit or commercial relations with conglomerate members (with the exception of convertible loans or debentures issued by the latter or enter into contracts with third parties if not necessary to accomplish their purpose. Nor may they undertake any kind of financial obligation toward third parties that exceeds 20% of their paid-in capital and capital reserves. A bank established abroad may form part of a conglomerate, provided that the holding company owns at least 45% of its shares and specified prudential requirements have been met.[78] As at November 2022 there were eight financial conglomerates under SSF supervision.[79]

4.102. In the event of a bank being wound up or going into compulsory liquidation, the Deposit Guarantee Institute (IGD) guarantees deposits made by the public up to a maximum of USD 10,832 (the amount guaranteed per depositor in each institution, as from 1 January 2022).[80] As established in the Banks Law, the IGD is governed by a Board of Directors whose members are appointed for renewable terms of four years. All private banks, cooperative banks and savings and loan societies

[77] The minimum paid-in capital requirement is USD 643,971 for the federations of cooperative banks qualified by the SSF and USD 1,588,221 for savings and loan societies catering to small and micro enterprises.

[78] Those requirements include the following: (a) the foreign bank must be subject to consolidated supervision by the SSF and be supervised in its country of domicile in accordance with international practice; (b) the SSF must have signed cooperation agreements with the supervisory body of the host country to facilitate consolidated supervision; (c) the foreign bank must be considered in assessing the conglomerate's solvency; and (d) the holding company must be shown to exercise control over the bank.

[79] Information from the SSF. Viewed at: https://ssf.gob.sv/conglomerados-financieros/.

[80] Guarantee amounts are revised every two years by the Governing Board of the SSF, in accordance with the Banks Law. The most recent revision took place on 1 January 2022. Information from the IGD. Viewed at: https://igd.gob.sv/.

are members of the IGD. The Mortgage Bank of El Salvador is subject to the same deposit insurance regime as a private bank, while in the case of the Agricultural Development Bank the guarantee is provided by the State. The guarantee excludes related-party and pledged loans and is financed with contributions from banks and other financial institutions. The contributions are paid annually and are equivalent to 0.1% of the average daily deposits held by each institution during the previous three months. As at February 2022, deposits amounting to USD 4,302.1 million were guaranteed by the IGD, representing 25.7% of total deposits. The IGD fund amounted at that time to USD 228.4 million, or about 5.3% of the deposits guaranteed.[81]

4.4.2.3 Insurance

4.103. The Supervisory Authority for the Financial System (SSF) supervises the activities of insurance companies, insurance intermediaries and reinsurers. The legal framework for the insurance market did not change during the review period, and remains based on the Law on Insurance Companies of 1996 and its implementing regulations.[82]

4.104. Insurance companies established in El Salvador must be organized and operate in the form of closed-end public limited companies of indefinite duration with their capital divided into registered shares. They may be named freely provided the name chosen differs from that of any other existing company. Insurance companies may operate in the general (casualty) insurance branch or the personal insurance branch or specialize exclusively in bonds. They may also offer reinsurance in their respective branches with Salvadoran insurance companies. General insurance companies may offer casualty, accident and health insurance, and may also conduct bond operations if not dedicated exclusively to that activity. Insurers may operate in the general (casualty) insurance branch and personal insurance branch at the same time, but in this case are not permitted to sell personal life annuity policies.[83]

4.105. Insurance or reinsurance companies and intermediaries (agents, brokers) require SSF authorization to operate in the Salvadoran market. Such authorization is granted for an indefinite period. Insurers are required to identify their shareholders. Foreign insurance or reinsurance companies (from outside the Central American area) must show that they operate in accordance with the prudential regulations in force in their country of origin and are classified as first-grade financial institutions by internationally recognized risk rating companies.[84] Those requirements do not apply to Central American insurers, in which case certification is requested from supervisory authorities in their countries of origin. Intermediaries, including independent agents (natural persons) or insurance brokers (legal entities), must successfully undergo an SSF evaluation and deposit a surety bond to operate in the country.[85] Intermediaries are not subject to nationality or residence requirements.

4.106. Insurers must maintain a minimum net worth to support their operations. Under current regulations, solvency margin requirements can vary depending on the insurance or reinsurance company concerned based on technical criteria applied to their operations. The Insurance Law requires equity sufficient to maintain a ratio of total debt to net worth of five or less. The solvency margin required for casualty, accident, illness and supplemental life insurance companies is determined based on the sum of the following amounts: (a) the greater of the amounts resulting from the application of a percentage between 24% and 40% to the annual amount of direct insurance and assumed reinsurance premiums, multiplied by the result of dividing claims net of reinsurance by the company's total claims, with this ratio being no less than 50%; and (b) the application of a percentage between 45% and 72% to average direct insurance and assumed reinsurance claims for the last three years, multiplied by the result of dividing claims net of reinsurance by the company's total claims, with this ratio being no less than 50%. In the case of life insurance, the sum of the following amounts: (a) between 5% and 7.5% of the mathematical reserves relating to direct insurance and assumed reinsurance, excluding those from life annuities, multiplied by the result of dividing the mathematical reserves on non-ceded insurance by the company's total mathematical

[81] Deposit Guarantee Institute, *Boletín Informativo. Estadísticas del IGD al 28 de febrero de 2022*. Viewed at: https://igd.gob.sv/wp-content/uploads/2022/07/Boletin-IGD-RB-Febrero-2022.pdf.

[82] Decree No. 844 of 21 October 1996, amended by Legislative Decrees No. 893 of 21 November 1996 and No. 910 of 14 December 2005, and entering into force on 1 January 1997; and Decree No. 44 of 20 April 1999, as amended by Decree No. 25 of 5 April 2001.

[83] Article 19 of Decree No. 844.

[84] Article 6 of Decree No. 844.

[85] Article 50 of Decree No. 844 and SSF Rules NPS4-11 for the authorization of insurance intermediaries.

reserves, with this ratio being no less than 85%; (b) between 0.2% and 0.5% of capital at risk, meaning the result of the direct insured amounts and assumed reinsurance minus the corresponding mathematical reserves, excluding those from life annuities, multiplied by a ratio between capital at risk retained and direct capital at risk and assumed reinsurance, which shall not be less than 50%; (c) between 8% and 10% of the reserves deriving from life annuity operations. For the motor vehicle branch, the greater of the following amounts: (a) a percentage between 26% and 40% of the amount of direct insurance and assumed reinsurance premiums in effect in the last 12 months, multiplied by the existing retention ratio between claims net of reinsurance and total claims, which shall not be less than 85%; and (b) a percentage between 45% and 72% of the annual average for net claims for the last 36 months multiplied by the existing retention ratio between claims net of reinsurance and total claims, which shall not be less than 85%.

4.107. The SSF determines the minimum fixed capital requirements for insurers and adjusts them every two years subject to the opinion of the Central Bank. In November 2022, the minimum fixed capital requirements were: (a) USD 1,447,984 if the insurer is engaged in general insurance; (b) USD 1,023,304 if engaged in personal insurance; (c) USD 830,188 if in bond operations; (d) USD 4,111,626 if in reinsurance and counter-guarantees; (e) USD 2,470,745 if operating in all branches of insurance; and (f) USD 18,413 for insurance brokers. There are also minimum amounts for policy deposits (USD 10,507) and mathematical provisions (USD 8,341). Insurance companies are required to deposit the fixed capital in the Central Bank upon commencing operations.[86]

4.108. The Law continues to limit shareholding in insurance companies. At least 75% of the shares must be held, individually or collectively, by: (a) natural persons of Salvadoran or Central American nationality; (b) Salvadoran companies a majority of whose shareholders are natural persons of Salvadoran or Central American nationality; or (c) Central American or other foreign insurance or reinsurance companies. Foreign companies outside the Central American area must be classified as first-grade institutions by internationally recognized risk rating companies, as documented by the SSF, and must in all cases operate in accordance with prudential regulations and supervision in their countries of origin. In addition, no shareholder may own more than 1% of a company's capital without prior authorization from the SSF. That percentage must include the appropriate number of shares attributable to them as shareholders in companies holding shares of the insurance company in question.[87] Insurance companies must register their shares with a stock exchange established in the country.

4.109. To operate in El Salvador foreign insurers must secure a commercial presence by legally establishing a subsidiary in the country. Since the entry into force of the Law on Insurance Companies in 1997 the establishment of branches is no longer permitted, although branches already operating at the time were able to continue doing so subject to their parent companies' compliance with the net worth requirement.[88] The last remaining branch of a foreign insurer closed in 2021.

4.110. The cross-border supply of insurance services is not permitted, but there are no restrictions on the use of insurance services abroad. Reinsurance contracts may also be concluded with foreign reinsurance companies or brokers outside El Salvador if registered with the SSF.

4.111. Subject to prior authorization from the SSF, an insurance company can invest in shares of a Salvadoran company provided that: (a) the Salvadoran company operates in an insurance branch different from that of the investing company; (b) the Salvadoran company's insurance services directly complement those of the investing company; (c) the investing company owns or co-owns with another insurance company more than 50% of the Salvadoran company (which is thus a subsidiary of the investing company or companies). Investments in foreign companies are subject to the same requirements except that they are allowed for companies operating in the same branch. The subsidiaries and other companies in which such investments are made remain subject to SSF supervision and oversight. Funding for the establishment and operation of such companies must come from resources over and above the company's minimum net worth. The SSF can authorize the establishment of subsidiaries abroad only if subject to prudential supervision consistent with relevant

[86] Articles 4, 14 and 98 of Decree No. 844, SSF Instruction NPS1-01 on establishing and operating insurance companies in El Salvador.

[87] Articles 6-7 5 of Decree No. 844 and online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/noticias/210-temas/marco-legal/capsoc/102-seguros-4235839.

[88] Article 111 of Decree No. 844.

international practice and local laws. Foreign subsidiaries can conduct transactions within the country only with their parent companies and if so authorized by the SSF.

4.112. Insurance companies are prohibited from: issuing negotiable bonds; pledging property or securities forming part of their reserves or minimum net worth; issuing preferred stock or shares with limited voting rights; endorsing or guaranteeing loans; granting loans to related persons for the development or disposal of real estate; and lending in any way to their directors, managers or employees.

4.113. The SSF does not regulate the premiums charged for policies but does regulate policy models. For a company to offer an insurance product, its policy model must have been previously submitted to and approved by the SSF. This requirement is waived for policies issued to legal entities with annual premiums in excess of USD 10,507. Policies must be sent to the SSF no later than five days after their signature.

4.114. The number of insurers operating in El Salvador as at May 2022 was 23, all of them private; 14 were foreign-owned. Seven of the 23 dealt in general (casualty) insurance and 10 in life insurance, with six operating in both branches. The market remains highly concentrated: in 2021, 60.5% of total premiums were taken by the top five insurers and 84.8% by the top 10. The number of insurance intermediaries registered with the SSF that year stood at 1,468, of which 1,372 were natural persons and 96 legal entities.[89] As at March 2022, some 83.3% of the shares of the insurance companies operating in El Salvador were held by Central American investors, with 16.7% held by investors outside Central America.

4.115. Insurance companies took USD 826.2 million in premiums in 2021 (14.5% more than in 2020).[90] The sector's penetration of the economy, as measured by premiums relative to GDP, remained stable during the review period (2.6% of GDP in December 2021, compared to 2.5% in December 2015).[91] The density rate (per capita annual expenditure on insurance) rose from USD 94.20 in 2015 to USD 111.30 five years later in December 2020, amounting to an average annual increase of 3.4%. Life insurance was the bestselling product during the review period (26.9% of total premiums by December 2021, and 27.7% by May 2022), followed by accident and sickness insurance and fire insurance.

4.4.2.4 Securities market

4.116. There are 24 participants in El Salvador's securities market, including one stock exchange, 10 brokerage firms, one central securities depository, three securitization companies, five risk rating agencies and four investment fund management companies. The minimum capital requirements established by type of institution, as of April 2022, were USD 565,552 for the stock exchange; USD 224,310 for brokerage firms; USD 210,444 for companies specializing in the deposit and custody of securities; and USD 97,613 for risk rating agencies.[92]

4.117. The securities market in El Salvador is governed by the Securities Market Law[93] and subsequent amendments thereto.[94] This Law provides that all publicly offered securities as well as their issuers must be registered first with the SSF's Public Securities Registry and subsequently with an exchange. The State and the Central Reserve Bank of El Salvador, however, are exempt from this requirement, as are the securities they issue, which can be publicly offered with no need for registration. There is no such exemption, on the other hand, for the State's decentralized autonomous institutions.

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[89] Information provided by the authorities.
[90] Information provided by the authorities.
[91] Information provided by the authorities.
[92] Information from the SSF. Governing Board of the SSF, at session No. CD-19/2022 of 25 April 2022. Viewed at: https://ssf.gob.sv/estadisticas/marco-legal-y-normativo/actualizaciones-parametros-legales/.
[93] Legislative Decree No. 809 of 6 April 1994.
[94] Legislative Decrees No. 652 of 6 December 2001; No. 742 of 21 February 2002, containing the Law on Electronic Book-entry Securities; No. 692 of 24 July 2008; No. 390 of 20 January 2011; and No. 792 of 29 September 2014.

4.118. Another law of significance is the Asset Securitization Law[95], as amended in 2016 (with regard to limited liability companies, to improve competition), 2018 and 2019. This Law requires that securitization companies be established as corporations or fixed-capital limited liability companies of indefinite duration, domiciled in El Salvador for the sole purpose of establishing, funding and administering securitization funds and issuing the securities they generate. The assets best suited to securitization are those yielding regular and predictable financial flows. They include loan contracts; securities; and dematerialized or book-entry securities and rights to future financial flows. The minimum share capital required to establish a securitization company is USD 1 million, which must be subscribed and paid up entirely in cash.

4.119. Bank-issued securities are regulated by provisions in the Banks Law and the Law on Cooperative Banks and Savings and Loan Societies. Negotiable bonds and other securities issued in series or tranches must be registered with the SSF's Public Securities Registry, and subsequently with an exchange.

