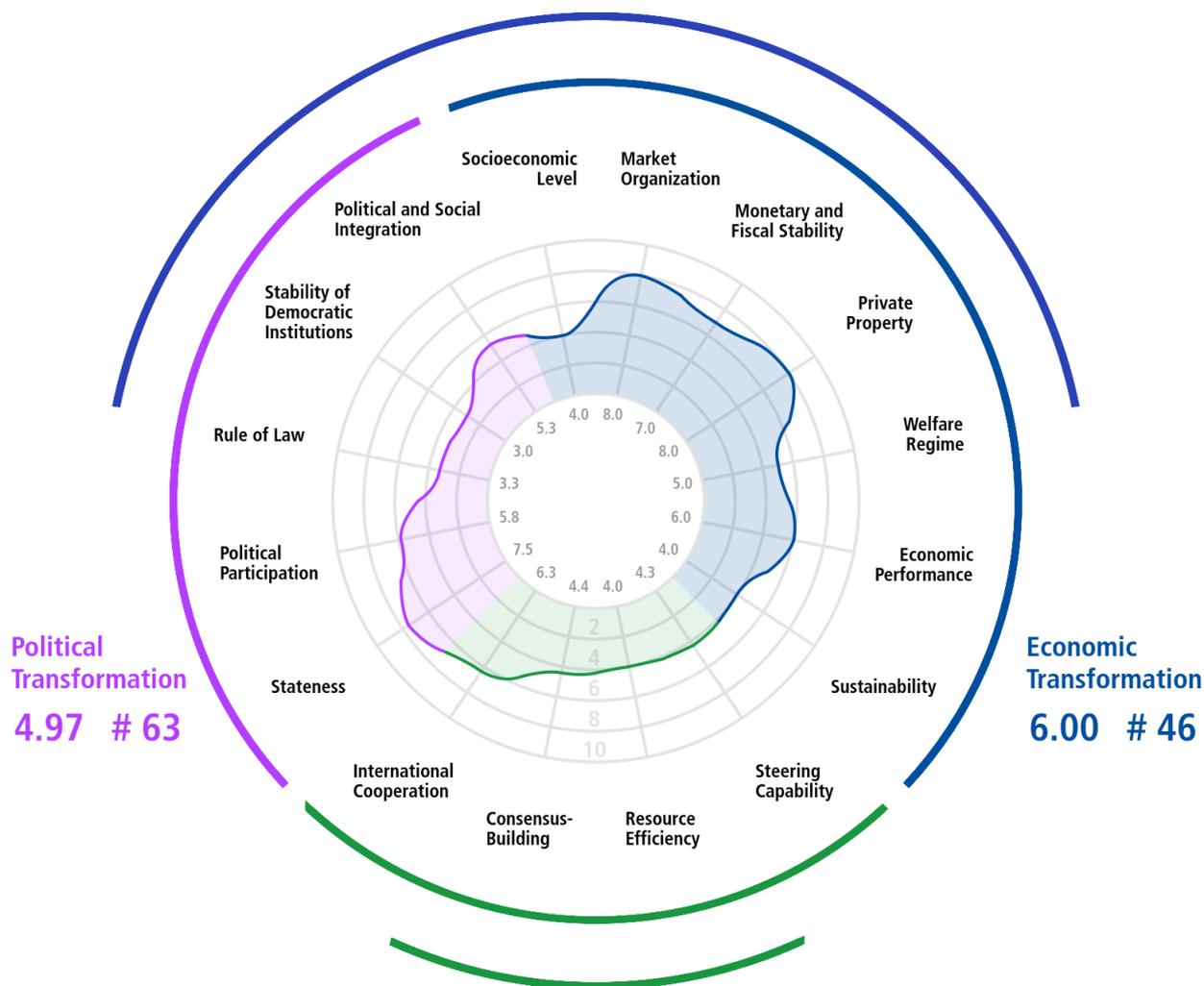


# El Salvador

## Status Index

**5.48 # 60**

on 1-10 scale out of 137



**Political Transformation**  
**4.97 # 63**

**Economic Transformation**  
**6.00 # 46**

## Governance Index

**4.28 # 83**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>6.3</b>	HDI	<b>0.678</b>	GDP p.c., PPP \$	<b>13264</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.5</b>	HDI rank of 193	<b>132</b>	Gini Index	<b>39.8</b>
Life expectancy	years	<b>72.1</b>	UN Education Index	<b>0.552</b>	Poverty <sup>3</sup>	% <b>8.6</b>
Urban population	%	<b>76.0</b>	Gender inequality <sup>2</sup>	<b>0.362</b>	Aid per capita \$	<b>79.1</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

El Salvador has experienced a significant political shift since Nayib Bukele took office in 2019. Bukele, who formed his own party, Nuevas Ideas (NI), ran on a platform that rejected the traditional political elite, and emphasized accessible health care and education, appealing to disadvantaged Salvadorans frustrated with corruption. His victory marked a break from the traditional two-party system previously dominated by the right-wing Alianza Republicana Nacionalista (ARENA) and the leftist Frente Farabundo Martí para la Liberación Nacional (FMLN). Upon assuming power, President Bukele swiftly consolidated control, replacing Supreme Court judges and the attorney general with loyalists. The politicized electoral tribunal approved Bukele's re-election bid despite constitutional prohibitions. In the 2024 elections, Bukele secured over 80% of the vote and NI won a supermajority in the legislature, creating a de facto one-party state.

Checks and balances have significantly eroded under President Bukele's leadership. The judiciary is packed with Bukele loyalists and Congress is dominated by them. The press serves as the final de facto check on the government. Independent media outlets, however, operate under latent threats and struggle to maintain their influence in a political climate increasingly hostile to dissent. Simultaneously, public access to information has been restricted and anti-corruption institutions have been weakened.

A defining feature of Bukele's presidency is his aggressive security policy. In response to rising gang violence, a state of exception (SOE) has been in place since March 2022. The SOE has enabled the incarceration of more than 84,000 suspects, resulting in El Salvador having the highest incarceration rate globally. While the SOE has significantly reduced homicides, the crackdown has produced widespread human rights violations and arbitrary arrests. The government has thus far failed to offer a sustainable long-term solution for addressing the root causes of violence.

El Salvador's economic and political strategies lack a clear long-term perspective and often appear to be driven by short-term political considerations. There have been some efforts toward infrastructure development, yet these are exceptions rather than part of a coherent long-term strategy. Economic growth primarily relies on real estate expansion rather than on productive investment or the development of human capital. The latter is partly the result of a chronically underfunded education system. The administration rejects outside scrutiny, and lacks seasoned advisers as well as a professional civil service to implement ambitious plans.

The Bukele administration has prioritized strengthening the economy, and has attempted to enhance competitiveness and attract investment, especially in the tourism sector and public infrastructure. The reduction in violence has improved the investment climate and boosted consumption, alongside developments in real estate. The government's heavy focus on large-scale infrastructure projects has boosted tourism, yet tourism remains a small economic sector. The 2021 adoption of bitcoin as legal tender was intended to attract investors and expand financial inclusion. However, bitcoin failed to gain traction among the population and was quietly abolished in early 2025 because of pressure from the IMF.

El Salvador's fiscal situation remains precarious, with large deficits and rising debt. At the beginning of 2025, the government secured a \$1.4 billion loan from the IMF. While this could provide fiscal relief and attract additional investment, concerns remain about the sustainability of Bukele's financial policies. The economy remains highly dependent on remittances, which accounted for 24% of GDP in 2023. Although growth returned to pre-COVID-19 levels, it remained moderate.

## History and Characteristics of Transformation

El Salvador's authoritarian political system, headed by military officers, began to unravel in the late 1970s. The civil war (1980 – 1992) that followed, which killed tens of thousands of citizens and destroyed a considerable proportion of its economy, ended in 1992 after the signing of the Chapultepec Peace Accords. The resulting political leadership – on the right and on the left – agreed to abide by constitutional standards that provided for competitive elections and a market economy. However, the peace accords did not address the economic and social problems that gave rise to discontent and open conflict in previous decades. For the next 30 years, political debate revolved around the role of the state in promoting economic and social development.

The right-leaning ARENA party governed until 2009, leading to the privatization of most banks, adoption of the U.S. dollar as legal tender and liberalization of trade. After the leftist FMLN – the former guerrilla force turned political party – assumed the presidency in 2009, the government shifted its focus toward assisting disadvantaged sectors of the population through increased spending on education and health care. The government also supported pension plans, further straining government finances. By 2017, government debt and budget deficits had reached unsustainable levels, prompting passage of a law requiring the government to prepare budgets that limited deficit spending and indebtedness.

The economy grew every year after 1992 (except in 2008 during the recession), but it exceeded an annual GDP growth rate of 5% only twice before the COVID-19 pandemic. Approximately two-thirds of the working population remains employed in the informal sector. However, poverty levels have decreased, and inequality has been somewhat reduced. These improvements have mostly resulted from remittances sent by Salvadorans living abroad rather than from redistributive policies. Limited economic growth has created few opportunities for young people entering the job market and has been accompanied by criminal violence associated with gangs and organized crime. Most observers agree that social and economic disadvantages are the root causes of the violence, which is worsened by the large number of children and young people left to fend for themselves when their caregivers emigrate in search of better opportunities abroad. Successive governments have failed to address persistent emigration and continued dependence on remittances as a means of maintaining modest economic growth.

In this environment, successive rounds of electoral campaigns and abundant, unfulfilled promises to improve the livelihoods of average Salvadorans eventually discredited the two main parties and opened the door for an alternative in the 2019 presidential election. Bukele used social media extensively to broadcast his simple campaign messages: If corruption and violence were ended, there would be sufficient resources and opportunities to resolve all the country's problems. The image he projected was that of a "non-party" candidate who rejected all who came before and promised to use new technologies and honest administration in government to move the country forward.