4.120. Central American States and central banks, as well as regional and international financing agencies of which El Salvador or the Central Reserve Bank of El Salvador are members, can publicly offer securities in El Salvador by applying through a brokerage for SSF authorization to do so. Once authorized, their securities must be registered with an exchange in the country. Securities issued by foreign States and institutions responsible for administering monetary policy in countries other than those previously mentioned, as well as those issued by companies, corporations or legal entities of any kind, public or private, from any foreign country, can be publicly offered in the secondary market, subject also to prior registration, through a brokerage, with the Public Securities Registry, and subsequently with an exchange. As additional prerequisites they must also have registered with a regulatory or supervisory agency or have traded in an organized securities market with regulatory and supervisory requirements similar or superior to those of El Salvador – and in all cases must have a valid international risk rating.

4.121. The El Salvador Stock Exchange (BVES) is a private institution that forms part of the securities market. The BVES opened in April 1992 and seeks to facilitate the flow of savings and investment in the capital market, while promoting the free setting of prices, transparency and liquidity in operations. As a marketplace for stocks, debt instruments and other financial instruments, the BVES channels surplus resources into business financing. It provides the infrastructure, supervision and services required for the issuance, placement and exchange of registered securities and is responsible for the public dissemination of stock market information. The BVES manages operations and keeps the *Central de Depósito de Valores S.A. de C.V*. (Central Securities Depository Variable Capital Corporation or CEDEVAL) informed about them. It also supervises the activities of stock-issuing companies and brokerages. Its main objectives are to facilitate the flow of savings and investment in the capital market; carry out the primary placement of securities market instruments; promote the free setting of prices and transparency in operations; and foster measures that promote liquidity at market prices in the secondary market.[96]

4.122. The BVES provides a platform for three different markets: primary, secondary and repo. The primary market is where securities are initially placed. Through the intermediary of brokerage firms, investors acquire directly from issuers securities offered to the public for the first time, and issuers receive payment directly from those investors. Subsequent sales of the same securities take place in the secondary market, once they have been negotiated in the primary and/or secondary market. The entire negotiating process takes place through brokerage firms. In the repo market, securities are transferred temporarily (for between two and 45 days) as guarantees for short-term loans, through what are called repurchase or "repo" transactions.

4.123. Among all the operations negotiated in the BVES, participation is greatest in the repo market. At the end of 2021, transactions totalled USD 3,665.5 million, of which the repo market accounted for 35.3%, the primary market for 33.9%, and the secondary market for 22.7%, with the rest

[95] Legislative Decree No. 470 of 15 November 2007.

[96] Information from the BVES. Viewed at: https://www.bolsadevalores.com.sv/index.php/la-bolsa/la-bolsa-de-valores.

consisting of international transactions. Total transactions during the first nine months of 2022 amounted to USD 2,058.9 million.[97]

4.124. There are currently nine investment funds authorized by the SSF: seven open and two closed. As at September 2022, the value of the open funds amounted to USD 181.7 million and that of the closed funds to USD 250.7 million. The value of all funds totalled USD 432.4 million.[98]

4.125. Some securities are negotiated in an integrated El Salvador-Panama Stock Market. This integration arose from agreements signed by the stock exchanges of both countries, in coordination with their respective supervisory authorities, in September 2015. With a capitalization of more than USD 9 billion in trading volume, this integrated market conducts business through remote operators, permitting brokerage firms to participate in the various operations in both markets without an intermediary. Duly authorized brokerage firms (CCB El Salvador) or exchange posts (PV Panama) can enter the systems of both exchanges, through the remote operators, and conduct their negotiations remotely. These integrated exchanges are also linked with their respective central security depositories for the purposes of compensation, liquidation, registration and custody related to security transactions.[99]

4.126. There are now 11 authorized foreign securities exchange intermediaries: six Salvadoran and five Panamanian. As at June 2022, 290 transactions had been recorded totalling USD 38.8 million. Of that total, 92.4% were negotiated by Salvadoran operators. Transactions negotiated from the start of integration in 2017 up to June 2022 totalled USD 325.8 million.[100]

4.4.3 Telecommunications

4.4.3.1 Main features

4.127. The telecommunications sector (together with information activities) accounted for 2.9% of GDP in 2021. During the period under review, the telecommunications sector continued to develop and was one of the best performing sectors of the Salvadoran economy.

4.128. The country's telecommunications indicators followed a positive trend during the review period. In the second quarter of 2022, mobile telephone lines totalled 11.6 million (9.6 million in 2016), 89% of which were prepaid. Mobile telephone density reached 183.3% per 100 inhabitants in the second quarter of 2022, one of the highest in Latin America and the Caribbean. Meanwhile, with just under 859,000 lines, fixed telephone density was 13.6% in the second quarter of 2022, reflecting the progressive replacement of this type of telephony by mobile alternatives. Wireless broadband subscriptions increased from 505,300 in 2016 to almost 823,000 in the second quarter of 2022. The average download speeds for broadband Internet increased substantially, reaching 38.66 Mbps for fixed broadband and 33.51 Mbps for mobile connections, according to data for the second quarter of 2022.[101] During the period under review, there was a trend towards the reduction of tariffs for telecommunication services in the market.

4.129. At the end of 2016, 4G technology reached El Salvador; relatively late compared to other countries in the region. This is partly explained by the lack of availability of suitable radio spectrum. However, in recent years the telecommunications regulator has allocated new spectrum bands through public auction (and has renewed or extended existing concessions), thus allowing operators to deploy 4G technology. It is therefore hoped that 4G lines will account for around 30% of the total in 2022. The authorities have indicated that El Salvador will begin implementing 5G technology in the near future.

4.130. El Salvador's telecommunications regime is essentially open and allows for foreign investment. In 2022, the market comprised 12 fixed telephony operators, 5 mobile telephone

[97] BVES, *Estadísticas por mercado*. Viewed at: https://www.bolsadevalores.com.sv/index.php/precios-y-estadisticas/estadisticas-por-mercado.

[98] SSF, information provided during the WTO visit in June 2022.

[99] Information from the BVES. Viewed at: https://www.bolsadevalores.com.sv/index.php/participantes-del-mercado/integracion-de-los-mercados.

[100] SSF, information provided during the WTO visit in June 2022.

[101] The information in this paragraph was provided by SIGET. For more information see: https://www.siget.gob.sv/gerencias/telecomunicaciones/estadisticas/indicadores/.

operators, and 45 Internet service providers (ISPs). Operators may offer various integrated services (e.g. fixed and mobile telephony, Internet and cable television). In the mobile segment, which is one of the most competitive in the sector, the main operators during the period under review were: Claro (América Móvil Group), Tigo (Milicom Group), Movistar (Telefónica Group) and Digicel (Digicel Group). In October 2021, Movistar was acquired by General International Telecom Limited, a British investment fund.[102] The fixed telephony segment remains concentrated, with Claro continuing to hold a share of more than three quarters of the market.[103] Under Article 24 of the Law on Access to Public Information, data on the market share of each telecommunications operator are declared confidential at the request of the interested parties. With regard to the broadcast media segment, this consists of multiple privately-owned, national terrestrial television networks, as well as cable television networks that transmit international channels and hundreds of commercial radio stations. During the review period, Telemóvil (Tigo) acquired the cable television company Grupo Caribeña, which operated in some municipalities in the eastern area of the country.

4.4.3.2 Institutional and regulatory framework

4.131. The General Supervisory Authority for Electricity and Telecommunications (SIGET) is the sector's regulatory body, tasked with overseeing compliance with telecommunications regulations. SIGET is an autonomous public service institution, with its own legal personality and assets, and interacts with other state bodies through the Ministry of Economic Affairs, to which it is attached and reports annually. SIGET's main responsibilities include implementing international treaties, telecommunications laws and regulations and detecting non-compliance, managing the radio spectrum and numbering plan, approving the maximum basic rates for some fixed and mobile telephony services and interconnection charges, resolving disputes between telecommunications operators, and representing the country in international organizations related to the sector. SIGET does not have the power to initiate legislation.

4.132. SIGET is charged with promoting competition in the sector and works in coordination with the Supervisory Authority for Competition, which is responsible for conducting investigations on anti-competitive practices in the telecommunications market, and with the Consumer Ombudsman, which monitors that service users' rights are respected. The institutional framework also includes the Secretariat for Innovation of the Office of the President, created in 2019, which has developed the National Connectivity Plan as part of the National Digital Agenda 2020-30. The general objective of the Plan is to increase the Salvadoran population's access to fixed and mobile broadband services and the potential for public services to be provided online. The specific objectives are to: (i) improve access to connectivity through investment in digital infrastructure and institutional strengthening; and (ii) reduce the digital skills and competencies gap in order to increase Internet use by the Salvadoran population.

4.133. The regulatory framework mainly comprises of the Law on Telecommunications[104] and its implementing regulations[105], and the Law establishing the General Supervisory Authority for Electricity and Telecommunications (LCSIGET)[106] and its implementing regulations.[107] The Law on Telecommunications establishes the general framework for the granting of concessions for fixed and mobile telephony services and for the management of the radio spectrum, as well as the rights and obligations of service operators and users. Amongst other principles, the Law on Telecommunications incorporates the principles of technological neutrality and free competition. The LCSIGET establishes the composition, functions and duties of the regulatory body.[108] In 2018, the Regulations for the Quality of the Public Telephone and Data Transmission Service were approved, which establish parameters, indicators and procedures for assessing the quality of these services.

[102] In 2020, the Supervisory Authority for Competition rejected the bid by America Móvil Group to acquire Movistar, after which the Group abandoned the acquisition plan.
[103] Ibero-American Telecommunications Organization (OTI). Viewed at: https://otitelecom.org/documentos-de-inteligencia/estadisticas/estadisticas-el-salvador-telefonia-tv-restringida/.
[104] Legislative Decree No. 807 of 12 September 1996 and amendments thereto (last amended in 2019).
[105] Executive Decree No. 84 of 15 July 2011 and amendments thereto (last amended in 2019).
[106] Legislative Decree No. 808 of 12 September 1996 and amendments thereto (last amended in 2021).
[107] Executive Decree No. 56 of 13 May 1998 and amendments thereto (last amended in 2012).
[108] SIGET is headed by a Superintendent and an Executive Board, mainly appointed by the President of the Republic.

4.134. During the review period, the Law on Telecommunications was subject to a number of amendments and additions. In 2016, amendments were introduced to regulate the allocation of radio frequencies and to establish alternative mechanisms to public auction, such as public tender. Some of SIGET's powers relating to the reorganization of the radio spectrum were also redefined and it was given discretionary powers to request opinions from the Supervisory Authority for Competition on transactions in the secondary market for spectrum operating rights, and on the involvement of some agents in the process of granting spectrum operating concessions. Opinions, if requested, are binding on SIGET. The amendments introduced in 2018 and 2019 were primarily aimed at strengthening the protection of user rights, clarifying and reinforcing the obligations of telecommunications operators (including prohibitions), strengthening the sanctions regime for non-compliance, and adapting regulations to technological developments in the area of telecommunications generally.

4.135. Within the WTO, El Salvador adopted commitments on telecommunications in the Uruguay Round and subsequently extended them by accepting the Fourth Protocol to the General Agreement on Trade in Services.[109] Additionally, El Salvador assumed the obligations contained in the Reference Paper on Basic Telecommunications.

4.136. Pursuant to the Law on Telecommunications, operators wishing to offer telecommunications services in El Salvador must register as commercial telecommunications network operators.[110] Telephony is considered a public service. Those interested in providing fixed and mobile telephony services, and are already registered as operators, must apply to SIGET for a concession. Concessions are granted for a period of 30 years, with no limitations on the number of users or geographical location. It should be noted that these concessions do not confer any rights over the radio spectrum. There are no nationality requirements for obtaining a public telephony service concession.[111] In order to provide Internet services, the only requirement is registration in the register of commercial telecommunications network operators.

4.137. Radio and television broadcasting services require a concession, which is granted only to natural persons who are Salvadoran by birth, or legal persons whose share capital comprises at least 51% Salvadoran capital.[112] To provide a subscription television broadcasting service, which does not use the radio spectrum, a licence must be requested from SIGET. The licence is granted for the transmission of domestic and foreign audio-visual channels, provided that the applicant has the permission of the owners of the channels it will transmit.

4.138. Regarding the radio spectrum, the Law on Telecommunications provides that this resource is owned by the State and charges SIGET with its management. To that end, the radio spectrum is classified into three categories: free, official and regulated use. The free use spectrum includes the frequency bands that may be used by the general public to operate radio stations, which does not require a concession, but may require a licence. The official spectrum is reserved for the exclusive use of state institutions, subject to authorization by SIGET. The regulated spectrum includes all the frequency bands that the law has not designated for free or official use and that require a concession from SIGET.[113]

4.139. Concessions to use the regulated spectrum are awarded through direct allocation methods, public auction, and public competition.[114] Concessions are granted for 20 years, except for the satellite service spectrum, the duration of which is specified in the contract. Concessions may be renewed at the request of the holder, who must initiate the procedure three to two years before the concession expires and pay the fee.[115] Operators are obliged to use the spectrum granted and that use is monitored by SIGET. Operators may transfer or lease the frequencies granted, subject to

[109] WTO documents GATS/SC/29 and GATS/SC/29/Suppl.1, of 15 April 1994 and 11 April 1997, respectively.

[110] In July 2022, there were 495 companies in SIGET's register.

[111] Article 7 of the Law on Telecommunications.

[112] Article 123 of the Law on Telecommunications.

[113] Article 12 of the Law on Telecommunications.

[114] Article 78 of the Law on Telecommunications. Direct allocation applies to the shared regulated spectrum (fixed service stations, such as microwave links); public auctions apply to the exclusive regulated spectrum (radio stations in general); and tenders (stations providing broadcasting services to the non-profit community).

[115] Beginning in 2017, concessions that had been granted years earlier began to expire and SIGET proceeded to authorize a substantial number of renewals.

authorization by SIGET and provided they meet the requirements stipulated in the Law. There were 63 subscription television licensees and 11 telephony licensees in 2022. Concession, authorization and licence fees are paid annually to SIGET.

4.140. Operators are free to negotiate among themselves the prices and conditions of telecommunication services, except for those services considered to be essential resources[116], such as interconnection, and those classified as public utilities, such as fixed and mobile telephony services. SIGET is responsible for setting maximum interconnection charges between fixed and mobile network operators, as well as the maximum fixed and mobile tariffs. Each year, SIGET carries out a review of the above-mentioned tariffs and charges, and issues a resolution with the updated tariffs and charges, which is published in the Official Journal. The authorities have indicated that these tariffs and charges remained consistent during the review period.

4.141. The general obligation to provide access is set forth in Article 20 of the Law, which requires any operator of commercial telecommunications networks to provide access to essential resources to whoever requests it for a fee and without discrimination. Similarly, fixed network telecommunications service providers must not impose discriminatory or unreasonable prices or terms and conditions for access to those services. There is no obligation to adopt a model interconnection contract. In the event of a disagreement between operators regarding the technical conditions of access, the parties may ask SIGET to resolve the conflict.[117] The implementing regulations of the Law on Telecommunications set out detailed provisions on the different aspects of interconnection between operators.

4.142. Following the promulgation of the relevant regulations[118], number portability came into effect in August 2015. Operators must port the number within a maximum of one working day for mobile numbers and three working days for fixed-line numbers, at no cost to the user. The authorities have indicated that, between January 2016 and June 2022, 1,228,210 mobile numbers and 168,620 fixed numbers were ported.

4.143. During the review period, the Supervisory Authority for Competition (SC) conducted an investigation following a complaint regarding anti-competitive practices in the national and international calls termination market. In September 2019, the SC issued its final ruling, in which it stated that the company under investigation had abused its dominant position by impeding the entry of new competitors or the expansion of existing ones in the market. The SC proceeded to impose a fine of USD 375,000 on that company. It also ordered the company to comply with certain business practices and issued recommendations to SIGET in order to prevent and combat proven anti-competitive practices.[119]

4.144. The Law on Telecommunications does not provide for the creation of a universal fund as such. However, there is the National Electricity and Telephony Investment Fund (FINET), which has the purpose of subsidizing the supply of telephone services (and electricity) in rural and low income areas, provided that these benefit the community.[120] FINET is financed by contributions from the State and the income generated by concessions and licences for telecommunications services and the radio spectrum, as well as the income derived from concessions for electricity generation.

4.4.3.3 Digital Agenda and technological innovation programmes

4.145. The Digital Agenda and Digital Nation projects have been developed as part of El Salvador's strategic plans and policies.

4.146. The Digital Agenda seeks to achieve the 17 Sustainable Development Goals (SDGs). The Digital Agenda is structured around four areas of work: (a) digital identity; (b) innovation, education and competitiveness; (c) modernization of the State; and (d) digital governance. The digital identity

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[116] Article 19 of the Law on Telecommunications lists the resources considered essential.

[117] The procedure for settling disputes over access to essential resources is established in Articles 86-93 of the Law.

[118] Executive Decree No. 58 of 18 September 2014.

[119] Supervisory Authority for Competition. Viewed at: https://www.sc.gob.sv/index.php/project/denuncia-por-supuestas-practicas-anticompetitivas-dentro-del-mercado-de-la-terminacion-de-llamadas-nacionales-e-internacionales-sc-036-d-pi-r-2017/.

[120] Legislative Decree No. 354 of 9 July 1998, as amended by Legislative Decree No. 808 of 2007.

pillar seeks to promote the technological and institutional development of the National Registry of Natural Persons (RNPN), for the centralized and standardized management of the civil and identity register for natural persons; to consolidate digital identity and electronic signature services based on the national identity number; and to ensure consolidated management of citizens' data on their interaction with state services, which facilitates the management of and access to the information needed to improve the delivery of services and simplify processes.

4.147. In the area of innovation, education and competitiveness, the aim is to create a multi-sector integration system to boost technology education, competitiveness and access to broadband services; and mechanisms to promote entrepreneurship by boosting employability, and through an innovation ecosystem and trade supported by information and communications technology (ICT) to narrow the digital divide. Actions under this pillar include: promoting innovation through research and development in technology; designing and deploying the telecommunications network infrastructure needed to connect the entire country, deliver digital public services, and foster the conditions to promote e-commerce and a knowledge economy; carrying out training programmes for the management and delivery of digital services by the public administration; promoting the use of technology to meet people's day-to-day needs; implementing training programmes to take advantage of new digital services, narrow the digital divide, and meet market demands within the framework of a digital economy; fostering financial innovation to facilitate doing business and completing formalities, by boosting access to banking and financial inclusion; and improving digital inclusion through ICT.

4.148. Actions under the modernization of the State pillar include replacing physical documents with electronic documents, and projects such as e-invoicing, the standardization and digitalization of the Executive's records, the exchange of data through the National Interoperability Platform, and the publication of open data and up-to-date statistics. In the area of digital governance, the aim is to foster a legal framework that protects rights, and ensures privacy and security online. To this end, the intention is to establish regulations and guidelines for cybersecurity and the adoption of measures to protect the environment, to encourage the production and consumption of renewable energy, and to regulate the management of technological waste.[121]

4.149. Meanwhile, the Digital Nation project aims to make El Salvador a regional model for attracting investment and a development hub for the export of digital and technological services, taking advantage of the human talent potential. To this end, actions, programmes and projects are being carried out that seek to strengthen three approaches: bitcoin ecosystem, tech outsourcing and artificial intelligence. These approaches are underpinned by six pillars of work, which in turn have their own objectives. The pillars being worked on in conjunction with other institutions are: (1) human talent, in order to develop the digital skills sought by businesses, promote the international certifications required to enter the labour market, and connect human talent to employment opportunities in the industry; (2) regulatory framework, through which legal certainty and incentives for investment and exports are provided, with a view to amending the legal framework for contractual commercial e-transactions carried out by digital, electronic and technologically equivalent means, through amendments to the Law on Trade, and to promoting startups through a new Startups Law; (3) innovation and technology, through which innovative infrastructure for education, research and digital development is provided; (4) financial solutions, through which innovative financial products are extended to both the sector and the population in general; (5) market access and positioning, by boosting exports, highlighting trade opportunities and expanding market access; and, lastly, (6) promoting and attracting investment, by developing opportunities for current and potential investors, and supporting them in efforts to set up, expand and consolidate their investments.

4.4.4 Transport

4.4.4.1 Main features

4.150. The transport and storage sector generated USD 1,279 million in 2021, an increase of 8.9% compared to 2016. The sector's contribution to domestic GDP averaged 4.5% during the period

[121] Innovation Secretariat, Digital Agenda of El Salvador 2020-30. Viewed at: https://www.innovacion.gob.sv/downloads/Agenda%20Digital.pdf.

under review.[122] In 2021, foreign direct investment (FDI) in the transport sector was USD 258.1 million, up by 425.67% compared to 2016. The sector employed some 108,215 people in 2019.[123] In 2021, the value El Salvador's foreign trade (imports plus exports), by mode of transport, was as follows: land, USD 14,053.84 million; maritime, USD 6,204.72 million; and air, USD 1,446.11 million.[124]

4.151. The Ministry of Public Works and Transport (MOPT) is the institution responsible for planning and implementing public works and the smart management of transport, including the rail transport system.[125] The Office of the Deputy Minister for Transport, attached to the MOPT, is responsible for planning and implementing sectoral policy. In particular, it is responsible for regulating land and freight transport, overseeing the public transport system and managing transit. The sector's institutional framework comprises three other state agencies: the Maritime Port Authority (AMP), which is responsible for the technical and economic regulation of maritime and port activities; the Civil Aviation Authority (AAC), which is responsible for monitoring and regulating air transport; and the Executive Autonomous Ports Commission (CEPA), an autonomous public institution with legal personality, responsible for port and airport infrastructure, and air navigation services.

4.152. The Government's Cuscatlán Plan recognizes the importance of connectivity for the country's economic and social development. The Public Infrastructure Plan 2019-24 has a number of strategic priorities that will have a direct impact on the transport sector, namely: (i) roads; (ii) transportation; (iii) ports, airports and customs; and (iv) public-private partnerships.[126] Furthermore, El Salvador's Master Plan for Infrastructure 2019-30, prepared with the support of the Inter-American Development Bank (IDB), proposes a portfolio of short-, medium- and long-term, multi-sectoral infrastructure projects amounting to USD 8.5 billion, 60% of which will be allocated to transport.[127]

4.153. Under the Cuscatlán Plan, one of the main objectives of the Government of El Salvador is to diversify public investment strategies through the public-private partnership mechanism as an alternative to long-term investment in infrastructure and services, and as a means of sharing financial risk with the private sector.[128] In this connection, a new legal framework governing the modality of public-private investment was adopted during the review period, and will enable the public sector to concentrate its direct investments in sectors with a greater social impact, such as health and education.

4.4.4.2 Maritime transport and ports

4.154. In 2021, El Salvador's ports handled 7.6 million metric tonnes (15% more than in 2016), of which 6.3 million were imports and 1.3 million exports. In value terms, 59% of imports and 36% of Salvadoran exports were moved by sea in 2021.[129]

4.155. The Executive Autonomous Ports Commission (CEPA), established under the Organic Law of the Executive Autonomous Ports Commission, is responsible for the administration, operation, management and execution of port operations of all port facilities in El Salvador, as well as the custody, handling and storage of exported and imported goods.[130] In addition to managing port infrastructure, in its capacity as port operator, CEPA proposes the port charges applied for the performance of port logistics services[131], which must be approved by the AMP. Amendments to the

[122] Online information from the database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.
[123] Information provided by the authorities.
[124] Information provided by the authorities.
[125] Legislative Decree No. 360 of 26 April 2022.
[126] Government of El Salvador, Cuscatlán Plan, *Fomento y Obras Públicas, Infraestructura*. Viewed at: www.plancuscatlan.com.
[127] IDB, *Plan Maestro de Infraestructura de El Salvador 2019-30*. Viewed at: https://publications.iadb.org/publications/spanish/document/Plan_maestro_de_infraestructura_de_El_Salvador_Un_instrumento_de_planeaci%C3%B3n_de_infraestructura_multisectorial_a_largo_plazo_que_permitir%C3%A1_potenciar_el_desarrollo_econ%C3%B3mico_y_social_de_El_Salvador.pdf.
[128] Government of El Salvador, Cuscatlán Plan, *Fomento y Obras Públicas, Infraestructura*. Viewed at: www.plancuscatlan.com.
[129] Information provided by the authorities.
[130] Legislative Decree No. 455 of 21 October 1965.
[131] Charges are governed by the General Maritime Port Law and the special regulations for the application of port service charges.

list of charges for administrative services provided by the AMP in the port and maritime fields were published in the Official Journal in October 2017 and November 2018, respectively.

4.156. El Salvador has two commercial seaports managed by the State through CEPA: the Port of Acajutla, located in the western area of the country (some 195 km from the border with Guatemala) and the Port of La Unión, located on the Gulf of Fonseca, on the border with Honduras. The Port of Acajutla is the country's largest port; in 2021, practically all maritime cargo was handled there, with an average of 459,000 metric tonnes moved monthly.[132] Of the merchandise transported, 62% was bulk cargo, while the remaining 38% comprised containerized (29%) and general cargo (9%). El Salvador does not have its own merchant fleet.[133]

4.157. The volume of operations of the Port of La Unión is much more limited.[134] During the period under review, and given the low demand on this port, CEPA has drawn up a concession project for the Port of La Unión, which is in the process of being presented to investors and world-class port operators.

4.158. There is a third port, CORSAIN, administered by the Salvadoran Investment Corporation (an autonomous state entity), which handles mainly tuna-fishing boats and merchant vessels carrying liquefied petroleum gas (27,000 tonnes and 330,000 tonnes were unloaded in 2021, respectively).[135]

4.159. The Port of Acajutla and Port of La Unión have a Development Master Plan for 2020-30, which aims to boost strategic logistics infrastructure projects, develop new business centres and create jobs. In this regard, a modernization and development project for the Port of Acajutla was drawn up during the period under review, with the aim of increasing the port's operational capacity, improving infrastructure, increasing installed capacity (from 350,000 TEU to 910,000 TEU) and building a new terminal. The Port of Acajutla list of charges, which is valid for five years, was published on 26 January 2022.[136]

4.160. During the period under review, the activities necessary for the launch of the "Bicentennial Route" ferry project, including the overhaul of port infrastructure at the Port of La Unión, the signing of the Memorandum of Understanding between the Government of El Salvador and the Government of Costa Rica, and the agreements for the implementation of the commercial tariff policy for ferry ships at Caldera Port (Costa Rica) and the Port of La Unión, were launched. The aim of this project is to connect El Salvador with other Central American ports to provide an alternative maritime route to land freight transport. The first phase of the project, jointly funded by CEPA and the Central American Bank for Economic Integration (CABIE), covers the route between Caldera Port and the Port of La Unión.[137] The ferry service list of charges is already available on the CEPA website.[138]

4.161. Maritime transport is mainly governed by the General Maritime Port Law (LGMP)[139], which established the AMP as the regulatory body for the subsector. Since the last trade policy review, the 2018 Law on the Concession of Areas of Maritime-Terrestrial Public Domain was enacted, which sets out the procedures, conditions, time frame and other requirements for obtaining a concession for areas of maritime-terrestrial public domain.[140] Pursuant to the new Law, the AMP is the entity responsible for conducting the technical, economic and financial analysis of the projects submitted by individuals, while the MOPT is responsible for preparing the concession rules and managing the related tendering procedure. Concessions for areas of maritime-terrestrial public domain must be approved by the Legislative Assembly. The concession may be for up to 50 years, which may be extended, and projects are classified into three categories: (i) category A (private port operation

[132] CEPA, *Anuario Estadístico 2021*. Viewed at: https://www.transparencia.gob.sv/system/documents/documents/000/490/770/original/Anuario-Estadistico-2021_-_PUERTO_ACAJUTLA.pdf?1652740967.