In March 2022, gangs murdered 87 people within 72 hours. These homicides resulted from failed negotiations between government representatives and gang leaders. The government's immediate response was to declare an SOE, suspending constitutional rights, loosening detention rules and allowing military roadblocks. Although initially limited to 30 days, the SOE has become de facto permanent.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Bukele has made public security a central policy priority. His initial efforts included an arrangement brokered with the three major gangs (Mara Salvatrucha-13, Barrio 18 Revolucionarios y Barrio 18 Sureños). This truce ultimately faltered when members of MS-13 murdered 87 people between March 25 and 27, 2022. Following this, the government imposed an SOE in March 2022, which restricted freedom of assembly, and the inviolability of correspondence and telephone communications. The SOE also extended the period of administrative detention beyond the three days prescribed by law. This measure, part of Bukele’s “mano dura” strategy, has been renewed continuously since its inception.

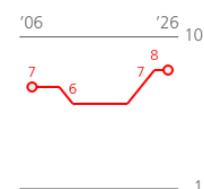
In 2024, amid the crackdown on gangs, homicides declined to a record low of 1.9 per 100,000 inhabitants, according to InSight Crime. InSight Crime notes that the Salvadoran government does not follow the Bogotá Protocol, the standard for measuring homicides in Latin America. The government excludes individuals found in mass graves from its homicide count, and does not count deaths stemming from confrontations between suspected gang members and security forces. As a result, the reported homicide figures may be understated and are not comparable to those reported in the rest of the region.

While the Salvadoran state now exercises a greater monopoly on the use of force and gangs’ control on Salvadoran streets is suppressed – at least for now – the social conditions that gave rise to violent crime remain unaddressed. The state’s approach has significantly curtailed basic human rights and undermined the rule of law, raising concerns about the long-term implications of these policies.

Question  
Score

Monopoly on the  
use of force

8



1

The vast majority of Salvadorans strongly identify with the nation-state as it is currently organized. Citizenship rights are universally recognized and no group or individual is denied access to essential documents such as passports or the national ID card. The Documento Único de Identidad is sufficient proof of identity for all legally binding public and private transactions, ensuring broad access to civic and economic participation.

While few individuals or groups question the legitimacy of the Salvadoran nation-state, there has been dissent over the political direction under Bukele. Criticism has arisen over his personalistic style of governance and his unconstitutional bid for re-election, which challenges the democratic principles enshrined in the Salvadoran constitution. Despite these concerns, citizenship is not currently denied on the basis of political affiliation, religious belief or ethnic identity, preserving formal inclusivity within the nation-state framework.

El Salvador is nominally secular, but its constitution recognizes the Catholic Church's legal status; other churches must apply for legal recognition. Most churches do not engage in electoral politics, but religious leaders express their opinions and are listened to closely. In addition, El Salvador is one of the few countries in the world that ban abortion outright. Efforts to legally recognize civil unions for same-sex couples have been rejected on religious grounds.

Bukele has adopted several positions favored by the Catholic Church and evangelical groups, particularly on issues such as abortion, homosexuality and sex education, where these religious institutions hold significant influence. For instance, in 2021, Bukele ruled out changing the constitution to allow same-sex marriage and has reaffirmed that position since. In 2022, the Supreme Court ruled that the state should implement a law allowing transgender people to change their legal names according to the gender with which they identify. No such law has been passed yet. Whether this results from religious influence is unclear. However, in August 2024, the Law of Registration and Natural Person was reformed, dissolving the previous law, and the Law of Name and Natural Person, which was sanctioned by the Constitutional Chamber. In March 2024, Bukele announced the elimination of “gender ideology” from public school curricula, aligning with conservative perspectives. In June 2024, Bukele ordered the dismissal of 300 employees from the Ministry of Culture, citing their promotion of agendas incompatible with the government's vision, which emphasized “patriotic and family values.”

Since the 1992 peace accords, significant portions of the state's operations have been privatized, including telecommunications, retirement funds, banks and electricity generation – except hydropower dams – and distribution. More crucial state functions in health care, education, public safety, justice and public works, although clearly defined and constitutionally mandated, have been underfunded. Spending on education, for instance, has consistently been between 3% and 4% of GDP, lower than the 6% that international development agencies consider necessary. Educational disparities exist between urban and rural areas. In 2023, the average education level was 8.3 years of schooling in urban areas, compared to 5.6 years in rural areas.

#### State identity

9



1

#### No interference of religious dogmas

7



1

#### Basic administration

6



1

Although 100% of the population has access to electricity, 33% of electricity generation still relies on hydrocarbon fuels. Although 98% of Salvadorans have access to treated water, only 37% of homes are connected to a water main. Similarly, 38% of homes are connected to a sewer main, yet only a handful of towns and cities have sewage treatment plants. In the health sector, the government is committed to providing free medical services to people who are uninsured or unable to afford care, a policy that has contributed to rising life expectancy.

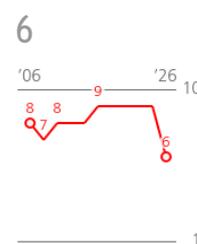
Bukele's government replaced many high- and mid-level government officials with underqualified, young individuals who had no prior experience in public administration and little regard for established administrative procedures. An incompetent civil service and a lack of effective oversight contribute to corruption and inefficiency. The government also replaced about a third of all judges who were considered beyond retirement age with young individuals. While these steps were presented as part of the program to reform corruption-prone institutions, they appear highly politicized, leading to centralization and co-optation. Furthermore, the judicial system is unable to handle the large backlog of those imprisoned under the SOE. To address the extensive backlog, legal reforms were introduced in July 2023 to allow collective hearings for up to 900 detainees simultaneously. These measures have raised significant concerns among human rights organizations regarding due process and the right to a fair trial.

## 2 | Political Participation

President Bukele secured a second term in the February 2024 presidential election, winning about 83% of the vote despite a low voter turnout of 53%. His landslide victory significantly diminished the opposition's influence, leaving them with only 3 out of 60 seats in the Legislative Assembly. The two former main parties, FMLN and ARENA, which once dominated El Salvador's political landscape, have been reduced to near irrelevance, each garnering less than 3% of the vote.

While Bukele's electoral victory was largely unquestioned by international observers, the Salvadoran constitution explicitly prohibits presidential re-election. Thus, Bukele's candidacy and subsequent re-election have been widely criticized as unconstitutional. The constitutional provision was reinterpreted by the Supreme Court in 2021 after Bukele filled the court with judges loyal to his administration. According to this reinterpretation, a sitting president could seek immediate re-election if they took a temporary "leave" from office, aligning with the court's revised understanding of the constitution. This move has been described by critics as a clear violation of constitutional norms, undermining the rule of law. Eight months before the election, an electoral reform was passed applying the d'Hondt method, which, according to analysts, favors the majority party.

Free and fair elections



During the election, the Organization of American States Electoral Observation Mission (OAS/EOM) noted several irregularities. The election campaign was deemed “atypical and unequitable,” partly due to a high concentration of electoral propaganda on behalf of NI and a lack of oversight of the use of public resources. State authorities also intimidated observers and representatives from other parties. The election took place under an SOE, which may have hindered the functioning and organization of the elections. Furthermore, only 56% of observed polling stations completed the counting and transmission of results according to established protocols. In addition, 55% of polling stations engaged in pro-Bukele electoral propaganda activities, violating the Electoral Code. According to press reports, citizens who were still in line when the polling stations closed were prevented from voting. Before the counting of the ballots had finished and official numbers had been published, Bukele announced his triumph, as well as his party’s in the National Assembly, on his social media accounts. This raised concerns about the fairness and transparency of the electoral process, and the integrity of the final results.

There is little effective opposition to the government’s ability to govern. The legislature’s role has been reduced to simply approving the president’s proposed laws, often without substantial discussion in committees or the plenum. However, the president still needs the consent of the supporting coalition to govern effectively. During his first term, Bukele replaced the judges of the Constitutional Chamber of the Supreme Court with loyalists. As a result, apart from the remaining independent media, the country lacks meaningful checks and balances on the government.

Changes in the social and economic makeup of the country since the end of the civil war have resulted in a notable decline in the relative influence of formerly powerful actors, such as agricultural interests (specifically coffee and cotton growers) and banking firms (most large banks are now foreign owned). In a resource-poor and fiscally constrained economy, the private sector historically played an important role in constraining the executive and legislative branches, although its influence has weakened over time. Moreover, the United States holds important veto power over Central American politics through financial support and other channels. Although the military is tied to the government following increases in its budget, it still holds potential veto power. Bukele has strengthened security forces and significantly increased their budget. In December 2023, the Salvadoran government approved an additional \$52.3 million for military and police expenditures. This included \$36.8 million for the Ministry of Defense to support the Territorial Control Plan.

Effective power to govern

9



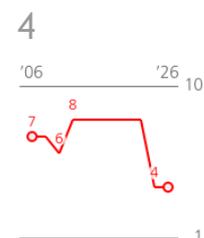
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The rights to freedom of assembly and association are constitutionally guaranteed. However, the SOE declared in 2022 obstructs the exercise of assembly rights and raises concerns about human rights violations. People living in areas previously controlled by gangs now face intimidation by state security forces conducting mass detentions of suspected gang members. The SOE aims to combat gang violence but severely restricts constitutionally recognized political and civic rights. These rights include the right of assembly, the right to be informed of the reasons for a person's arrest, and the right to confidentiality of correspondence and telephone communications. Furthermore, the SOE allows a person to be detained indefinitely beyond the 72 hours mandated by law for charges to be brought.

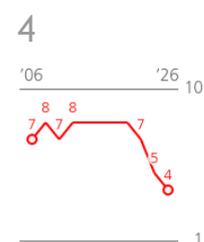
While the SOE targets gang violence, it creates a situation of legal uncertainty for those who may seek to engage in anti-government political activities. Activists and organizers of events and protests that are critical of the administration are often subjected to surveillance by government authorities, and targeted with intimidation and threats, curbing their ability to engage in peaceful assembly. Amnesty International reports that roads and access points to some areas are blocked to prevent participation in assembly activities. In addition, state authorities have imposed “unwarranted restrictions on union registration processes and the accreditation of union boards.” The massive suspension in the public sector has provoked protests by unions over perceived violations of labor protections guaranteed to public servants. In 2023, at least three trade unionists were arbitrarily arrested under the SOE framework, and at least another 16 were arrested and charged with offenses such as public disorder for participating in peaceful protests. As of November 2024, according to Human Rights Watch, 74 individuals were dismissed after participating in protests against cuts to the 2025 budgets for the health and education ministries. Reports state that more than 519 union leaders have been dismissed, including those involved in peaceful protests, and 50 unions have dissolved. The threat of arbitrary arrest has created an atmosphere of fear among advocates for change and those who protest rights violations.

The press serves as the last de facto check on the government. In April 2022, the legislature amended the penal code to criminalize press reporting that “reproduces or transmits” material associated with gangs. Violators face up to 15 years in jail. The law has forced journalists to weigh the risk of government prosecution when covering gang violence or anti-gang measures. The government has also used costly, punitive audits against journalists and media outlets critical of its policies. These audits are widely viewed as tools of intimidation. For instance, El Faro, known for investigative reporting, has faced multiple “abusive audits” and was accused of money-laundering for receiving foreign funds. Such actions are seen as part of a broader strategy to silence dissenting voices in the media. Independent media outlets operate under latent threats and struggle to maintain influence in a political climate increasingly hostile to dissent. Access to government information remains severely restricted, with the country's two main daily newspapers and several smaller digital outlets struggling to obtain critical data for reporting.

#### Association / assembly rights



#### Freedom of expression



Government-funded “troll farms” and media outlets manipulate political discourse by attacking critical voices, and using pro-Bukele propaganda and disinformation campaigns. The executive branch uses public funds to run a daily newspaper and a televised news program for these purposes. The government employs software-enabled espionage to surveil journalists in El Salvador. A joint investigation by Citizen Lab and Access Now found that at least 35 individuals had their phones infected with Pegasus spyware between July 2020 and November 2021. Most of those targeted were CSO members and journalists from prominent outlets. Many experts argue that it is highly likely that the government was involved, given that Pegasus is exclusively sold to governments.

The administration’s relationship with NGOs has been contentious. In late 2021, Bukele’s administration proposed the Foreign Agents Law, which included a 40% tax on foreign donations to such entities and required them to register with the government. The bill faced significant opposition from civil society groups and international organizations because it would expand the government’s authority to control and sanction independent media outlets and human rights groups that receive international support. The law was enacted in May 2025, after the period under review.

Independent media outlets, such as El Faro and La Prensa Grafica, continue to report critically on the government but face constant harassment, including digital harassment, that hampers their ability to carry out their watchdog role. The climate of intimidation against journalists and human rights defenders has been exacerbated by the ongoing SOE. Many journalists self-censor out of fear of reprisal. In the run-up to the elections, between February and March 2024, the Association of Journalists of El Salvador (APES) recorded a spike in press freedom violations, with 319 during that period and 449 total for the year. The main perpetrators were public officials, and violations included stigmatizing statements targeting journalists, digital harassment, and restrictions on journalists’ work and access to public information. APES noted that five journalists fled into exile between January 2022 and August 2024, fearing retaliation for their work, and Cristosal reported the imprisonment of 24 human rights activists by October 2024. Anticipating further harassment and restrictions, critical outlets (e.g., El Faro) have relocated their headquarters abroad.

### 3 | Rule of Law

Since the 1992 Peace Accords, no single political party had held a legislative majority until NI gained overwhelming control in 2021. Since then, the legislature has passed laws with little or no debate. The replacement of Supreme Court judges with loyalists under the first Bukele administration has also placed the judicial branch under executive control. In a controversial decision reinterpreting the constitution, the Supreme Court ruled that Bukele could run for re-election in 2024 despite multiple articles in the Salvadoran constitution explicitly prohibiting consecutive presidential terms. The Office of the Attorney General has also dismissed several ongoing investigations involving current government officials.

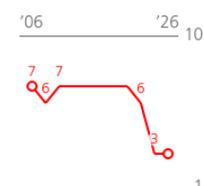
Since his re-election, Bukele has held near-total control of the legislative branch. Thanks to a rearrangement of the electoral districts, NI and its allies control 57 out of 60 seats in the Legislative Assembly, a supermajority that allows Bukele to govern without meaningful opposition or checks on his power. This dominance has resulted in a lack of controversial debate in Congress, with virtually no challenge to Bukele's authority, even within his own party. The growing concentration of power in the executive branch has weakened key government offices, such as those responsible for accounting, oversight, human rights and access to public information, rendering them practically inoperative. The independent press remains the only functioning counterweight to government power, but it faces significant obstacles, including restricted access to public data and increased harassment.

The Supreme Court's independence is seriously compromised, especially since mid-2021, when the legislature fired the attorney general and all Constitutional Chamber judges – even though some of their terms were not set to expire until 2028. In June 2021, the new attorney general ended cooperation with the International Commission Against Impunity in El Salvador (CICIES), which had supported investigations of high-level government officials in Bukele's administration. Several other investigations involving government corruption were also closed. In September 2021, more than 100 prosecutors were retired because they had exceeded age and working-time limits. A month earlier, the legislature passed a law requiring judges older than 60 to retire. This affected more than 200 judges out of the 700 serving. Previously, judges had no mandatory retirement age; they could retire after 35 years of service. The dismissal of the judges enabled the Supreme Court, now controlled by Bukele appointees, to name their replacements without following established vetting procedures. This has raised questions about judicial independence in cases involving government officials or policies.

The judicial system is under great pressure to conform to the government's policies. The Supreme Court has failed to rule on the legality of the SOE, contend with ongoing human rights violations by state authorities and address tens of thousands of

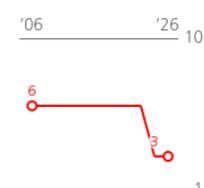
Separation of powers

3



Independent judiciary

3



habeas corpus petitions from individuals detained under the SOE. There is a serious backlog on this last point, in part because judges are unwilling to demand concrete evidence that arrests are warranted (i.e., the writ of habeas corpus). The judiciary's operations are also hampered by limited funding. In 2022 and 2023, the judiciary was allocated less than 5% of the national budget and it faced a reduction in 2024.

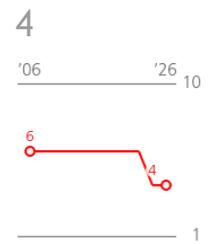
CICIES was established in 2019 to investigate corruption and recommend investigations to the Attorney General's Office. However, its activities remained low profile. In June 2021, President Bukele disbanded CICIES following the appointment of a new attorney general who chose not to pursue the cases identified by the commission. This move further reduced accountability mechanisms and weakened efforts to combat high-level corruption.

Observers note that, although the Bukele administration has taken steps to prosecute some officials for corruption, the selective nature of these prosecutions raises questions about the impartiality and scope of the government's anti-corruption efforts. Critics argue that the administration has only occasionally acted against its allies, while most high-profile prosecutions target political opponents or prominent critics. Meanwhile, independent media outlets have uncovered numerous cases of malfeasance and cronyism in public contracts within Bukele's government. Investigative reports by El País found that President Bukele's family acquired 34 properties valued at \$9 million during his first presidential term. These acquisitions have raised concerns about potential conflicts of interest and the misuse of privileged information. Bukele dismissed the reports, insulted the journalists and denied any corruption within his administration.

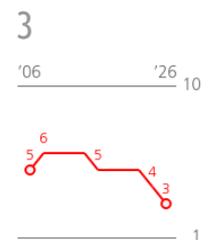
In March 2023, the Legislative Assembly passed, through Legislative Decree No. 652, the new Public Procurement Law that allows the government to declare bidding processes and costs confidential for projects deemed to be of "strategic importance." Critics argue that this provision significantly reduces transparency, making it harder to hold public officials accountable. Furthermore, it raises concerns about unchecked spending and opportunities for corruption under the guise of national interest.

The SOE has been repeatedly extended by the legislature, effectively becoming a permanent measure. According to official figures, more than 80,000 people are detained under the SOE, including 8,000 innocent people. Most detentions carried out under the SOE have been arbitrary and violated guarantees of due process. In the absence of transparent investigations and due process, and in the context of mass trials, these figures are likely higher. Various reports by human rights organizations mention frequent cases of torture and ill treatment in detention, sometimes leading to death. According to Amnesty International, in 2023, the penitentiary system reached 300% occupancy, leading to severe overcrowding. An estimated 1.14% of the country's population is imprisoned, with many awaiting trial indefinitely. The Attorney General's Office and the Human Rights Ombudsman's Office have failed to effectively investigate human rights violations, and the former ordered most

#### Prosecution of office abuse



#### Civil rights



investigations to be archived. Only a few civil and human rights activists, journalists and senior figures from largely discredited opposition parties continue to criticize the government’s authoritarian tendencies. Moreover, informal discriminatory practices continue to affect the LGBTQ+ community, exposing its members to harassment and physical violence. Same-sex marriage and civil partnerships continue to face strong societal rejection. The government also dissolved the Sexual Diversity Directorate and the Ministry for Social Inclusion, both of which played roles in advocating for LGBTQ+ rights.

Several community leaders known as the “Santa Marta 5” played key roles in the campaign that led to El Salvador’s 2017 ban on metallic mining. Their January 2023 arrest on alleged civil war-era charges was widely seen as politically motivated and intended to intimidate anti-mining activists as the government pushed to lift the ban. Although they were acquitted and released in late 2024 after significant international pressure, the attorney general’s appeal of their acquittal highlights ongoing legal persecution of environmental defenders. This case underscores the deep tensions between the government and environmental activists amid the recent, controversial decision to resume gold mining despite its significant environmental risks.