[133] Information provided by the authorities.

[134] In 2021, the Port of La Unión moved 6,457.23 tonnes of bulk cargo. Viewed at: https://www.transparencia.gob.sv/institutions/cepa/documents/463768/download.

[135] Information provided by the authorities.

[136] Viewed at: https://www.cepa.gob.sv/descargas/.

[137] Ministry of Public Works and Transport, *Memoria de Labores 2020-21*. Viewed at: https://www.mop.gob.sv/logros-y-memoria/.

[138] CEPA, *Proyecto Ferri "Ruta del Bicentenario"*. Viewed at: www.cepa.gob.sv/proyecto-ferry/.

[139] Legislative Decree No. 994 of 1 October 2002 (last amended on 29 July 2014).

[140] Pursuant to the Law, " maritime-terrestrial public domain" is defined as the territorial sea, its shoreline, natural resources, the continental shelf, and inland and continental waters.

with investment of more than USD 1 million or with a capacity to handle merchant vessels for commercial or industrial purposes); (ii) category B (projects outside category A, except for projects worth less than USD 100,000); and (iii) category C (projects worth less than USD 100,000).

4.162. In the framework of the WTO, El Salvador's Schedule of Specific Commitments annexed to the General Agreement on Trade in Services does not contain any specific commitments affecting the maritime transport subsector.

4.163. The provision of national cabotage services by foreign vessels is not restricted in El Salvador. There are also no restrictions on foreign companies operating ports under concessions or providing ancillary port services, such as cargo handling and warehousing. The companies providing the services must obtain the relevant authorization from the AMP. Pilotage and towing services are reserved to the State.

4.164. Pursuant to the LGMP, the Salvadoran Maritime Registry (REMS), an organizational unit of the AMP, was created. Vessels, technical characteristics and equipment, contracts and any other relevant information must be entered in the register. To register a vessel in the REMS, the owner must be domiciled in the country (if a natural person) or must have been established in accordance with Salvadoran law (if a company). If the company was established abroad, it must be represented in the country.[141]

4.165. El Salvador does not have any cargo allocation agreements with other countries, nor is it a party to the United Nations Convention on a Code of Conduct for Liner Conferences. Within the Central American Integration System (SICA), El Salvador is a member of the Central American Commission on Maritime Transport (COCATRAM), a specialized technical body that promotes the harmonization of maritime transport protocols in the region. The Commission's objective is to boost the development and efficiency of the subsector, and to improve member countries' external trade and integration into global maritime trade.[142]

4.166. El Salvador is a member of the International Maritime Organization (IMO) and a signatory to various international treaties administered by the Organization. However, the country has not yet ratified the International Convention for the Safety of Life at Sea (SOLAS Convention). According to the authorities, the internal consultation process is in its final stage and, provided there are no objections, the Convention will be submitted to the Legislative Assembly for examination and ratification.

4.4.4.3 Air transport

4.167. In 2021, 35,076 tonnes of goods were transported by air, of which 16,041 tonnes were imports and 19,034 tonnes were exports, totalling USD 1,446.11 million.

4.168. El Salvador's main airport is Saint Óscar Arnulfo Romero y Galdámez International Airport (AIES-SOARG), located in the department of La Paz. This airport receives practically all of the country's international traffic and is the only one providing freight transport services. From January to August 2022, passenger traffic (including transfers and transits) was 2.3 million passengers, and 20,162 tonnes of cargo were moved.[143] Passenger flows at this airport continued to grow over the last decade (until the outbreak of the COVID-19 pandemic), which led to the expansion of the passenger terminal at a total cost of USD 45.3 million during the period under review. The new terminal has a capacity of 5 million passengers per year. Aircraft repair services are also provided at the International Airport.

4.169. In accordance with the new Special Law on Public-Private Partnerships, the first public-private partnership was concluded during the review period to expand the AIES-SOARG cargo terminal, with foreign investment of USD 57 million and a 35-year concession contract. Within the first phase of this project, an investment of USD 13 million is being spent to upgrade, refurbish and maintain the current cargo terminal. When installed capacity reaches 52,000 tonnes, the second phase will start, involving an investment of USD 44 million, and will consist of the construction and

[141] Articles 40-45 of the General Maritime Port Law.
[142] The members are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
[143] CEPA, Statistics January–August 2022. Viewed at: https://www.transparencia.gob.sv/institutions/cepa/documents/508077/download.

maintenance of a new cargo terminal with an installed capacity of 73,000 tonnes. It is hoped that this project will strengthen El Salvador's position as an aviation and logistics hub in the region.

4.170. The second airport in the country is Ilopango International Airport, which is used for military and civil purposes. Their passenger and cargo data are much more modest than those of AIES-SOARG. Ilopango Airport went from handling passenger traffic (including transfers and transits) of 18,252 passengers in 2016 to 3,775 passengers in 2020 as a result of the COVID-19 pandemic. According to the authorities, this airport can be used as an alternative to AIES-SOARG and other airports in the region, it also has the potential to become an aeronautical cluster given its close proximity to the main industrial centres in the area.

4.171. The administration and operation of both airports is carried out by the State through CEPA, which is also responsible for planning and executing, directly or through contractors, the construction of new facilities and all works necessary for the expansion and upgrading of existing airport facilities.[144] CEPA also controls and directs air navigation support services.[145]

4.172. In 2022, the feasibility study required to launch the new Pacific International Airport construction project in the eastern area of the country was completed. The aim of this project is to make the eastern area a hub for economic development, to create greater demand among passengers abroad, to develop international tourism and to promote the Port of La Unión.[146] In April 2022, the Law for the Construction, Administration, Operation and Maintenance of the Pacific International Airport was adopted, which declares the construction of the airport to be "necessary, in the public interest and the highest priority". The Law also stipulates that CEPA shall be the authority responsible for planning, constructing, operating and administering the new airport, and provides for tax exemptions for companies involved in the construction phase and, for a period of 25 years, in the commissioning, maintenance and operational phase.[147]

4.173. Air transport in El Salvador is governed by the Civil Aviation Organic Law[148], which regulates the exploitation and use of the country's airspace with regard to air transport services. The regulatory framework is supplemented by the technical regulations of the Civil Aviation Authority (AAC), an autonomous institution in the subsector, responsible for regulating and monitoring all civil aviation activities, including air transport, auxiliary services, and licensing.

4.174. Pursuant to the Civil Aviation Organic Law, the air fares and freight charges of passenger, freight and mail civil aviation activities, both domestic and international, are set freely by air transport operators, based on market conditions. Air transport operators must register their fares with the AAC, clearly indicating any restrictions, conditions offered and validity periods. In the event that competitive conditions do not exist in the market, the AAC may temporarily set minimum and maximum fares for domestic and international air transport, subject to a favourable and binding opinion of the Supervisory Authority for Competition (SC).[149] In the case of airport charges, the AAC has the authority to set charges and airport fees for services when competitive conditions do not exist. The AAC must also seek the opinion of the SC in this case.[150] The current list of charges for AIES-SOARG came into force in January 2011.[151]

4.175. In accordance with the Investment Law, El Salvador does not apply restrictions on foreign investment for the purposes of commercial presence in El Salvador. Similarly, there are no restrictions on foreign companies holding a stake in Salvadoran airlines. However, air cabotage is reserved exclusively to companies in El Salvador, unless there is an international treaty providing for the principle of reciprocity.

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[144] Article 2 of the Organic Law on the Autonomous Port Executive Commission.

[145] Article 46 of the Civil Aviation Organic Law.

[146] Online information from CEPA. Viewed at: www.cepa.gob.sv/aeropuerto-del-pacifico.

[147] These exemptions relate to income tax; the tax on the transfer of goods and provision of services; duties and taxes on the import of machinery and equipment needed to build, administer, operate and maintain the Airport; and the conveyance tax. (Chapter IV, Tax Exemptions, Law for the Construction, Administration, Operation and Maintenance of the Pacific International Airport).

[148] Decree No. 582 of 18 October 2001 (last amended on 20 December 2005)

[149] Article 22 of the Civil Aviation Organic Law.

[150] Article 21 of the Civil Aviation Organic Law.

[151] List of charges for AIES-SOARG. Viewed at: https://www.cepa.gob.sv/servicios/pliego-tarifario-del-aeropuerto-internacional-de-el-salvador-san-oscar-arnulfo-romero-y-galdamez/.

4.176. In El Salvador's Schedule of Specific Commitments annexed to the GATS, the country bound aircraft repair and maintenance services with respect to market access and national treatment for the cross-border supply, consumption abroad and commercial presence modes. In the case of commercial presence, the applicant must obtain a concession or licence from CEPA and be domiciled in the country.[152] An operating certificate from the AAC is also required in accordance with the Civil Aviation Organic Law.[153]

4.177. El Salvador's main national airline is Avianca El Salvador, formerly TACA, which merged with the Colombian airline, Avianca S.A., in 2013. In 2021, Avianca El Salvador transported 654,927 passengers, or 30.6% of the passengers transiting through AIES-SOARG.[154] The company *Vuelos Economicos de Centro America* (VECA Airlines), which obtained its operating certificate in 2014 and began operating in November 2014, ceased operations in 2017. In 2021, Volaris El Salvador, a subsidiary of Mexican airline Volaris, started operating in El Salvador after obtaining a foreign air operator permit from the United States, and now operates direct flights to the United States. The United States company Frontier also started operating international flights from El Salvador in 2021. In 2022, 17 international airlines were operating in the country with passenger flights from and to El Salvador.

4.178. CEPA promotes an open skies policy in order to attract airlines to help position El Salvador as a major tourist and business destination in the region.[155] During the period under review, El Salvador signed four new bilateral air services agreements with Brazil, Canada, Panama and Qatar, it also reviewed the 2006 agreement with Mexico.[156] However, a bilateral agreement does not need to have been signed to provide air transport services in El Salvador.

4.179. Licences for landing slots are granted according to the principle of reciprocity under the Chicago Convention on International Civil Aviation.

4.4.4.4 Land transport

4.180. Land transport is the main means of transporting freight in El Salvador. In 2021, the value of foreign trade (imports and exports) goods transported by land totalled USD 14,053.84 million. El Salvador's road network is approximately 12,493 kilometres long, some 60% of which is paved.[157]

4.181. The Office of the Deputy Minister for Transport (VMT) remains responsible for regulating and supervising the subsector, which is governed by the Law on Road Freight Transport.[158] During the period under review, the Directorate General of Freight Transport updated and simplified procedures to facilitate transport flows.

4.182. El Salvador is part of the Mesoamerica Project together with the countries of the region.[159] The project established the International Mesoamerican Roads Network, which mainly comprises the Pacific Corridor and the Atlantic Corridor, and provides the basis for further developing the sector and reducing high transport costs. Of the region's land freight, 95% is moved through the Pacific

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[152] WTO document GATS/SC/29 of 15 April 1994.
[153] Article 3 of the Civil Aviation Organic Law.
[154] CEPA, *Anuario Estadístico – Año 2021*. Viewed at: https://www.transparencia.gob.sv/institutions/cepa/documents/479304/download.
[155] Article 80 of the Civil Aviation Organic Law, as amended by Decree No. 509 of 10 October 2013: "The State shall implement the open skies policy, in accordance with the provisions of Article 3 of the Law, to which end, the first, second, third, fourth and fifth freedoms of the air, and combinations thereof, shall be granted on the basis of the principle of real and effective reciprocity, and of the provisions of the international conventions and treaties concluded by El Salvador with other States."
[156] These new agreements are in addition to those already in force with Chile (2013), Colombia (2011), Cuba (2013), Ecuador (2013), Guatemala (2007), Honduras (2007), Nicaragua (2007), Spain (1997), Türkiye (2013), United Arab Emirates (2015), United Kingdom (2000) and United States (1997). WTO document WT/TPR/S/344/Rev.1 of 23 November 2016. During the period under review, the open skies agreement with Chinese Taipei ceased to apply.
[157] IDB, El Salvador's Infrastructure Master Plan 2019-30. Viewed at: https://publications.iadb.org/publications/spanish/document/Plan_maestro_de_infraestructura_de_El_Salvador_Un_instrumento_de_planeaci%C3%B3n_de_infraestructura_multisectorial_a_largo_plazo_que_permitir%C3%A1_potenciar_el_desarrollo_econ%C3%B3mico_y_social_de_El_Salvador.pdf.
[158] Decree No. 367 of 3 May 2013.
[159] Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Belize, Colombia, the Dominican Republic and Mexico.

Corridor, the shortest route between Panama and Puebla (Mexico). For El Salvador, the Pacific Corridor and the Pan American Highway are the country's main land transport infrastructure and are of crucial importance to its trade with Guatemala and Honduras.

4.183. On 26 April 2022, the Special Regime Law for the Simplification of Formalities and Administrative Acts relating to the Pacific Train[160] was adopted to advance the Pacific Train project, which aims to improve land connectivity, promote productive activities and create jobs. Pursuant to the Law, the planning, design and construction of the Pacific Train is the responsibility of the Ministry of Public Works and Transport. As in the case of the Pacific Airport, companies involved in the construction of the Pacific Train will enjoy tax exemptions.