#### 4 | Stability of Democratic Institutions

President Bukele’s election and subsequent governance have significantly strained El Salvador’s political system. In June 2023, Congress passed two reforms. One reduced the number of seats in the Legislative Assembly from 84 to 60 – a change implemented before the 2024 general election that took effect in January 2025. Another reform reorganized the 262 municipalities into 44. Government officials claim these reforms would increase pluralism, but legal experts have heavily criticized them as unconstitutional and as having significantly influenced the outcomes of the 2024 general elections in favor of NI.

After gaining control of the legislature in 2021, Bukele dismissed all judges of the Supreme Court’s Constitutional Chamber and appointed a new attorney general loyal to him, thereby bringing the judicial system under his control. These actions have been widely criticized as undermining judicial independence and violating democratic norms. Moreover, in the February 2024 elections, NI secured a supermajority, enabling the government to pass legislation with minimal opposition, effectively consolidating control over the legislative process. As a result, bills sponsored by Bukele often pass with little or no debate or concessions to opposition parties.

In 2021, NI created the Department of Municipal Works (DOM), which was tasked with determining fund allocations to municipalities for public works and general administration. Before that, legislation mandated that 10% of the national budget be allocated directly to municipalities. The government argued that the change would

Performance of democratic institutions

3



curb inefficiencies and misuse of funds at the municipal level. Critics contend that the new arrangement centralizes control, allowing the government to claim credit for local investments and prioritize funding for politically or electorally significant municipalities. This shift has raised concerns about potential partisan allocation of resources and reduced autonomy for local governments.

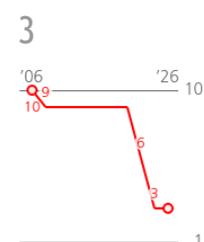
Since Bukele came to power, the most serious threats to democratic processes and institutions have been the concentration of power in the executive and personalistic rule. The legislature is controlled by Bukele's NI party; the Supreme Court has been stacked with his allies; municipal councils are increasingly dependent on the national government for funding and improvements, whether administrative or infrastructure-related. Meanwhile, the military's budget, troop numbers and participation in police operations – typically allowed only under exceptional circumstances – have significantly increased. NI is highly centralized around Bukele, who has placed family members, such as his brothers, in influential positions within his inner circle. These shifts in power distribution have largely been constitutionally sanctioned, making it difficult for democratic political actors to criticize the government for outright illegality.

Despite the infractions arising from the SOE, Bukele's position is bolstered by exceptionally high public approval ratings, which have rarely fallen below 80%, according to opinion polls. These surveys, however, are not entirely reliable. This popularity limits political actors' ability to question the legitimacy of institutions now controlled by his government. His policies have not significantly affected the private sector, which continues to benefit from government contracts and appreciates the increased security stemming from mass arrests of gang members. Some international companies, however, have withdrawn from El Salvador due to the unpredictability of government actions. The Catholic archbishop of San Salvador publicly endorsed Bukele's re-election bid and supports his stringent measures against gangs. The U.S. government was initially a vocal critic of Bukele's administration and a defender of democratic institutions in El Salvador. Its stance, as well as that of other foreign actors, has become relatively muted in recent years.

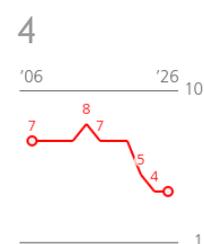
## 5 | Political and Social Integration

Until 2019, ARENA and the FMLN alternated control of the executive branch in El Salvador. Neither party ever held a legislative majority, necessitating negotiations and compromises to pass legislation. Over time, both parties moved toward the center and advanced limited, gradualist policy proposals, which diffused the ideological divide between left and right. This political coexistence was undermined by widespread corruption scandals within both parties, eroding public trust in their leadership.

Commitment to democratic institutions



Party system



Disillusionment with the existing two-party system culminated in the rise to power of Nayib Bukele and his party in 2019, marking a significant shift in Salvadoran politics that was consolidated through his 2024 re-election. After the recent election, traditional parties all but disappeared: ARENA and FMLN each garnered less than 3% of the vote in the 2024 elections and failed to win a single municipality. In 2023 and 2024, legal investigations were launched against some (former) politicians from both opposition parties, based on allegations of embezzlement, money-laundering and organized crime. Because the Public Prosecutor's Office and the courts are staffed by NI loyalists, some experts criticize these moves as politically motivated.

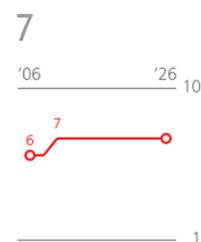
To date, Bukele remains the dominant figure in NI, showing no inclination to allow other voices within the party to emerge except to support or praise his decisions. His confrontational political style further bolsters his public image by reducing political competition to a binary choice: Bukele versus everyone else. Bukele has relied heavily on clientelism to construct, sustain and expand political support for his administration. Upon taking office, one of his first significant actions was to dismiss hundreds of government employees, many of whom were relatives or associates of former FMLN leaders, accusing them of nepotism. Bukele has also maintained a high level of political confrontation, particularly through social media, which he uses to target individuals and political parties associated with previous administrations.

Several interest groups remain active, particularly those concerned with the defense of democracy and human rights and with corruption. Although they generally agree in their assessments, their influence is limited, and they often face criticism from government officials who emphasize their connections to international organizations and foreign funding. The government considered imposing a special tax on funds received from overseas but relented after donor governments and organizations voiced strong objections.

Meanwhile, the most visible and influential interest groups remain those representing the private sector. This is especially true under the umbrella of the Salvadoran Association of Private Enterprise, which is made up of sectoral associations of bankers, merchants, industrialists and civil engineers. There are also professional associations of lawyers, engineers, economists, accountants and architects. Some disagreements have arisen among private sector groups regarding the government's disregard for constitutionally mandated institutions and procedures. However, criticism of the government by private sector interests generally remains relatively muted.

Labor unions have declined significantly in importance, except for those representing government workers in health care and education. Approximately 70% of the working population is employed in the informal sector and lacks any organized form of representation. Industrial activity is predominantly concentrated in offshore production sectors ("maquila"), where workers are not unionized. Rural labor unions are similarly feeble, mirroring the decline of agriculture and the comparatively larger

Interest groups



urban population. The decline in unions' impact is connected to the criminalization and imprisonment of trade union leaders. Union members and workers also face reprisals for participating in protests against state policies.

Following a march on October 19, 2024, against state budget cuts aimed at freezing salary scales for 2025, at least 62 health workers and teachers were laid off in retribution.

Associations between migrant populations and their hometowns in El Salvador have become more important given rising remittance flows and, in particular, funds sent from abroad for communal improvement projects (such as parks, churches, playgrounds and streets).

According to the Latinobarómetro, approval for democracy rose to 48% in 2020, about a year after Bukele took office. This marked a 20 percentage point increase from 2018 and reversed the steady decline in approval for democracy since 2009. Over the review period, approval for democracy remained relatively steady at 46% in 2023 and 47% in 2024. When asked whether democracy, despite its imperfections, remained the preferred system of governance, 79% agreed in 2024, an eight percentage point increase over 2020. Paradoxically, in the 2024 survey, 62% expressed readiness to accept a nondemocratic government if it promised to “resolve problems,” and 49% said it was acceptable to ignore laws and institutions if that helped resolve problems. In addition, 61% agreed that media control by the president would be acceptable “in case of difficulties.” Meanwhile, 62% reported being very or somewhat satisfied with the functioning of democracy – a rate that rose from 11% in 2018, before Bukele’s presidency, but decreased by two percentage points in 2023.

Overall, the results indicate that Bukele is not necessarily seen as “undemocratic” by citizens, who endorse him despite – or because of – the dissolution of democratic checks and balances, and the rule of law under his leadership. In 2024, Bukele was the president with the highest confidence level in the region; 74% of respondents reported having some to a lot of confidence in the president. At 78%, the Catholic Church was the only institution that exceeded the confidence level in the president. Meanwhile, 68% of respondents expressed confidence in the army and 65% in the police. The remaining key governmental bodies received significantly lower confidence ratings in 2024. However, they all ranked among the highest, if not the highest, in the region: the electoral authority (41%), the judiciary (51%), the legislature (41%) and the political parties (21%). While the role of the latter three institutions has been weakened under Bukele’s rule, the level of public confidence in these has improved overall compared with before Bukele ascended to the presidency.

Approval of  
democracy

n/a

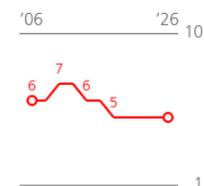


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Currently, most voluntary organizations are charitable in nature, often associated with a church or focused on a limited number of specific social issues. These issues include human and civil rights, gender equality, freedom of the press and water resources. However, organizations that are critical of the government have faced accusations from officials of being tools of foreign interests. Additionally, the establishment of voluntary and autonomous organizations is likely influenced by low levels of public trust. This low level of trust correlates with the high levels of interpersonal violence that El Salvador experienced during the civil war and more recently from gang-related violence. In this sense, the decrease in violence could have positive effects on the social fabric and organization of civil society. At the same time, social relations in areas that in the past had maintained strong social institutions and no gang presence have been affected by the policies of exemption and arbitrary detentions. Anonymous phone calls by neighbors are enough to put people behind bars. The 2024 Latinobarómetro shows that only 16% of Salvadorans believe that others can be trusted – slightly more than the 13% in 2018 but still very low.

Social capital

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## II. Economic Transformation

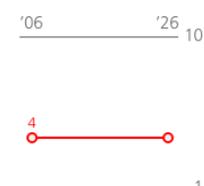
### 6 | Level of Socioeconomic Development

Despite modest economic growth over the past decade, El Salvador has achieved significant reductions in poverty and inequality rates. The country's Human Development Index (HDI) score was 0.675 in 2022, a slight improvement over 2020 (0.672) and placing the country in the medium human development category. Furthermore, El Salvador ranked 127th out of 193 countries and territories in the HDI, below Tajikistan and above Iraq. Its HDI score is heavily influenced by the inflow of remittances, which represent just under one-fourth of GNP, according to World Bank figures. By benefiting individuals at the lower end of the income scale the most, remittances have significantly contributed to poverty reduction.

Social and economic inequalities are among El Salvador's most salient features. When accounting for inequality, the HDI drops by 18.7%. According to the World Bank, 27% of Salvadorans lived below the poverty line in 2023, a 0.4 percentage point increase from 2022, while extreme poverty affected about 9.3% of the population. The poorest 20% of the population received 5.6% of GNI, while the richest 10% received 29% – a pattern that has changed little in recent years. Women are significantly more affected by both relative and extreme poverty. Turning to gender inequality, the country ranked 87th out of 166 countries on the Gender Inequality Index in 2022, with a value of 0.369, the same as in 2018. Men continued to have significantly better average outcomes than women in employment, education and political participation.

Question  
ScoreSocioeconomic  
barriers

4



Economic indicators		2021	2022	2023	2024
GDP	\$ M	29043.1	31870.1	33853.9	<b>35365.0</b>
GDP growth	%	11.9	3.0	3.5	<b>2.6</b>
Inflation (CPI)	%	3.5	7.2	4.0	<b>0.9</b>
Unemployment	%	4.3	3.0	3.0	<b>2.8</b>
Foreign direct investment	% of GDP	2.8	0.1	1.9	<b>2.6</b>
Export growth	%	29.8	12.0	5.3	<b>12.1</b>
Import growth	%	28.8	2.9	-1.4	<b>8.0</b>
Current account balance	\$ M	-1250.5	-2143.7	-367.8	<b>-632.5</b>
Public debt	% of GDP	88.0	83.7	85.1	<b>87.5</b>
External debt	\$ M	20342.0	21309.3	22741.5	-
Total debt service	\$ M	5797.4	3372.5	9188.5	-
Net lending/borrowing	% of GDP	-2.9	-2.7	-2.8	<b>-2.0</b>
Tax revenue	% of GDP	19.7	21.2	20.7	<b>21.5</b>
Government consumption	% of GDP	19.3	18.8	19.1	<b>19.2</b>
Public education spending	% of GDP	3.6	3.3	3.2	-
Public health spending	% of GDP	6.4	6.1	-	-
R&D expenditure	% of GDP	0.2	0.1	-	-
Military expenditure	% of GDP	1.2	1.4	1.3	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

The administration prioritizes strengthening the economy, and has worked to enhance competitiveness, attract investment and serve foreign investors, especially in the tourism sector and public infrastructure. Generally, the Salvadoran regulatory framework fosters competition and is consistent with international norms. Both foreign and domestic investors are subject to equal treatment under the Investments Law, and the Income Tax Law was amended in 2024 to exempt all capital inflows (e.g., profits and dividends, and funds for working capital) from income taxes. Nevertheless, according to the U.S. Department of State, accountability has weakened over the last few years. Rules are applied with discretion, which can

Market organization

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complicate routine transactions (e.g., permit applications), and regulatory agencies are understaffed and lack expertise in dealing with complex problems. Despite these shortcomings, some investors assert that the legal system has become more reliable and efficient under the Bukele government, while businesses report that the demand for bribes to perform government services has almost completely ceased. Domestic courts do not give preferential treatment to state-owned enterprises.

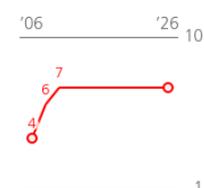
The Salvadoran dollarized economy operates under free-market principles and norms, with prices set by market forces. The market-friendly orientation of the Bukele government is evident in its economic policies, particularly in the 2021 adoption of bitcoin as legal tender, which aimed to promote free markets and offer a currency independent of government intervention. Government subsidies for propane gas bottling companies to counter the rise in petroleum prices following Russia's invasion of Ukraine were extended until the end of May 2024. Otherwise, all companies (national and foreign owned) were subject to the same fiscal, administrative and environmental requirements. To promote foreign investment, the government enabled online registration of new companies within three days, and established the Investment Facilitation Committee to expand investment opportunities in the public and private sectors. The committee launched a five-year strategic investment attraction plan in late 2023, with implementation beginning in 2024. In June 2023, the Investment and Export Promotion Agency (INVEST) replaced the Exports and Investment Agency of El Salvador, assuming responsibility for attracting and facilitating investment. Nevertheless, El Salvador's very modest economic growth has been attributed to a weak productive base and an uncompetitive wage structure. Around two-thirds of the workforce works in the informal sector, and remittances have become a structural component of the economic system, thereby prioritizing consumption of imported goods over productive investment within the country.

Monopolies are explicitly prohibited by the constitution (except under state or municipal control when deemed socially necessary). The Superintendency of Competition (SC) was established in 2006 to enforce a competition law approved shortly before. The SC, which is a member of the International Competition Network, is authorized to fine companies that violate the competition law and to prevent mergers if their combined weight exceeds a set maximum. The SC has imposed conditions on proposed mergers, the most recent in the telecommunications sector.

In general, the SC's effectiveness is limited by resource constraints, including limited funding. It often spends considerable time investigating minor claims rather than focusing on potentially major violations of competition law. In addition, its rulings can be appealed in court, thereby delaying payment of fines or compliance with cease-and-desist orders. Moreover, Bukele's embrace of the free market coexists with a personalistic and authoritarian regime in which checks and balances, including competition policies, have been severely limited. In July 2024, Bukele issued stern

#### Competition policy

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warnings to businesses, particularly importers, distributors and food wholesalers, against what he considered unjustified price increases on essential goods. He threatened to employ the stringent measures used in his crackdown on gangs if such practices continued. While no actual measures have followed, this incident illustrates potential conflicts over economic policies in a setting of personalistic rule.

El Salvador has pursued highly liberal trade policies since the 1990s, both in response to policy commitments and because of a strong influx of remittances from Salvadorans abroad. The country joined the World Trade Organization (WTO) in 1995 and acceded to the Central American Free Trade Agreement (CAFTA) with the United States in 2006. In November 2022, the government also signed a free trade agreement with China, which is the second-most-important source of Salvadoran imports after the United States.

As of January 2025, El Salvador's trade and tax policies reflect its commitment to regional integration and economic openness. According to the WTO, the country's simple-average applied most-favored-nation (MFN) tariff rate remained 6.0%, with most tariffs below 15%. Specific sectors such as textiles remain protected by tariffs; for instance, tariffs of 14.9% on new and used clothing aim to safeguard domestic industries. Agricultural imports face an average MFN tariff of 11.8%, with certain products such as sugar and dairy incurring higher rates of 26.1% and 27.2%, respectively. El Salvador's participation in regional trade agreements, notably the CAFTA-DR, has facilitated the gradual elimination of tariffs on a broad range of goods. By 2024, many tariffs had been reduced or eliminated, enhancing trade flows within the region. Additionally, long-standing free trade agreements among Central American countries exempt most agricultural imports from duties, promoting regional economic integration.

Over the past decade, the country's biggest banks have been gradually acquired by transnational banking corporations. The sale of these banks to foreign interests is partly attributed to the adoption of the U.S. dollar as legal tender in 2000. This decision eliminated the country's domestic currency and monetary policy capabilities, leaving the Central Reserve Bank of El Salvador without the ability to provide liquidity as needed. To ensure solvency, the foreign parent companies of these local banks assume some responsibility. As of October 2022, the four largest banks are owned by corporations registered in Colombia, Panama and Honduras. Together, these banks hold 72% of the total deposits in the banking system. The remaining deposits are divided among eight other banks, including a government-owned mortgage bank.

As a dollarized economy, El Salvador has no currency or exchange controls. However, every bank is required to publish its annual audited financial statements and to report large or suspicious bank transfers to the Office of the Superintendent of the Financial System (SSF), which monitors banks' balance sheets, and to law enforcement officials. The SSF provides oversight of the country's banking system

#### Liberalization of foreign trade

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#### Banking system

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and this oversight is supplemented by regular reporting from the Salvadoran Banking Association (ABANSA), which represents private banks. As of December 2024, the SSF reported that the banking sector maintained a non-performing loan ratio of 2.1%, indicating a stable credit environment. A non-performing loan ratio below 5% is generally considered a sign of a well-functioning banking sector with manageable credit risks. The total outstanding debt in the banking sector reached \$15.8 billion, reflecting a 5% increase compared to the previous year.

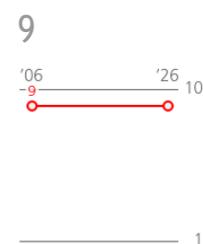
Banks also play a crucial role in transferring remittances. In 2024, according to the Central Reserve Bank, banks handled about 35% of the \$7.56 billion in remittances; money transfer companies, about 60%; and couriers handling cash transfers, about 2%. The government's bitcoin company handled less than 1.5%. A considerable share continues to be transmitted privately and informally. There is a functioning stock exchange that primarily trades government and private bonds. In 2023, securities worth a total of \$4.43 billion were traded, reflecting a 69% increase compared with 2022. Average daily trading volume ranged from \$12 million to \$30 million. The largest buyers on the Salvadoran securities exchange are government-regulated private pension funds, Salvadoran insurance companies and local banks.

A concern with the 2021 adoption of bitcoin as legal tender was that its introduction could create instability in the banking system due to its high volatility. With changing U.S. dollar-bitcoin exchange rates, sudden changes in the asset positions of bitcoin holders could also affect the banking sector. Available indicators for the banking sector do not show a heightened risk at the moment. Bitcoin was never widely used and was not held by banks. In January 2025, bitcoin's status as legal tender was quietly abolished.

## 8 | Monetary and fiscal stability

The U.S. dollar has been legal tender in El Salvador since 2000. While the colón remains a legal currency, all colón notes have been withdrawn from circulation and are held by the Central Reserve Bank. This dollarization ensures monetary stability, tying El Salvador's inflation rates closely to those of the U.S. economy and to fluctuations in the value of the U.S. dollar. Since 2022, global economic trends have influenced inflation in El Salvador. The country experienced a significant increase in the inflation rate from 3.47% in 2021 to 7.2% in 2022, reflecting global supply chain disruptions and rising commodity prices. By 2023, inflation moderated to approximately 4.0%. The IMF forecasts a further decline, with inflation expected to reach 1.8% by 2025, aligning with global trends and El Salvador's economic ties to the United States. Moreover, while the Central Reserve Bank's role is primarily focused on reporting economic indicators (i.e., trade, remittances and fiscal policy), it expanded its responsibilities in October 2022 by assuming the tasks of conducting the national census and producing statistics, functions previously managed by the Ministry of Economy.