4.184. Major road infrastructure works were completed during the period under review. Most notably, two sections of the coastal highway, as part of the FOMILENIO II programme[161], at a cost of over USD 77 million; the comprehensive upgrading of the border crossings at El Amatillo and Anguiatú, which will facilitate entry and exit procedures at these points; and the USD 30 million rural road improvement programme.[162]

4.4.5 Tourism

4.185. Tourism is an increasingly important sector for El Salvador's economy. The sector's share of GDP rose from 4.9% in 2016 to 6.5% in 2019, before falling sharply in 2020 as a result of the health crisis (3.1%) and rebounding in 2021 (5.1%).[163]

4.186. Tourism receipts increased from USD 1,183 million in 2016 to USD 1,463 million in 2021, equivalent to 17.2% of the total value of El Salvador's exports of goods and services and almost half of services exports.[164] At the end of 2021, 55,905 jobs were recorded in the sector.[165]

4.187. In 2019, the number of international visitors to El Salvador reached a peak of 2.6 million, an increase of 34% compared to 2015. However, in 2020, the sector contracted by 73% as a result of the COVID-19 pandemic, receiving 1.9 million fewer visitors than in the previous year, and lost USD 990 million in revenue. Formal job losses are also estimated to have reached 9% of the total.[166] In 2021, the sector rebounded with the arrival of 1.4 million international visitors, recovering 54% of its pre-pandemic levels. In the same year, the hotel occupancy rate was 36.4%, the average stay was 11.2 nights, and average daily expenditure was USD 117.5.

4.188. The main entry routes into the country are land and air. In 2021, El Salvador's main tourism market was North America (63%), followed by Central America (33%), Europe (2%) and other regions (2%). During the period under review, the number of Salvadorans leaving the country increased, reaching 1.9 million people in 2019.[167]

4.189. In order to revive the sector after the COVID-19 pandemic, the Government of El Salvador developed a road map entitled "*Reinicio de Turismo*" (Kick-starting Tourism), which sought primarily to gradually reopen the sector after the pandemic and facilitated MSMEs' access to the help offered by national development banks.[168] In addition, the Government extended the deadline for the 2019

[160] Decree No. 360 of 26 April 2022.
[161] The FOMILENIO II programme, financed by resources from the United States' Millennium Challenge Corporation and the Government of El Salvador, was terminated in 2020.
[162] MOPT, *Memoria de Labores 2020-21*. Viewed at: https://www.mop.gob.sv/logros-y-memoria/#.
[163] *Plan Nacional de Turismo – El Salvador 2030*. Viewed at: https://mitur.gob.sv/wp-content/uploads/2021/06/Plan-Nacional-de-Turismo-2030-El-Salvador-_-Ministerio-de-Turismo-Bajaultimo1.pdf.
[164] WTO Secretariat calculations using information provided by MITUR.
[165] Information provided by the authorities.
[166] Ministry of Tourism estimate based on data from the Salvadoran Social Security Institute.
[167] *Plan Nacional de Turismo – El Salvador 2030*.. Viewed at: https://mitur.gob.sv/wp-content/uploads/2021/06/Plan-Nacional-de-Turismo-2030-El-Salvador-_-Ministerio-de-Turismo-Bajaultimo1.pdf.
[168] Ministry of Tourism, *Reinicio de turismo*. Viewed at: https://www.mitur.gob.sv/download/reinicio-del-turismo/.

income tax payments to 31 March 2020 for MSMEs in the sector whose tax bill was equal to or less than USD 25,000.[169]

4.190. Tourism is one of the strategic pillars of El Salvador's economic and social development processes. This sector is central to the Government's Cuscatlán Plan, which considers tourism to be the main driver of the economy. The Plan highlights the importance of tourism for creating jobs; increasing tax revenue; attracting foreign direct investment; boosting the economy, particularly small and medium-sized enterprises; and improving the trade balance.[170]

4.191. The institutional framework for the sector remains unchanged from the previous review period and is still comprised of the Ministry of Tourism (MITUR), which is the state authority responsible for formulating and implementing sectoral policy; the Salvadoran Tourism Corporation (CORSATUR), an autonomous institution charged with promoting the country's tourist attractions abroad, keeping the National Tourism Register and conducting a statistical census on the sector's infrastructure[171]; and the Salvadoran Tourism Institute (ISTU), which is responsible for the country's network of recreational and amusement parks.[172]

4.192. Under the WTO General Agreement on Trade in Services (GATS), El Salvador scheduled specific commitments on hotels and restaurants, travel agencies and tour operators services, and tourist guides services.[173] In the hotels and restaurants subsector, there are no limitations on market access or national treatment for modes 2 (consumption abroad) and 3 (commercial presence). In the subsector comprising travel agencies and tour operators services, there are no limitations on market access or national treatment for mode 3 (commercial presence). For tourist guides services, there are also no limitations under mode 3. For tourism services as a whole, mode 4 (presence of natural persons) is unbound, expect as indicated in the horizontal section, both for national treatment and market access.[174]

4.193. The sector is mainly governed by the Law on Tourism[175] and its implementing regulations (2012)[176], together with regulations issued by MITUR. The Law on Tourism stipulates the responsibilities of MITUR, establishes the National Tourism Register and the obligations of persons registered therein and institutes a special contribution to promote the sector. National tourism policy is based primarily on the El Salvador National Tourism Plan 2030, which seeks to establish a framework to consolidate and position El Salvador as a competitive tourist destination, taking into account sustainability and social development considerations. The Plan is structured around the following four pillars: (1) preserving national socio-cultural and natural heritage; (2) managing the country's capacities and potential; (3) managing tourism demand; and (4) the sector's institutional framework.[177] The sector also has the Strategic Plan for Tourism 2020-24, based on the National Tourism Plan 2020-30.

4.194. One of the main interests of the Government of El Salvador is to take advantage of the coastal area conditions of the country's. During the period under review, the Tourism Development Programme of the Marine Coastal Strip was launched, which obtained a USD 25 million loan from the Inter-American Development Bank (IDB). The purpose of this project is to increase revenue from and employment in the marine coastal strip through the productive development of the tourism

[169] Special Temporary Law on the Mode of Payment of Income Tax Applicable to Small Taxpayers, Tourism, Electricity, Television, Internet and Telephone Services, and on the Special Contribution for the Promotion of Tourism, Decree No. 598 of 20 March 2020.

[170] Cuscatlán Plan. Viewed at: https://plancuscatlan.com.

[171] Law on the Salvadoran Tourism Corporation (Legislative Decree No. 779) of 25 July 1996 (last amended by Legislative Decree No. 900 of 10 December 2005).

[172] Law on the Salvadoran Tourism Institute of 2 October 2008.

[173] WTO document GATS/SC/29 of 15 April 1994.

[174] In El Salvador's horizontal commitments, under mode 4 it is stated that every employer must employ Salvadoran nationals in a proportion of at least 90% of the personnel of the enterprise. In special circumstances the employment of more foreigners may be authorized, but employers remain obliged to train Salvadoran personnel. The amount of wages to Salvadorans may not be less than 85% of the total wages paid. This requirement applies equally to domestic and foreign enterprises.

[175] Legislative Decree No. 899 of 17 December 2005 (last amended by Legislative Decree No. 88 of 13 August 2015).

[176] General Regulations implementing the Law on Tourism, Executive Decree No. 108 of 14 June 2012.

[177] *Plan Nacional de Turismo – El Salvador 2030*. Viewed at: https://mitur.gob.sv/wp-content/uploads/2021/06/Plan-Nacional-de-Turismo-2030-El-Salvador-_-Ministerio-de-Turismo-Bajaultimo1.pdf.

sector. The project finances works and acquires goods and services under four components: (i) support for tourism products; (ii) strengthening social inclusion and local entrepreneurship; (iii) tourism governance; and (iv) environmental management.[178] A number of projects were completed under this programme, for example the updating of the National Tourism Policy, the drafting of the National Tourism Policy with Emphasis on Surfing, a project for the training of MSMEs and other tourism stakeholders, and the strengthening of the tourism police.[179]

4.195. In recent years, sports tourism has grown considerably, particularly with regard to surfing. Between 2018 and 2019, surf-related activities were estimated to have increased by 9.3%.[180] To meet this growing demand, the National Tourism Policy with Emphasis on Surfing, and its implementation programme, Surf City, was developed during the review period. This comprehensive programme has a number of components and objectives in terms of infrastructure, environmental sustainability and security, as well as social objectives.

4.196. During the period under review, major transport infrastructure projects were launched and are expected to have a positive impact on the Salvadoran tourism sector. These include the Pacific International Airport construction project, the feasibility study for which was completed in 2022. The aim of this project is to turn the eastern area into a hub for economic development, to create greater demand among passengers abroad, and develop international tourism. In April 2022, the Law for the Construction, Administration, Operation and Maintenance of the Pacific International Airport was approved, which declares the construction of the Pacific International Airport to be "necessary, in the public interest and the highest priority". The Law provides for tax exemptions for companies involved in the construction and operation of the airport. The project to expand the passenger terminal at the international airport of San Salvador was also completed, with a total cost of USD 45.3 million (Section 4.4.4.3). During the period under review, the bicentennial ferry route project, the aim of which is to connect El Salvador to other Central American ports, was also launched. The first phase of this project will provide an alternative maritime route to land freight transport and, at a later stage, a maritime route for passenger transport (Section 4.4.4.2).[181]

4.197. In September 2022, the IDB approved a USD 106 million loan for the Programme to Support the Recovery and Expansion of the Tourism Sector in El Salvador. The objective of the programme is to improve El Salvador's international and national competitiveness in the area of tourism. Specifically, it is expected to increase international and domestic tourism spending per visitor; boost tourism employment, particularly formal employment, and narrow gender gaps; increase private investment in the sector; strengthen the sector's institutional capacity; and reinforce the environmental sustainability of Salvadoran tourist destinations.[182] In November 2022, the Legislative Assembly authorized the signing of the loan contract.

4.198. Another measure taken by the Government to boost tourism flows in the country is the opening of airspace through the adoption of an open skies policy. The objectives of this policy are to improve passenger flows and increase corporate earnings in the tourism sector. In this regard, the policy revolves around two major strategic axes: (i) to encourage the intensive use of airspace, by taking advantage of existing air services agreements and promoting the signature of new agreements; and (ii) to create incentives, through tax exemptions and tax facilities, to attract new companies to operate from El Salvador.[183]

4.199. The Law on Tourism provides for taxes to be levied to promote tourism activity. In accordance with Article 16 of the Law, a hotel stay tax is set, equivalent to 5% of the price for each

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[178] IDB, Project Profile - Programme for Touristic Development of the Coastal-Marine Strip. Viewed at: https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1379657643-2.

[179] Ministry of Tourism, *Programa de Desarrollo Turístico de la Franja Costero-Marina*. Viewed at: http://www.mitur.gob.sv/franja-costero-marina/.

[180] *Política de Turismo con Énfasis en el Surf*. Viewed at: https://www.mitur.gob.sv/wp-content/uploads/2021/07/Politica-de-Turismo-con-e%CC%81nfasis-en-el-Surf.pdf.

[181] Ministry of Public Works and Transport, *Memoria de Labores 2020-21*. Viewed at: https://www.mop.gob.sv/logros-y-memoria/.

[182] IDB, *Programa de Apoyo a la Recuperación y Expansión del Sector Turismo en El Salvador*. Viewed at: https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1501734583-87.

[183] Ministry of Tourism, *Política Nacional de Turismo – Turismo y cielos abiertos*. Viewed at: https://www.transparencia.gob.sv/institutions/mitur/documents/280275/download.

night's accommodation[184], as well as a departure tax of USD 7 on departing international flights. Pursuant to the aforementioned Decree No. 598, and in the wake of the COVID-19 pandemic, an exemption from the payment of these taxes was granted for three months.[185]

4.200. In December 2020, the tax incentive regime to promote tourism development under the Law on Tourism expired. For any investment project exceeding USD 25,000 and considered to be of national tourism interest[186], the Law offered a number of tax benefits, such as exemption from import tariffs on equipment and other goods needed to implement tourism projects.[187]

4.201. During the period under review, the tourism sector was considered to be one of the strategic sectors for the financing of the development bank. BANDESAL, the Mortgage Bank and the BFA have specific lines of credit targeting companies in the sector. In 2020 for example, BANDESAL granted 131 credits to the sector, worth a total of USD 6.3 million.[188]

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[184] The rate is calculated on the basis of the net value of the service provided, excluding value added tax.

[185] Special Temporary Law on the Mode of Payment of Income Tax Applicable to Small Taxpayers, Tourism, Electricity, Television, Internet and Telephone Services, and on the Special Contribution for the Promotion of Tourism, Decree No. 598 of 20 March 2020.

[186] The conditions for a tourism project to be deemed to be of national interest are set out in Articles 55-60 of the General Regulations Implementing the Law on Tourism.

[187] For more information on tax incentives granted up to December 2020 in the framework of the Law on Tourism, see WTO document WT/TPR/S/344/Rev.1, of 23 November 2016.

[188] Development Bank of El Salvador, *Memoria de Labores 2020*. Viewed at: https://www.transparencia.gob.sv/institutions/bandesal/documents/461557/download.