### Monetary stability



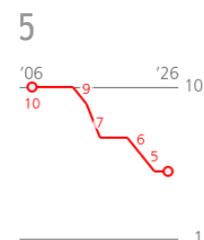
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Concerns about a possible default arose when a \$1 billion bond matured in January 2023. Despite widespread fears, El Salvador honored the obligation, avoiding default. Analysts partly attribute this success to pension reforms that redirected pension contributions to service debt obligations, although it increased the system's future liabilities. To diversify its funding sources, the government also announced plans in November 2021 to issue bitcoin bonds to raise \$1 billion for the "Bitcoin City" project and debt repayment. However, the issuances faced repeated delays. Remittances also play a crucial role in El Salvador's macroeconomic stability. In 2023, remittances reached a record \$8.142 billion, helping finance the current account deficit, which was around 4.5% of GDP. These funds provide a stable and countercyclical source of external finance, supporting household consumption, and contributing to economic resilience amid global economic fluctuations.

El Salvador has one of the lowest credit ratings among countries in the Western Hemisphere. Its ratings have fluctuated significantly since 2021 because of fiscal concerns and political developments. In February 2021, Moody's downgraded El Salvador's rating from B3 to Caa1, citing fiscal deficits and rising debt levels, and downgraded it again to Caa3 in May 2022, reflecting heightened default risks. However, Moody's upgraded the rating back to Caa1 with a stable outlook in May 2024, acknowledging improvements in fiscal management. Similarly, Standard & Poor's lowered El Salvador's rating from B- to CCC+ in June 2022 but restored it to B- in November 2023. Fitch Ratings followed suit, upgrading the country's rating from CCC+ to B- in January 2025, citing improved economic prospects and liquidity. El Salvador's rating is only slightly above that of Argentina, which Fitch rated CCC as of late 2024, and below that of Ecuador, which maintains a higher rating of B.

Despite an improved outlook, the fiscal situation in El Salvador has become increasingly opaque in recent years. The IMF noted in May 2023 that Salvadoran authorities had not consented to the publication of the IMF staff report or related press releases, hindering external assessments of the country's financial health. Transparency has eroded further due to reforms to the Access to Public Information Law proposed in July 2021, which expanded the scope of classified information and reduced the autonomy of oversight bodies. The situation worsened with the passage of new cybersecurity and data protection laws in November 2024, which critics warn could suppress press freedom and civil liberties. These restrictions have also made it challenging to track government spending on bitcoin initiatives. There is no public data on how much taxpayer money was used to implement bitcoin as legal tender or on the government's bitcoin purchases, beyond sporadic and unverified reports. The growing lack of transparency has raised concerns about fiscal accountability and governance in El Salvador.

#### Fiscal stability



## 9 | Private Property

The constitution enshrines the right to property as a fundamental individual right yet limits private landholdings to 245 hectares. There have been calls to eliminate the latter provision because it discourages large agribusiness investment. Generally, the right to private property is not questioned or debated, and procedures for its registration, transfer and sale have been improved by digital technologies at the government's property registry office. Still, the 2024 International Property Rights Index (IPRI) ranked El Salvador 90th out of 125 countries worldwide (next to Senegal and North Macedonia) and 13th out of 21 countries in the LAC region. El Salvador's ranking is hurt by weak enforcement of intellectual property rights, especially for software and by legal and political uncertainty.

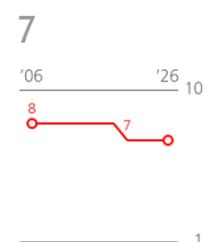
Water and mining rights are contentious political issues. Metal mining was prohibited in 2017 following significant opposition to mining. However, in December 2024, the Salvadoran Congress lifted the ban, allowing metal mining to resume under specific conditions. Bukele advocated for the reversal, citing estimates that El Salvador possesses gold reserves worth up to \$3 trillion, which he argues could significantly boost the nation's economy. A survey by the Jesuit-run Central American University found that a significant majority of Salvadorans are wary of mining: 67% believe El Salvador is already facing a water crisis and is not suitable for metallic mining, reaffirming previous opposition to mining.

The Salvadoran economy operates under a private enterprise system. Since the 1990s, the state has largely retreated from running economic enterprises. In 1998, the government-run social security institution transferred management of retirement funds to private firms. Currently, the government's direct involvement in economic activities is limited to operating the country's seaports, its only international airport and the national hydroelectric power and water authorities, which are run as autonomous public corporations.

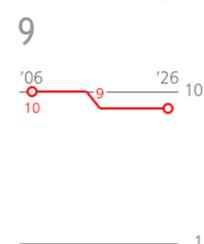
Under the business-friendly governments of ARENA (1989 – 2009), private enterprise was well represented and supported. The property tax was abolished; import and export duties were mostly reduced or eliminated; and government revenue began to rely mainly on the value-added tax. In addition, the U.S. dollar was adopted as legal tender, and free-trade treaties were negotiated with the United States, the European Union, Mexico and other Latin American countries. The leftist FMLN governments (2009 – 2019) did not significantly alter this. However, Bukele's government has taken steps to attract new foreign investment by tackling social violence and insecurity – especially with the March 2022 SOE – in an effort to create a stable environment for investment.

In August 2023, El Salvador and Google formalized a partnership. The seven-year deal, which includes a \$500 million commitment from El Salvador, focuses on deploying Google Cloud infrastructure in the country, including a Google Distributed

Property rights



Private enterprise



Cloud instance to localize data processing and storage. It also involves establishing the Cloud Center of Excellence to provide technical training and guidance, digitizing government services (e.g., electronic invoicing and permitting), enhancing health care with AI-driven tools and creating the unified Education Data Platform to improve learning outcomes. Moreover, productive investments related to bitcoin were incentivized but remained modest overall: One estimate suggests that, as of June 2022, about 50 bitcoin-related companies were operating in El Salvador, generating about 113 direct and 400 indirect jobs.

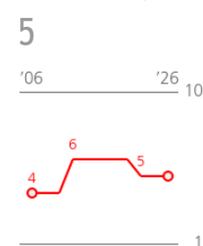
## 10 | Welfare Regime

Social safety nets exist but do not cover all risks for the entire population. Publicly administered medical insurance is mandatory for all formally employed individuals, including foreign residents. The program, the Instituto Salvadoreño del Seguro Social (ISSS), is funded by employees, employers and the state. As of December 2023, the ISSS provided coverage to about 31% of the population, including both active contributors (cotizantes) and their beneficiaries. About 70% of the workforce is employed in the informal economy, and is not covered by social security and does not pay into a pension fund. Self-employed and informal-sector workers, who are not covered, depend on private medical facilities or the government's nominally free public health clinics and hospitals. While these facilities are generally adequate for outpatient care, nonemergency procedures often involve considerable waiting times.

In 2023, the government allocated about 3.7% of GDP to health services, which accounted for 14% of the state's total budget expenditures for the year. However, due to insufficient funds, investments in certain critical public health facilities are on hold. Given limited coverage by social safety nets, remittances from migrants abroad – 23% of GDP in 2023 – played an important role in covering social needs and spending on health care. Overall, the quality of health services has gradually improved, raising average life expectancy to 71 years.

Old-age pensions have been administered by private pension funds since 1998. As of October 2022, two private retirement funds operated in the country; 833,181 of the 3,674,873 affiliated individuals were contributing, or 22.7%. Most contributors are urban workers in the formal sector. A law passed in December 2022 raised the minimum monthly pension from \$300 to \$400 to counter inflation. The law also introduced instruments allowing the government to borrow from the pension funds, enabling it to tap contributors' accumulated savings. This helped the government cover short-term fiscal obligations. With the pension funds now holding a substantial share of their assets in the form of government liabilities, pensions are tied to the government's financial health, posing risks for retirees.

Social safety nets



Successive Salvadoran governments have expressed their commitment to expanding opportunities for young people, primarily by supporting public education and job training. As evidence of these efforts, the literacy rate has steadily increased, reaching 90% of people ages 15 and older in 2023 (92% and 88% among men and women, respectively). However, other indicators of educational achievement are less promising. As of 2020, only about 4.4% of people aged 25 and older had completed at least four years of higher education.

According to the Gender Parity Index, there is parity between girls and boys in primary and secondary education, yet women are advantaged in tertiary education (1.3). The country has only one public university, which is relatively inexpensive, but it enrolled only 63,200 students in 2020 – about a third of the total university population – compared with 127,600 at private institutions of higher learning, which are usually much more expensive. Rural populations are particularly disadvantaged in this regard. After completing their studies, young people – even those with a university degree – have difficulty finding jobs in a largely service-oriented economy with sluggish growth. Youth unemployment rates are high and many Salvadorans emigrate in search of better opportunities, raising concerns about the loss of human capital.

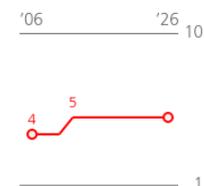
In 2024, women made up 41.4% of the labor force, up only 0.1 percentage points from 2022. In the 2024 Global Gender Gap Report, El Salvador recorded one of the largest year-over-year declines in rank, falling 28 places from 2023 to 96th of 153 countries, with a score of 0.695. According to the report, educational attainment, health outcomes and mortality rates are comparable between men and women. However, women are significantly disadvantaged in political empowerment (0.215) and in economic participation and opportunities (0.592). Women’s reproductive rights are generally respected regarding access to contraception, although the country’s abortion laws are among the strictest in the world. In El Salvador, spontaneous abortions (miscarriages) have been prosecuted as aggravated homicides, with sentences ranging from 30 to 50 years in prison.

Informal discriminatory practices affect the LGBTQ+ community, exposing its members to harassment and physical violence.

This includes harassment and physical violence. Ethnic or racial markers are less obvious markers of social mobility in El Salvador compared with other Latin American countries where indigenous communities have greater visibility. Even so, social status and mobility are correlated with long-standing historical legacies and structural inequalities that are reflected in the ethnic or racial traits of the population.

## Equal opportunity

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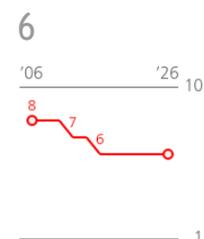
## 11 | Economic Performance

The Salvadoran economy is a net exporter of offshore production goods and has a sizable service sector that caters to the demands of a growing middle class. The adoption of the U.S. dollar as legal tender has contributed to monetary stability and inflation trends in El Salvador closely mirror trends in U.S. family remittances, which remain a backbone of the economy, with inflows reaching a record \$8.14 billion in 2023. FDI inflows were equivalent to 2.1% of GDP in 2023, up from 2022. The majority of FDI is directed toward renewable energy, real estate and tourism infrastructure.

After the economy rebounded from the COVID-19 pandemic in 2021, with 11.90% growth, the pace of growth moderated to 2.8% in 2022 as stabilization took hold. In 2023, the economy grew by 3.51%, signaling a return to pre-COVID-19 growth patterns. Preliminary data for 2024 suggests growth of 3.2%, with a projection of 3.5% for 2025. Compared with regional peers, El Salvador's growth has been moderate, lagging behind faster-growing economies such as Panama and Guatemala, but showing greater stability than highly volatile countries such as Nicaragua. Key drivers of economic growth include a significant reduction in violence, an improved investment climate that boosted consumption and developments in the real estate sector. The government has heavily promoted tourism, particularly in coastal regions and surf destinations, under the "Surf City" brand. Tourism revenue rose by 26% in 2023, reflecting increased visitor numbers. Additionally, the government has invested in infrastructure to further develop these areas.

El Salvador faces significant fiscal challenges affecting its long-term economic stability. According to the World Bank, El Salvador's fiscal deficit is projected at 4.5% of GDP, with financing through multilateral investments, unallocated pension assets and increased domestic debt. The fiscal outlook remains challenging, with liquidity needs persisting. While the government addresses the 2024 financing gap, it must secure approximately \$900 million annually for 2025 and 2026, and tackle a significant \$1.7 billion gap in 2027, including a eurobond payment. In December 2024, after protracted negotiations with the IMF, the country declared it was ready to abandon bitcoin as legal tender and stop its public bitcoin accumulation to attain a \$1.4 billion loan agreement.

Output strength



## 12 | Sustainability

As the most densely populated country in Central America, El Salvador faces significant environmental challenges, including deforestation, water scarcity and pollution, driven by urbanization, poor waste management and unsustainable agricultural practices. Soil degradation and biodiversity loss threaten ecosystems, while the country's vulnerability to climate change exacerbates extreme weather events, droughts and sea level rise. Although El Salvador's National Environmental Policy was first implemented in 2012, climate change still has not drawn wide attention. For the 2025 fiscal year, El Salvador's Ministry of Environment and Natural Resources (MARN) has been allocated a mere 0.16% of the national budget (\$15.9 million), reflecting a reduction from \$20.1 million allocated in 2024.

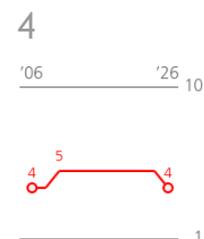
Environmental protection is not among the government's key objectives. Instead, it is subordinated to economic objectives and populist goals. Investment in renewable energy is part of the energy diversification program, which also includes plans to invest further in nuclear power plants. The government encourages the use of renewable energy. In 2024, hydropower and gas accounted for 65.3% of production, while thermal energy contributed 34.7%.

Mining has been particularly contentious because of its environmental impact. El Salvador's government repealed a seven-year ban on metal mining in December 2024, citing the potential economic benefits of exploiting the country's estimated \$3 trillion in untapped gold reserves. The administration argues that modern, sustainable mining practices could boost the economy and create jobs. However, critics warn of significant environmental risks, particularly water contamination in a country already facing water scarcity. They contend that the potential economic gains do not outweigh the environmental and public health threats, reflecting long-standing public opposition to mining in El Salvador. According to recent surveys, a large majority of Salvadorans reject mining. Requests for access to information regarding mining feasibility in El Salvador have been rejected by the government.

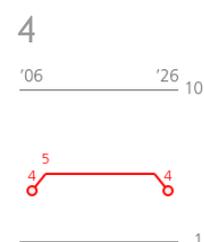
Education policy has long focused on achieving maximum enrollment at the primary and middle school levels. However, this pursuit has come at a cost: the school day in public schools lasts only four to five hours because of a two-shift system (morning and afternoon) implemented to reduce expenses. As of 2022, the average number of years of schooling in El Salvador is approximately 7.2 years, reflecting a 24.9% increase since 2006. El Salvador's score on the 2022 U.N. Education Index was just 0.571, placing the country between Kenya and India.

El Salvador's proposed 2025 General State Budget allocates approximately 4.1% of estimated GDP to education, compared with 5% in 2022. This allocation reflects a reduction of about \$31 million from the \$1.566 billion approved for education in 2024. Additionally, the 2025 budget proposes freezing salary scales for education

Environmental policy



Education policy / R&D



professionals, meaning there would be no salary increases in the coming year. These budgetary adjustments have raised concerns about potential impacts on the quality of education and the government's commitment to improving the education sector.

Moreover, the only public university – Universidad de El Salvador (UES) – faces financial challenges, with its 2025 budget allocation set at \$114.2 million, unchanged from previous years, and only 32% of the \$354 million it requested to meet operational and developmental needs. As of early 2024, the government owes the university \$52 million, delaying essential programs and operations. Despite these constraints, UES remains the country's primary public higher education institution, serving a large student population. The university and its advocates have called on the government to increase funding to ensure the quality and sustainability of education and academic development in El Salvador.

Institutions of higher learning, both public and private, primarily focus on teaching in the fields of law, business administration and the social sciences. Little fundamental scientific research is conducted. According to World Bank data, El Salvador's expenditure on R&D in 2022 was about 0.1% of GDP, significantly lower than the global average.

## Governance

### I. Level of Difficulty

Emigration and remittances, arguably the most important structural changes of the past century, have enabled many families to escape poverty. However, substantial emigration has fragmented families, resulting in many single-parent households (primarily led by women). Children who live with extended relatives – or who are mostly independent – are particularly vulnerable to involvement in gang violence and crime. Since at least 2000, gang violence has been a prominent public concern. Previous government and private-sector efforts to address it proved ineffective until the current administration adopted the widely endorsed strategy of mass incarceration. Although rates of violence have decreased, many Salvadorans continue to migrate to the United States because of economic challenges and social issues.

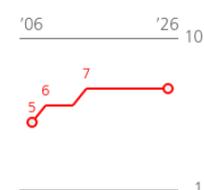
The education system is chronically underfunded and unable – or unwilling – to provide the skills and knowledge required by technologically complex production chains. Most employment opportunities in the formal sector are for low-skilled workers in the services and offshore production sectors (maquila), while emigration flows continue unabated.

Approximately two-thirds of the country’s population lives in urban areas, and the country boasts a generally robust infrastructure. The paved highway network extends to most regions of the country. The country’s sole airport serves as a modern hub for both regional and international air travel. However, the existing seaport, established in 1962, is outdated and lacks purpose-built facilities for container traffic. El Salvador is investing significantly in its port infrastructure. Additionally, an expensive container port in the eastern part of the country has remained inactive for more than a decade because of technical and concession challenges. In August 2024, the Turkish company Yilport Holding announced a \$1.62 billion investment to expand and operate two major ports in El Salvador: Acajutla and La Unión. This initiative is part of Bukele’s broader economic plan to position El Salvador as a logistics hub in Central America.

Natural disasters are an ever-present threat. Earthquakes and associated landslides are especially destructive, although building codes have become stricter and high-rise, steel-based construction is more common. COVID-19 increased awareness of the importance of public health and prompted demands for more and better health facilities.

Structural constraints

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The constitution protects the existence of CSOs under the right of association, as does a 1996 law that specifically governs the operation of non-profit associations and foundations. However, Bukele has launched attacks on several CSOs that have criticized his government and received foreign funding for their operations. The government also refuses to provide information on public contracts and ignores normal bidding procedures under the SOE. Since Bukele's party controls the legislature, the courts and the Attorney General's Office, CSOs have little recourse left to seek judicial protection and redress.

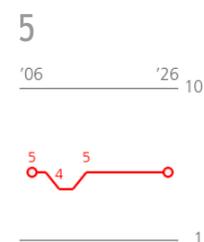
In November 2021, Bukele's administration proposed a "foreign agents" bill that would require organizations and individuals receiving foreign funding to register as foreign agents and impose a 40% tax on such funds, citing the need to protect national sovereignty. However, the proposal faced strong domestic and international criticism, amid concerns that it would stifle NGOs, independent media and dissent by creating financial and bureaucratic barriers. In response to the backlash and pressure from civil society and human rights groups, the government ultimately decided not to move forward with the bill. No new initiative has been introduced in this regard.

Constraints on civic engagement are exacerbated by low levels of interpersonal trust. According to the 2024 Latinobarómetro survey, only 16% of Salvadorans believe most people can be trusted, a 3% improvement from 2021. While the ongoing reduction in violence could positively influence social capital and foster greater civil society organization in the future, the erosion of civil rights presents significant challenges. Reports indicate that, in many cases, anonymous tip-offs have been sufficient to detain individuals, raising concerns about due process and human rights. Such practices risk undermining trust and social cohesion, which are essential for a healthy and participatory society. Nonetheless, community organizations continue to operate, particularly those that direct remittances toward social improvement projects and typically steer clear of political or ideological agendas.