5 APPENDIX TABLES

Table A1. 1 Non-maquila merchandise exports by HS section and main HS chapter, 2016-21

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Non-maquila exports	**4,316**	**4,661**	**4,727**	**4,739**	**4,139**	**5,377**
Maquila exports	1,104	1,099	1,178	1,166	889	1,252
Total exports	5,420	5,760	5,905	5,905	5,028	6,629
	(% of non-maquila exports)					
1 - Live animals; animal products	1.3	1.4	1.3	1.3	1.8	1.6
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.6	0.7	0.8	0.8	1.1	1.1
03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.4	0.4	0.2	0.2	0.3	0.3
01. Live animals	0.2	0.2	0.2	0.2	0.3	0.3
2 - Vegetable products	4.9	4.6	4.4	4.7	5.3	4.4
09. Coffee, tea, maté and spices	2.6	2.6	2.4	2.3	2.7	2.3
11. Products of the milling industry; malt; starches; inulin; wheat gluten	1.1	1.1	1.1	1.2	1.3	1.0
06. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.5	0.5	0.5	0.6	0.6	0.5
3 - Animal or vegetable fats and oils	0.5	0.4	0.4	0.5	0.6	0.5
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	16.7	17.2	16.4	17.7	19.1	17.1
17. Sugars and sugar confectionery	4.9	6.1	5.0	5.4	6.9	5.9
19. Preparations of cereals, flour, starch or milk	3.2	2.9	3.1	3.6	3.5	3.2
22. Beverages, spirits and vinegar	2.8	2.9	3.0	3.3	2.2	2.5
21. Miscellaneous edible preparations	1.3	1.4	1.4	1.7	2.3	1.9
16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	2.1	2.1	2.0	1.8	2.0	1.6
20. Preparations of vegetables, fruit, nuts or other parts of plants	1.8	1.2	1.3	1.3	1.2	1.1
5 - Mineral products	3.9	4.2	4.6	4.3	4.0	4.9
27. Mineral fuels; bituminous substances; mineral waxes	3.6	3.9	4.4	4.2	3.8	4.7
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	0.3	0.3	0.1	0.1	0.1	0.1
6 - Products of the chemical or allied industries	7.0	6.3	6.2	7.0	8.3	7.6
30. Pharmaceutical products	3.2	3.0	3.0	3.6	4.3	3.9
32. Tanning or dyeing extracts; dyes, pigments; paints and varnishes	1.2	1.1	1.1	1.3	1.3	1.4
34. Soap, organic surface-active agents, washing preparations, lubricating preparations	1.4	1.0	1.1	1.0	1.2	1.0
7 - Plastics and articles thereof	7.7	7.9	7.6	8.1	8.9	9.2
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.2	0.2	0.2	0.2	0.2	0.2
9 - Wood and articles of wood; wood charcoal	0.2	0.2	0.2	0.1	0.1	0.1
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	6.7	6.6	6.8	7.5	7.9	7.8
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	6.1	5.9	6.2	6.9	7.3	7.2
49. Printed books, newspapers, pictures; manuscripts	0.5	0.4	0.4	0.4	0.4	0.5
11 - Textiles and textile articles	38.1	38.9	39.7	36.8	31.4	33.2
61. Articles of apparel and clothing accessories, knitted or crocheted	24.7	25.4	25.8	23.0	18.8	21.1
62. Articles of apparel and clothing accessories, not knitted or crocheted	4.6	4.6	4.4	3.9	3.1	2.8
60. Knitted or crocheted fabrics	3.2	3.4	3.3	4.0	2.8	2.7
52. Cotton	1.2	1.3	1.9	1.7	1.3	2.2
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	1.4	1.2	1.2	1.4	2.9	1.7
54. Man-made filaments	1.0	1.1	1.1	1.1	0.9	1.1

Description	2016	2017	2018	2019	2020	2021
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	1.0	0.9	0.7	0.7	0.6	0.6
64. Footwear, gaiters and the like; parts of such articles	1.0	0.8	0.7	0.6	0.6	0.5
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.0	1.0	0.9	1.0	1.0	1.0
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.3	0.2	0.3	0.4	0.7	0.5
15 - Base metals and articles of base metal	5.8	5.9	6.6	6.0	5.8	6.7
72. Iron and steel	2.8	2.9	3.2	2.8	2.7	3.4
73. Articles of iron or steel	1.1	1.2	1.4	1.3	1.4	1.5
76. Aluminium and articles thereof	1.4	1.4	1.5	1.3	1.1	1.3
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	1.9	1.7	1.6	1.4	1.8	2.0
85. Electrical machinery and equipment; sound and image recorders and reproducers	0.9	0.6	0.7	0.7	0.9	1.1
17 - Vehicles, aircraft, vessels and associated transport equipment	0.3	0.3	0.3	0.3	0.6	0.4
87. Vehicles other than railway or tramway rolling-stock	0.3	0.2	0.3	0.3	0.4	0.4
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.1	0.1	0.1	0.1	0.1	0.1
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	2.3	2.0	1.8	1.9	1.7	1.9
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	1.5	1.3	1.0	1.2	1.0	1.1
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A1. 2 Maquila exports by HS section and main HS chapter, 2016-21

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Maquila exports	**1,104**	**1,099**	**1,178**	**1,166**	**889**	**1,252**
	(% of maquila exports)					
5 - Mineral products	0.0	0.0	0.0	0.0	0.0	0.0
6 - Products of the chemical or allied industries	0.3	0.4	0.6	0.9	3.1	3.0
38. Miscellaneous chemical products	0.0	0.0	0.5	0.8	3.0	2.9
7 - Plastics and articles thereof	0.3	0.3	0.7	1.6	2.3	2.1
39. Plastics and articles thereof	0.3	0.3	0.7	1.6	2.3	2.1
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.0	0.0	0.0	0.0	0.0	0.0
9 - Wood and articles of wood; wood charcoal	0.0	0.0	0.0	0.0	0.0	0.0
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.0	0.1	0.0	0.1	0.1	0.1
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.0	0.1	0.0	0.0	0.0	0.1
11 - Textiles and textile articles	79.3	73.1	69.7	74.5	70.5	69.9
61. Articles of apparel and clothing accessories, knitted or crocheted	71.4	65.6	63.2	68.8	65.9	66.3
62. Articles of apparel and clothing accessories, not knitted or crocheted	7.3	6.5	5.8	4.9	3.4	2.7
58. Special woven fabrics; tufted textile fabrics; lace; tapestries	0.4	0.4	0.3	0.4	0.3	0.3
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.4	0.0	0.0	0.0	0.0	0.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.0	0.0	0.0	0.0	0.0	0.0
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.1	0.0	0.0	0.0	0.0
15 - Base metals and articles of base metal	0.4	0.4	0.5	0.2	0.2	0.2
83. Miscellaneous articles of base metal	0.2	0.2	0.2	0.2	0.1	0.2
81. Other base metals; cermets; articles thereof	0.1	0.1	0.1	0.0	0.0	0.0
72. Iron and steel	0.1	0.2	0.1	0.0	0.0	0.0
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	19.1	25.5	28.4	22.7	23.8	24.6
85. Electrical machinery and equipment; sound and image recorders and reproducers	19.1	25.5	28.4	22.7	23.8	24.6
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A1. 3 Non-maquila merchandise imports by HS section and main HS chapter, 2016-21

(USD million and %)

	2016	2017	2018	2019	2020	2021
	(USD million)					
Non-maquila imports	**9,391**	**9,964**	**10,826**	**10,955**	**9,768**	**14,370**
Maquila imports	434	607	638	647	480	706
Total imports	9,826	10,572	11,464	11,602	10,248	15,076
	(% of non-maquila imports)					
1 - Live animals; animal products	3.6	3.7	3.5	4.4	5.1	4.2
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	1.9	1.8	1.7	2.1	2.7	2.1
02. Meat and edible meat offal	1.3	1.4	1.5	2.0	2.1	1.8
03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.3	0.4	0.3	0.3	0.2	0.2
2 - Vegetable products	5.0	4.3	4.8	5.3	6.2	4.6
10. Cereals	2.7	2.0	2.4	2.6	2.7	2.3
07. Edible vegetables and certain roots and tubers	0.8	0.8	0.9	1.0	1.5	0.9
08. Edible fruit and nuts; peel of citrus fruit or melons	0.8	0.8	0.9	1.0	1.1	0.8
3 - Animal or vegetable fats and oils	1.6	1.7	1.5	1.4	1.9	1.8
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	9.2	8.5	8.4	8.7	10.6	8.2
21. Miscellaneous edible preparations	2.7	2.6	2.5	2.6	2.9	2.3
23. Residues and waste from the food industries; prepared animal fodder	1.6	1.4	1.5	1.5	1.7	1.5
19. Preparations of cereals, flour, starch or milk	1.5	1.3	1.3	1.4	2.2	1.3
22. Beverages, spirits and vinegar	1.2	1.1	1.1	1.1	1.3	1.1
5 - Mineral products	12.8	14.5	17.4	16.0	11.3	14.3
27. Mineral fuels; bituminous substances; mineral waxes	12.5	14.1	17.0	15.5	10.7	13.7
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	0.3	0.3	0.4	0.5	0.6	0.5
6 - Products of the chemical or allied industries	12.3	11.7	10.8	11.7	12.9	11.6
30. Pharmaceutical products	3.8	3.5	3.2	3.8	4.4	4.3
33. Essential oils; perfumery, cosmetic or toilet preparations	2.0	1.8	1.8	2.0	1.8	1.6
34. Soap, organic surface-active agents, washing preparations, lubricating preparations	1.3	1.2	1.2	1.3	1.6	1.3
38. Miscellaneous chemical products	1.5	1.4	1.2	1.3	1.6	1.3
32. Tanning or dyeing extracts; dyes, pigments; paints and varnishes	1.3	1.2	1.0	1.0	1.0	1.0
7 - Plastics and articles thereof	7.2	7.1	6.7	6.7	6.7	7.3
39. Plastics and articles thereof	6.2	6.2	5.9	5.8	5.9	6.4
40. Rubber and articles thereof	0.9	0.9	0.8	0.8	0.8	0.9
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.4	0.3	0.3	0.3	0.2	0.2
9 - Wood and articles of wood; wood charcoal	0.4	0.4	0.4	0.5	0.5	0.5
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	3.9	3.9	3.7	3.7	3.4	3.2
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	2.9	2.9	2.7	2.7	2.6	2.5
11 - Textiles and textile articles	11.3	11.8	10.2	9.4	8.0	8.2
52. Cotton	1.9	2.5	2.1	1.8	1.3	1.5
60. Knitted or crocheted fabrics	1.8	1.9	1.6	1.6	1.1	1.3
54. Man-made filaments	1.8	1.7	1.2	1.2	1.1	1.0
55. Man-made staple fibres	1.4	1.4	1.3	1.1	1.0	1.0
61. Articles of apparel and clothing accessories, knitted or crocheted	1.8	1.7	1.6	1.5	0.8	1.0
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	1.1	1.0	1.0	0.9	0.7	0.8
64. Footwear, gaiters and the like; parts of such articles	1.0	0.9	0.9	0.8	0.6	0.7
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.2	1.1	1.1	1.2	1.3	1.3

	2016	2017	2018	2019	2020	2021
69. Ceramic products	0.5	0.5	0.5	0.6	0.5	0.6
70. Glass and glassware	0.4	0.4	0.4	0.4	0.4	0.4
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.1	0.1	0.1	0.1	0.1
15 - Base metals and articles of base metal	5.8	6.6	7.0	6.6	6.4	8.3
72. Iron and steel	2.5	3.3	3.6	3.1	2.7	4.3
73. Articles of iron or steel	1.5	1.5	1.6	1.7	1.9	2.0
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	14.8	14.2	14.3	14.3	16.4	15.9
84. Nuclear reactors, boilers, machinery and mechanical appliances	7.5	7.1	6.2	6.7	6.4	8.3
85. Electrical machinery and equipment; sound and image recorders and reproducers	7.3	7.1	8.1	7.6	9.9	7.5
17 - Vehicles, aircraft, vessels and associated transport equipment	5.4	5.3	5.3	5.3	4.5	6.2
87. Vehicles other than railway or tramway rolling-stock	5.3	5.2	5.0	5.2	4.5	5.6
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	1.4	1.3	1.2	1.2	1.6	1.1
90. Optical, photographic, precision, medical or surgical instruments and apparatus	1.3	1.2	1.1	1.1	1.5	1.0
92. Musical instruments	0.0	0.0	0.0	0.0	0.0	0.0
19 - Arms and ammunition; parts and accessories thereof	0.0	0.1	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	2.2	2.1	2.0	2.1	2.0	2.0
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	0.9	0.8	0.8	0.9	0.8	0.9
96. Miscellaneous manufactured articles	0.8	0.8	0.8	0.8	0.8	0.7
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.2	0.2	0.2	0.2	0.2

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A1. 4 Maquila imports by HS section and main HS chapter, 2016-21

(USD million and %)

	2016	2017	2018	2019	2020	2021
	(USD million)					
Maquila imports	**434**	**607**	**638**	**647**	**480**	**706**
	(% of maquila imports)					
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	0.0	0.0	0.0	0.0	0.0	0.0
5 - Mineral products	0.0	0.0	0.0	0.0	0.0	0.0
6 - Products of the chemical or allied industries	3.6	2.6	2.4	2.4	5.5	4.9
38. Miscellaneous chemical products	1.0	0.7	1.1	1.5	4.7	3.6
28. Inorganic chemicals	0.9	0.6	0.6	0.3	0.4	0.6
32. Tanning or dyeing extracts; dyes, pigments; paints and varnishes	1.4	0.9	0.5	0.5	0.3	0.3
7 - Plastics and articles thereof	5.5	4.5	4.7	5.1	5.3	5.5
39. Plastics and articles thereof	4.8	3.9	4.0	4.5	4.7	5.1
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.0	0.0	0.0	0.0	0.0	0.0
9 - Wood and articles of wood; wood charcoal	0.0	0.0	0.0	0.0	0.0	0.0
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	2.3	1.7	1.3	1.2	1.0	1.2
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	1.8	1.4	1.1	1.1	0.9	1.0
49. Printed books, newspapers, pictures; manuscripts	0.5	0.3	0.3	0.2	0.1	0.2
11 - Textiles and textile articles	68.1	57.5	72.7	78.0	69.2	69.8
61. Articles of apparel and clothing accessories, knitted or crocheted	27.2	31.4	51.2	58.0	50.7	49.6
60. Knitted or crocheted fabrics	22.0	14.1	12.5	12.7	11.8	14.4
55. Man-made staple fibres	5.4	3.8	3.9	2.3	1.6	1.6
58. Special woven fabrics; tufted textile fabrics; lace; tapestries	1.4	1.0	1.2	1.2	1.1	1.2
54. Man-made filaments	5.1	2.9	1.0	1.1	0.8	1.1
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.3	0.0	0.0	0.0	0.0	0.0
64. Footwear, gaiters and the like; parts of such articles	0.3	0.0	0.0	0.0	0.0	0.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.3	0.3	0.3	0.2	0.2	0.2
70. Glass and glassware	0.1	0.2	0.2	0.1	0.1	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	1.5	1.3	1.1	0.7	1.0	1.6
15 - Base metals and articles of base metal	15.1	14.6	11.8	7.0	11.6	12.5
81. Other base metals; cermets; articles thereof	11.4	11.5	8.7	4.7	9.6	9.9
73. Articles of iron or steel	2.4	2.1	2.1	1.6	1.4	1.7
72. Iron and steel	0.8	0.6	0.7	0.4	0.4	0.6
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	2.5	16.8	5.2	4.9	5.9	4.1
85. Electrical machinery and equipment; sound and image recorders and reproducers	2.5	16.8	5.2	4.9	5.8	4.1
17 - Vehicles, aircraft, vessels and associated transport equipment	0.0	0.0	0.0	0.0	0.0	0.0
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.9	0.7	0.4	0.4	0.2	0.3
96. Miscellaneous manufactured articles	0.8	0.7	0.4	0.4	0.2	0.3

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A1. 5 Total merchandise exports by trading partner, 2016-21[a]

(USD million and %)

	2016	2017	2018	2019	2020	2021
	(USD million)					
Exports	**5,420**	**5,760**	**5,905**	**5,905**	**5,028**	**6,629**
	(% of exports)					
America	94.6	92.9	93.9	94.6	92.5	93.2
United States	47.2	44.9	44.4	42.4	39.7	39.9
Other America	47.1	48.0	49.5	52.2	52.8	53.3
Guatemala	13.7	13.8	14.4	15.9	16.9	17.3
Honduras	14.1	13.8	15.3	15.9	15.4	16.4
Nicaragua	7.2	7.5	6.9	6.7	7.2	7.4
Costa Rica	4.6	4.5	4.4	4.5	4.6	4.2
Mexico	1.3	2.0	2.4	2.5	2.5	2.1
Panama	2.3	2.1	2.1	2.0	1.9	1.9
Dominican Republic	1.5	1.4	1.7	1.7	1.8	1.7
Canada	0.4	0.7	0.4	1.1	0.4	0.4
Jamaica	0.4	0.3	0.3	0.3	0.3	0.3
Belize	0.2	0.3	0.4	0.3	0.2	0.3
Haiti	0.1	0.1	0.2	0.2	0.2	0.3
Europe	3.1	3.1	2.9	2.9	3.4	3.2
EU (27)	2.5	2.8	2.5	2.7	3.2	2.8
Germany	0.4	0.4	0.3	0.4	0.7	0.7
Spain	0.7	0.8	0.8	0.8	0.7	0.6
Italy	0.5	0.6	0.5	0.5	0.7	0.6
Netherlands	0.4	0.3	0.3	0.4	0.6	0.5
Belgium	0.1	0.1	0.2	0.2	0.2	0.2
EFTA	0.0	0.1	0.0	0.1	0.0	0.1
Norway	0.0	0.0	0.0	0.1	0.0	0.1
Other Europe	0.5	0.2	0.4	0.2	0.2	0.3
United Kingdom	0.5	0.2	0.4	0.2	0.2	0.3
Commonwealth of Independent States (CIS)[b]	0.0	0.0	0.0	0.0	0.0	0.0
Africa	0.1	0.1	0.2	0.1	0.1	0.1
South Africa	0.0	0.1	0.1	0.0	0.0	0.0
Middle East	0.1	0.1	0.0	0.0	0.1	0.1
Saudi Arabia, Kingdom of	0.0	0.0	0.0	0.0	0.1	0.1
Asia	2.1	3.8	2.9	2.4	3.9	3.5
China	0.1	0.8	1.5	0.9	1.5	1.1
Japan	0.3	0.3	0.2	0.2	0.3	0.2
Other Asia	1.7	2.7	1.3	1.3	2.1	2.2
Korea, Republic of	0.2	0.2	0.2	0.5	1.2	1.2
Chinese Taipei	0.7	0.9	0.5	0.4	0.5	0.6
Australia	0.1	0.1	0.1	0.1	0.1	0.1
Malaysia	0.0	0.0	0.1	0.0	0.0	0.1
Thailand	0.0	0.0	0.0	0.0	0.0	0.1
Memorandum:						
EU (28)	3.0	3.0	2.9	2.8	3.4	3.1

a Includes maquila and non-maquila exports.
b Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A1. 6 Total merchandise imports by trading partner, 2016-21[a]

(USD million and %)

	2016	2017	2018	2019	2020	2021
	(USD million)					
Imports	**9,826**	**10,572**	**11,464**	**11,602**	**10,248**	**15,076**
	(% of imports)					
America	68.3	68.2	67.6	69.1	66.9	63.9
United States	32.3	31.8	31.5	29.8	25.8	27.2
Other America	35.9	36.4	36.2	39.4	41.1	36.7
Guatemala	10.1	9.9	10.1	10.9	11.8	10.6
Mexico	7.5	8.3	8.0	8.1	9.2	8.1
Honduras	5.1	5.5	6.4	7.0	6.5	5.8
Nicaragua	2.6	2.5	2.4	3.2	3.9	3.0
Costa Rica	2.5	2.4	2.3	2.6	3.0	2.5
Colombia	1.2	1.3	1.2	1.3	1.3	1.2
Brazil	1.8	1.6	1.3	1.4	1.4	1.2
Canada	0.8	0.8	0.7	0.6	0.6	0.9
Panama	0.4	0.7	0.5	0.6	0.6	0.8
Chile	0.7	0.9	0.8	0.8	0.8	0.7
Argentina	0.3	0.5	0.5	0.5	0.5	0.6
Ecuador	0.4	0.5	1.0	1.1	0.2	0.4
Uruguay	0.3	0.3	0.3	0.4	0.4	0.4
Peru	0.5	0.4	0.3	0.6	0.4	0.3
Europe	7.1	7.4	8.1	7.2	9.8	7.1
EU (27)	6.1	6.4	7.1	6.3	8.8	6.0
Spain	1.0	1.2	2.2	1.5	1.8	1.7
Germany	1.8	1.7	1.6	1.5	1.6	1.3
Italy	0.9	0.9	0.8	1.0	1.0	0.7
France	0.6	0.6	0.5	0.6	0.7	0.5
Netherlands	0.2	0.2	0.2	0.3	0.3	0.3
EFTA	0.4	0.3	0.3	0.3	0.3	0.3
Switzerland	0.4	0.3	0.3	0.3	0.3	0.2
Other Europe	0.6	0.7	0.7	0.6	0.7	0.8
Türkiye	0.1	0.3	0.3	0.2	0.3	0.5
United Kingdom	0.5	0.4	0.4	0.4	0.3	0.3
Commonwealth of Independent States (CIS)[b]	0.2	0.3	0.3	0.4	0.3	0.8
Russian Federation	0.1	0.3	0.3	0.4	0.3	0.8
Africa	0.1	0.1	0.1	0.1	0.1	0.1
Middle East	0.3	0.3	0.4	0.3	0.3	0.5
Saudi Arabia, Kingdom of	0.1	0.1	0.2	0.1	0.1	0.2
United Arab Emirates	0.1	0.1	0.1	0.1	0.1	0.1
Israel	0.1	0.1	0.1	0.1	0.1	0.1
Asia	24.0	23.7	23.4	22.9	22.6	27.6
China	14.3	13.7	14.1	14.3	14.3	16.8
Japan	2.3	2.2	2.0	1.9	1.7	2.1
Other Asia	7.5	7.9	7.3	6.7	6.6	8.8
Korea, Republic of	1.8	2.2	2.0	2.0	1.7	2.4
India	1.1	1.0	1.0	1.0	1.0	1.5
Singapore	0.1	0.1	0.1	0.1	0.1	1.1
Viet Nam	0.6	0.7	0.5	0.7	1.0	1.0
Chinese Taipei	1.4	1.4	1.2	1.0	0.9	0.8
Thailand	1.0	1.1	0.8	0.7	0.8	0.7
Indonesia	0.3	0.4	0.3	0.3	0.3	0.4
Malaysia	0.3	0.2	0.6	0.2	0.2	0.3
Other	0.0	0.0	0.1	0.0	0.0	0.0
Memorandum:						
EU (28)	6.6	6.8	7.4	6.6	9.1	6.3

a Includes maquila and non-maquila imports.
b Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations based on data from the Central Reserve Bank of El Salvador.

Table A2. 1 Notifications submitted to the WTO by El Salvador, 2016-22 (30 September)

Agreement and provision	Type of measure notified	Frequency	WTO document	Date
Agreement on Trade Facilitation				
Articles 1.4(a), 1.4(b) (Category A)		Once only / *Ad hoc*		Notified
Article 1.4(c) (Category A)		Once only / *Ad hoc*		Notified
Article 10.4.3 (Category C)		Once only / *Ad hoc*		Notified
Article 10.6.2 (Category A)		Once only / *Ad hoc*		Notified
Article 12.2 (Category C)		Once only / *Ad hoc*		Notified
Agreement on Agriculture				
Article 18.2 (MA:2)	Imports subject to tariff quotas	On an annual basis	G/AG/N/SLV/82	07/03/2022
Article 18.2 (MA:1)	Administration of tariff quotas	On an annual basis	G/AG/N/SLV/69	25/01/2021
Articles 5.7 and 18.2 (MA:5)	Special safeguard provisions	On an annual basis	G/AG/N/SLV/81	15/02/2022
Article 18.2 (DS:1)	Domestic support	On an annual basis	G/AG/N/SLV/79	18/06/2021
Articles 10 and 18.2 (ES:1)	Export subsidies	On an annual basis	G/AG/N/SLV/80	03/02/2022
General Agreement on Trade in Services				
Article III:4 and Article IV:2	Contact and enquiry points	Once only / *Ad hoc*	S/ENQ/78/Rev.18	01/02/2019
Agreement on Import Licensing				
Article 5.1 - 5.4	Import licensing	Once only / *Ad hoc*	G/LIC/N/2/SLV/1	27/04/2016
Article 7.3	Import licensing procedures	Once only / *Ad hoc*	G/LIC/N/3/SLV/4	27/08/2020
GATT 1994				
Article XVII:4(a)	State trading enterprises (STR)	On an annual basis	G/STR/N/19/SLV	15/02/2022
Agreement on the Application of Sanitary and Phytosanitary Measures				
Annex B (3)	Notification of sanitary or phytosanitary (SPS) measures applicable to various products	*Ad hoc*	23 notifications, the most recent being G/SPS/N/SLV/139	30/09/2022
Annex B (10)		*Ad hoc*		
Agreement on Rules of Origin				
Article 5 and Annex II, paragraph 4	Preferential rules of origin	*Ad hoc*	G/RO/N/225	29/04/2021
Agreement on Subsidies and Countervailing Measures				
Article 25.1		On an annual basis	G/SCM/N/372/SLV	14/09/2021
Article 25.11		Semi-annual	G/SCM/N/251/SLV	03/07/2020
Article 32.6		Once only / *Ad hoc*	G/SG/N/1/SLV/3/Suppl.1	03/11/2016
Agreement on Customs Valuation				
Laws and regulations		Once only / *Ad hoc*	G/VAL/N/1/SLV/1	07/07/2021
Check-list of issues		Once only / *Ad hoc*	G/VAL/N/2/SLV/1	21/09/2021
Interest charges		Once only / *Ad hoc*	G/VAL/N/3/SLV/1	04/11/2021
Carrier media		Once only / *Ad hoc*	G/VAL/N/3/SLV/2	12/01/2022

Agreement and provision	Type of measure notified	Frequency	WTO document	Date
Anti-Dumping Agreement				
Article 16.4	Agreement on Implementation of Article VI of the GATT 1994	Semi-annual	G/ADP/N/364/SLV	09/03/2022
Article 18.5	Agreement on Implementation of Article VI of the GATT 1994	Once only / *Ad hoc*	G/SG/N/1/SLV/3/Suppl.1	03/11/2016
Agreement on Safeguards				
Article 12.6		Once only / *Ad hoc*	G/SG/N/1/SLV/3/Suppl.1	03/11/2016
Quantitative restrictions				
G/L/59/Rev.1		Biennial	G/MA/QR/N/SLV/1	27/09/2021

Source: WTO Secretariat.

Table A2. 2 Bilateral agreements on the promotion and reciprocal protection of investment signed by El Salvador, in force as at November 2022

Partner	Date of signature	Date of entry into force	Current status
France	20 September 1978	12 December 1992	In force
Switzerland	8 December 1994	16 September 1996	In force
Spain	14 February 1995	20 February 1996	In force
Argentina	9 May 1996	8 January 1999	In force
Peru	13 June 1996	14 December 1996	In force
Chile	8 November 1996	3 July 2002	In force
Germany	11 December 1997	15 April 2001	In force
Paraguay	30 January 1998	9 November 1998	In force
Korea, Rep. of	7 July 1998	25 May 2002	In force
Morocco	21 April 1999	11 April 2002	In force
Belgium/Luxembourg	12 October 1999	18 November 2002	In force
Netherlands	12 October 1999	1 March 2001	In force
United Kingdom	14 October 1999	1 December 2000	In force
Czech Republic	30 November 1999	28 March 2001	In force
Israel	3 April 2000	7 July 2003	In force
Uruguay	24 August 2000	23 May 2003	In force
Finland	20 May 2002	20 February 2003	In force

Source: WTO Secretariat on the basis of information provided by the authorities.

Table A3. 1 Application of agricultural tariff quotas under trade agreements, as at 1 January 2022

Country	Product	Tariff heading	Out-of-quota tariff (%)[a]	Quantity (MT) or quota (USD)
United States	Chicken parts	0207.13.93.00, 0207.13.94.00, 0207.14.93.00, 0207.14.94.00, 1602.32.10.00	27.4	5,574 MT
	Liquid milk	0401.10.00.00, 0401.20.00.00, 0401.40.00.00, 0401.50.00.00	12	22 MT
	Milk in powder	0402.10.00.00, 0402.21.11.00 0402.21.12.00, 0402.21.21.00, 0402.21.22.00, 0402.29.00.00	6 4.5	655 MT
	Buttermilk, curdled milk and cream, and yogurt	0403.20.10.00, 0403.20.20.00, 0403.20.90.00, 0403.90.10.00, 0403.90.90.00	12	22 MT
	Butter	0405.10.00.00, 0405.20.00.00 0405.90.90.00	9 6	218 MT
	Cheese	0406.10.10.00, 0406.10.90.00, 0406.20.20.00, 0406.20.90.00, 0406.30.00.00, 0406.90.20.00, 0406.90.90.00	12	895 MT
	White maize (corn)	1005.90.30.00	20	46,900 MT
	Rice in the husk	1006.10.90.00	6.7	84,740 MT
	Milled white rice	1006.20.00.00, 1006.30.10.00, 1006.30.20.00, 1006.30.90.00, 1006.40.00.00	6.7	11,645 MT
	Ice cream	2105.00.00.00	4.5	262 MT
	Other dairy products	2106.90.20.00	4.5	262 MT
Mexico	Yellow maize (corn)	1005.90.20.00	15	120,000 MT
Panama	Cheese	0406.10.10.00, 0406.10.90.00, 0406.20.20.00, 0406.20.90.00, 0406.30.00.00, 0406.90.20.00, 0406.90.90.00	40	USD 250,000[b]
United Kingdom	Cured ham and bellies (streaky)	0210.11.00.00, 0210.12.00.00 0210.19.00.00	15 13.3	177 MT
	Milk in powder	0402.10.00.00, 0402.21.11.00, 0402.21.12.00, 0402.21.21.00, 0402.21.22.00, 0402.29.00.00	20 15	30 MT
	Cheese	0406.10.10.00, 0406.20.20.00, 0406.20.90.00, 0406.30.00.00, 0406.90.20.00, 0406.90.90.00	40	87 MT
	Prepared or preserved meat of swine	1602.41.00.00, 1602.42.00.00, 1602.49.90.00	13.3	177 MT
European Union	Cured ham and bellies (streaky)	0210.11.00.00, 0210.12.00.00 0210.19.00.00	15 13.3	1,305 MT
	Milk in powder	0402.10.00.00, 0402.21.11.00, 0402.21.12.00, 0402.21.21.00, 0402.21.22.00, 0402.29.00.00	20 15	290 MT
	Cheese	0406.10.10.00, 0406.20.20.00, 0406.20.90.00, 0406.30.00.00, 0406.90.20.00, 0406.90.90.00	40	844 MT
	Prepared or preserved meat of swine	1602.41.00.00, 1602.42.00.00, 1602.49.90.00	13.3	1,305 MT

a The in-quota tariff for all headings is 0%.
b With the exception of Münster cheese.

Source: WTO Secretariat calculations based on data provided by the authorities.

Table A3. 2 Main BANDESAL first-tier credit programmes

Approved name	Description	Term	Grace period
Credit line for productive activities	Provides resources to Salvadoran entrepreneurs in various productive sectors, thus helping to stimulate the economy.	5-15 years	1-2 years
Credit line for the construction sector	Provides financial resources for construction projects involving interaction with other related sectors; finances medium- and long-term investment projects that are viable and profitable, prioritizing projects that generate employment, improve health and education services, and have a positive social impact.	6-15 years	1-2 years
Coffee credit line	Provides the coffee sector with financing to increase its productivity and helps to stimulate the sector.	Up to 8 years	According to project assessment
Credit line for agricultural activities	Provides financing to the agricultural sector to increase productivity and job creation, and promotes a positive impact on environmental conservation.	5-15 years	1-2 years
Credit line for sugar cane production	Medium- and long-term financing for sugar cane farming-related activities and sugar cane production costs.	18-36 months	n.a.
Credit line for agro-industry	Provides Salvadoran entrepreneurs with resources to help increase the production, manufacturing, processing and export of their products.	5-15 years	1-2 years
Capital return credit line	Provides credit to finance the return of capital for investments made in expanding or maintaining a project, with a view to increasing productive capacity and investment in working capital.	Up to 15 years	n.a.
Credit line for the consolidation of performing debt	Debt consolidation, portfolio transfers and financing for productive activities. Maximum amount of funding: USD 3,000,000.	Up to 15 years	According to project assessment
Credit line for energy efficiency and renewable energy	Direct funding to support the development of investment in renewable energies and energy efficiency in El Salvador.	Up to 15 years	Up to 4 years
Guarantee line	Guarantees investment loans, as well as costs relating to such investment and to improving the production process.	Up to 15 years	n.a.
Credit line for refinancing	Finances the total or partial redemption of one or more outstanding BANDESAL loans.	Up to 17 years, according to a credit and business flow analysis	According to project assessment

n.a. Not applicable.

Source: BANDESAL.

Table A3. 3 Main BANDESAL second-tier credit programmes

Approved name	Description	Term	Grace period
Investment credit	Provides the resources needed for project implementation, including for capital formation expenditure and current expenditure or working capital.	Over 20 years	Up to 5 years
Credit line for the economic recovery of Salvadoran MSMEs	Supports MSME sustainability through financing provided by BANDESAL second-tier lines, promoting the economic recovery of Salvadoran MSMEs through access to credit for working capital and investment in fixed assets.	Up to 20 years	Up to 3 years
Credit line for the economic recovery of Salvadoran female entrepreneurs	Supports the sustainability of Salvadoran female-led MSMEs, through financing provided by BANDESAL second-tier lines, promoting economic recovery by facilitating access to credit for working capital and investment in fixed assets.	Up to 20 years	Up to 3 years
Credit line to support the economic revival of Salvadoran enterprises	Supports the country's economic revival through financing for second-tier credit operations for the implementation of productive projects via degressive modalities through intermediary institutions.	Up to 20 years	Up to 2 years
Purchase of housing	Provides long-term resources to facilitate the purchasing of housing in El Salvador.	Up to 20 years	n.a.
Special credit line for transport in productive activities	Provides long-term resources to facilitate the purchasing of vehicles for use in productive activities.	Up to 7 years	n.a.
Special credit line for financing the productive development of MSMEs - IDB funds	Provides medium- and long-term competitive resources to financially support the increase in productivity of MSMEs in various economic sectors so that they can conduct productive restructuring and investment projects.	Up to 15 years	Up to 2 years
Special credit line for female entrepreneurs	Helps meet the working capital and fixed asset requirements of female entrepreneurs (natural or legal persons) seeking to grow their businesses, who request financing from eligible intermediary institutions.	Up to 6 years	n.a.
Banca Emprendes special credit line	Financial resources to support natural or legal persons from the MSME sector who are interested in starting an entrepreneurial project.	Up to 8 years	Up to 1 year
Credit line for energy efficiency in small and medium-sized enterprises	Brokers resources through eligible BANDESAL institutions to fund projects on energy efficient technologies in small and medium-sized enterprises in all sectors of the economy, supporting their competitiveness while reducing greenhouse gas emissions, with a view to promoting sustainable development.	Up to 20 years	Up to 2 years
Credit line for energy efficiency and renewable energy	Promotes sustainable development and environmental benefits through the granting of credit for investments in energy efficiency, renewable energy and environmental protection projects, in particular for small and medium-sized enterprises, without limiting financing for products of large and micro enterprises.	Up to 15 years	Up to 3 years
Coffee plantation investment programme	Promotes investment in the agricultural sector through lines that provide technical and financial conditions encouraging growth in that sector, thereby contributing to the country's economic recovery.	Up to 8 years	Up to 3 years
Credit line to support coffee disease control activities	Finances coffee disease control activities.	Up to 1 year	n.a.
Credit line for the establishment of cacao plantations	Finances the establishment of new cacao plantations in conjunction with other crops.	Up to 8 years	Up to 3 years
Invoice discounting line	Provides resources so that MSMEs can use invoice discounting as a financial instrument to improve their cash flow.	Up to 6 months	n.a.

n.a. Not applicable.

Source: BANDESAL.

Table A3. 4 Main programmes of the Economic Development Fund, BANDESAL

Approved name	Description	Term	Grace period
Direct credit line for productive activities	Addresses the financial needs of agricultural activities with a view to increasing productivity and employment.	1-12 years	1-2 years
Direct credit line for investment in coffee plantations	Provides financial resources to revive the coffee sector through medium- and long-term funding for coffee-growing related activities.	6-8 years	2-3 years
Credit line to promote tourism in El Salvador	Promotes the development, competitiveness and improved quality of services in all branches of tourism, with emphasis on coastal, mountain, medical, cultural, business and conference tourism, providing financing to MSMEs to transform the sector.	1-15 years	1-2 years
Line for the refinancing of loans granted with Economic Development Fund (FDE) resources	(i) Working capital: finances the total or partial redemption of one or more outstanding FDE loans, which reflect arrears or limited payment capacity and which change the conditions of previous loans. (ii) Investment: finances the total or partial redemption of one or more outstanding FDE loans, which reflect arrears or limited payment capacity and which change the conditions of previous loans.	Up to 15 years, taking into account that the average term of the existing loan portfolio is 7 and a half years	1 year
Line for the refinancing of coffee-growing for loans granted with Economic Development Fund (FDE) resources	Refinances loans for coffee growing.	Up to 4 years more than the current credit term (not applicable in the case of working capital financing) (Where various loans have been combined into one, the longest loan term is that considered as the new term)	1 year
Direct credit line for coffee production costs	Finances coffee production costs per harvest.	18 months	n.a.
Direct credit line for sugar cane production costs	Finances sugar cane crop production costs.	18-36 months	n.a.
Direct credit line for female entrepreneurs	Finances female entrepreneurs from MSMEs who are interested in investing in productive projects that include capital formation expenditure and current expenditure or working capital.	3-8 years	1-2 years
"Banca Emprendes" direct credit line	Finances entrepreneurs interested in launching productive and/or commercial projects or funding existing productive and/or commercial projects that have been in operation for less than two years and include investment in capital formation and working capital.	5-8 years	Up to 1 year
Direct credit line to support micro-entrepreneurs and manufacturers specializing in school uniforms, footwear and supplies	Provides working capital resources to Salvadoran micro-entrepreneurs who participate in the *Paquete Escolar* (School Package) programme and who have a supply or production contract awarded by a Ministry of Education educational facility.	Up to 18 months	Up to 10 months

Approved name	Description	Term	Grace period
Special credit line for granting financing to eligible BANDESAL institutions and trusts administered by the Bank	Finances second-tier credit operations that are conducted through financial intermediaries to support and develop MSMEs.	- Eligible BANDESAL institutions: up to 3 years - Trusts: up to 8 years	n.a.
Line of financing for extraordinary assets of the Economic Development Fund (FDE)	Provides access to credit for financing extraordinary assets belonging to funds administered by BANDESAL.	7-15 years	n.a.
Direct credit line for micro-entrepreneurs	Directly finances micro-entrepreneurs interested in investing in productive projects that include capital formation expenditure and current expenditure or working capital.	3- 8 years	1-2 years
Line for investment in the chemical-pharmaceutical industry	Promotes the competitiveness of the pharmaceutical industry production chain through access to financing for the restructuring of production.	2-15 years	2 years
Direct credit line for the promotion of housing and construction projects	Provides short- and medium-term financial resources for the development of new housing and construction projects.	3 years	n.a.
Credit line for the promotion of agricultural activities	Provides financial resources to revive the coffee sector through medium- and long-term financing for coffee-growing activities.	3-10 years	Up to 4 years

n.a. Not applicable.

Source: BANDESAL.

Table A3. 5 Main Salvadoran Guarantee Fund (FSG) programmes

Destination	Description	Maximum term
Exportation	Guarantees for export working capital loans backed up by invoices or purchase orders. Coverage: 50%-70%. Maximum amount automatically guaranteed: USD 200,000.	1 year
MSMEs	Guarantees for working capital loans, capital formation and transport. Coverage: 50%-70%. Maximum amount: USD 75,000-USD 100,000.	5 years
Productive activities	Guarantees for working capital loans, capital formation and production-related transport. Coverage: 50%-70%. Maximum amount: USD 200,000. Includes a special activity guarantee line for large enterprises, with a maximum guarantee amount equivalent to 3% of the FSG's base capital.	8 years
Factoring	Guarantees for loans through factoring operations. Coverage: 50%. Maximum amount: USD 100,000.	6 years
Multipurpose	Guarantees for working capital loans, capital formation and mixed capital. Coverage: 50%-70%. Maximum amount: USD 200,000.	6 years
Revolving credit (working capital)	Guarantees for loans through revolving lines for working capital. Coverage: up to 50%. Maximum amount: USD 200,000.	4 years
Innovation	Guarantees for working capital loans, technological development, renewable energy generation, certification and environmental conversion. Coverage: 50%-70%. Maximum amount: USD 50,000-USD 200,000.	7 years
Tourism	Guarantees for capital formation loans: purchase of machinery and equipment, software, transport, etc. Coverage: 70%. Maximum amount: USD 200,000.	8 years
Health	Guarantees for capital formation loans: purchase or repair of machinery and equipment. Coverage: 50%. Maximum amount: USD 200,000.	5 years
Education	Guarantees for loans for technical-,high- or postgraduate-level studies in El Salvador or abroad. Maximum coverage: 90%. Maximum amount: USD 36,000.	15 years
Banca Mujer	Guarantees for female entrepreneurs (natural or legal persons) who have access to working capital loans and capital formation. Coverage: 70%. Maximum amount: USD 75,000.	6 years
Banca Emprendes	Guarantees for natural or legal persons seeking to launch an entrepreneurial project and/or established enterprises in operation for less than a year that need to develop new business undertakings. Working capital loans and capital formation. Maximum coverage: 90%. Maximum amount: USD 75,000.	8 years
Orange economy	Guarantees for loans relating to the orange economy (or creative economy), which is based on talent, intellectual property, connectivity and cultural heritage. Working capital loans and capital formation. Maximum coverage: 70%. Maximum amount: USD 100,000.	8 years
Impulso mipymes	Business guarantees including return of capital, debt transferral, consolidation of operations with the same eligible institution or with another institution. Includes consolidation, returns and refinancing. Maximum coverage: 50%. Maximum amount: USD 100,000.	8 years
Preferential client	Fee reduction in the guarantee registration and renewal process for returning clients benefiting from the FSG who have demonstrated appropriate use of the guarantee product.	

Source: BANDESAL.

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