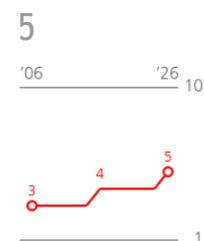
Political confrontation noticeably increased during Bukele's initial years in office, while opposition parties still controlled the legislature. However, in early 2021, his political party secured a legislative majority, allowing it to govern without the need for negotiations. His re-election by a landslide in 2024 consolidated the concentration of power and the control of municipalities. Political opposition is virtually nonexistent.

Attempts by opposition groups to mobilize and demonstrate against government measures have been limited. Under the SOE, public gatherings have been heavily restricted. Bukele has also deployed large numbers of police and soldiers to crack down on gangs, a move that has indirectly discouraged opposition groups and CSOs from organizing public protests. Reports of politically motivated imprisonment have surfaced, including the case of the "Santa Marta 5" – activists opposing mining projects – who were detained in early 2023 and released in June 2024. Public mobilization is not part of Bukele's own playbook. He and his followers have relied

#### Civil society traditions



#### Conflict intensity



mostly on social media platforms to rally support and mock the opposition. Bukele's style is clearly populist, combining personal charisma with promises of simple solutions to complex problems. Cleavages between supporters and opponents of government policies have increased. Moreover, Salvadoran society is increasingly fragmented, a process fueled by authoritarian tendencies, high rates of imprisonment, economic and educational inequality, and migration.

## II. Governance Performance

### 14 | Steering Capability

El Salvador's current economic and political strategies lack a clear long-term perspective and often appear driven by short-term political considerations. While there have been some efforts toward infrastructure development, such as port and tourism projects under the "Surf City" initiatives, these are exceptions rather than part of a coherent long-term strategy. Economic growth relies primarily on real estate expansion rather than productive investment or human capital development. Public spending favors high-visibility projects, such as building a large library in the capital, while broader investments in education, such as community libraries in underserved areas, remain neglected.

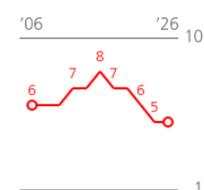
The 2021 bitcoin initiative was similarly not rooted in a well-formulated strategy. Most associated projects have remained largely rhetorical, with limited implementation. Bitcoin adoption in daily use has been minimal (less than 10%) and fintech investments have been negligible. Moreover, in addressing violence, the government has focused on an aggressive crackdown on gangs through an SOE. However, no comprehensive strategy has been articulated for long-term solutions, such as the eventual release or legal processing of the thousands of detainees. Similarly, in terms of public finances, the government has opted for short-term measures, including reliance on additional loans and a pension reform that effectively used retirees' savings to cover immediate fiscal gaps. There has been little effort to adopt a long-term strategy to balance revenues and expenditures sustainably.

The overarching priority of Bukele's government has been promoting public safety to attract investment and drive economic growth. While the decline in violence is impressive, it has come at a significant cost. Detentions are often based on appearances, anonymous tips and mass security operations, with limited legal oversight. The new Center for the Confinement of Terrorism (CECOT) prison was built to hold up to 40,000 detainees, but no provisions have been outlined for their eventual trials or possible release. Critics argue that these measures may create a greater security problem in the long run, and severely erode democratic institutions as well as fundamental rights.

Question  
Score

Prioritization

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Implementation

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Bukele's bitcoin initiative never met its declared goals of reducing remittance costs and increasing financial inclusion. Only a small portion of remittances was sent using bitcoin and most households never embraced the cryptocurrency. The government invested an estimated \$200 million in bitcoin-related infrastructure, including Chivo ATMs and a government-run digital wallet, both of which were largely underused. Projects such as Bitcoin City, bitcoin bonds and bitcoin mining have either stalled or failed to materialize. While real estate prices have risen, attributing this trend solely to bitcoin is speculative, as other factors, such as broader investment trends and speculation, may also play a role. Under pressure from the IMF, El Salvador removed bitcoin's status as legal tender in 2025.

Bukele initially campaigned on promises to address government inefficiency through digital innovation and expedited decision-making. However, as with previous administrations, Bukele's government struggles with implementation, partly due to the lack of a professional civil service. Furthermore, Bukele has repeatedly emphasized his government's commitment to large-scale infrastructure projects, including a high-speed rail network, the construction of a second international airport and port investments. While these projects would modernize the country's infrastructure, they are very expensive and no comprehensive feasibility studies have been conducted. These projects appear to align with Bukele's preference for ambitious construction initiatives, which may bolster his political image but are not necessarily aligned with the country's most urgent needs. Funding priorities remain focused on immediate concerns, such as paying salaries, covering operational costs and servicing loans.

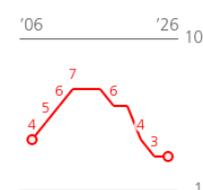
Bukele's rhetoric is rooted in a rejection of the policies and political actors that preceded him. He particularly targets the two dominant traditional parties, FMLN and ARENA, accusing them of corruption, nepotism and inefficiency. He has also sought to distance himself from his political origins in the FMLN. Bukele's systematic replacement of officeholders, including at lower administrative levels, with individuals from his party has resulted in a lack of seasoned advisers who could provide continuity with successful or important past government initiatives.

The Bukele administration takes full credit for its achievements, while blaming others for its shortcomings and ignoring or discrediting opposition voices. The administration has been reluctant to engage with experts from universities or think tanks, avoiding contrary opinions or outside scrutiny. Since NI secured control of Congress and the Supreme Court, nearly all laws have originated in the executive branch and been approved by the legislature with minimal debate or modification.

Bukele and his ministers have also resisted transparency in government spending and bidding processes, aided by SOE provisions that allow the government to operate with limited oversight. This lack of transparency has strained relationships with foreign governments and lending institutions – a significant risk for a country reliant on remittances, foreign aid and investment. While criticism from international actors

#### Policy learning

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has been significant, it has softened somewhat in recent years. During the first Trump administration, there was a notable lack of emphasis on institutional checks and balances, allowing Bukele's governance style to face less scrutiny.

## 15 | Resource Efficiency

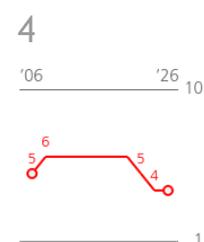
In El Salvador, high- and mid-level government officials are replaced with each administration. Under the Bukele administration, many high- and mid-level officials have been replaced with underqualified and often young individuals with little to no prior experience in public administration, many of whom are from the NI. This has resulted in disregard for established administrative procedures and a governance structure dominated by individuals loyal to Bukele's vision for the country. Reports indicate that between 3,847 and 8,000 public servants were fired in 2024, especially affecting the health and education sectors. According to the National Foundation for Development (FUNDE), the government projects a reduction of at least 9,000 positions in government institutions by 2025.

Fiscal deficits remain significant – projected at 4.5% in 2024 – while public debt has risen considerably, from 40% of GDP in 2009 to 84.0% of GDP as of June 2024. This increase was exacerbated by the economic contraction during the COVID-19 pandemic and reliance on borrowing to finance government spending. There are concerns about El Salvador's mid-term fiscal sustainability and its ability to meet debt obligations. Nonetheless, in January 2025, Fitch Ratings upgraded El Salvador's credit rating from CCC+ to B- with a stable outlook, following a staff-level agreement with the IMF on the \$1.4 billion loan program to support government reforms.

The government auditing office, Corte de Cuentas de la República, has been largely ineffective because it is run by political appointees who are more focused on shielding the administration from corruption allegations than on enforcing accountability. Since the disbandment of CICIÉS in 2021, the government has operated with increasing secrecy, especially regarding contracts and purchases. Additionally, the government's bitcoin purchases have faced scrutiny for their lack of transparency and the associated financial risks.

The reduction in the number of municipalities from 262 to 44 has been justified by the government as a measure to improve efficiency. Similarly, the dissolution of the national statistics institute, DIGESTYC, was presented as a streamlining effort. However, critics argue that both actions are politically motivated. The municipal reform is seen as a move to consolidate party control over local governments, while the dissolution of DIGESTYC reflects a low priority on reliable data collection that could challenge government narratives or enable greater accountability.

Efficient use of assets



Bukele presents himself as a “strongman” capable of delivering decisive action without bureaucratic delays or compromises associated with institutional checks and balances. This approach prioritizes a top-down model over horizontal coordination of policy goals among different actors and sectors. Considering his party’s dominance in Congress and the Supreme Court, the president’s authority in defining policies and priorities is virtually unchallenged, solidifying his control over the political landscape. However, trade-offs inevitably arise from this model of governance.

One prominent trade-off is between achieving historically low homicide rates and respecting civil rights. Under the SOE, tens of thousands of individuals have been detained without due process, straining the judiciary and the prison system, which are ill-equipped to handle the volume. This has been exacerbated by the government’s dismissal of hundreds of judges, further weakening judicial capacity. Another trade-off is evident in the tension between expanding welfare and infrastructure investments, and maintaining fiscal sustainability. While Bukele has prioritized visible infrastructure projects, these initiatives often lack feasibility studies and comprehensive cost-benefit analyses. For instance, contentious projects such as bitcoin mining and geothermal energy investments have been announced with much fanfare but little practical follow-through, raising questions about their economic viability. Despite these trade-offs and significant implementation challenges, Bukele’s popularity remains unwavering, partially due to his effective use of media and communication strategies.

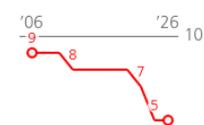
Early in his administration, Bukele announced the creation of the CICIES, a commission supported by the OAS to investigate corruption, but he dissolved it shortly afterward. Subsequently, the government began sidestepping normal bidding procedures under the state of emergency it had enacted. A similar provision was included in the SOE decreed in 2022 in response to a spike in public violence. In addition, the government office responsible for access to public information has denied requests from journalists and NGOs to see the contents of contracts and purchases.

A law passed in 2000 requires all government contracts and acquisitions to follow procedures to ensure transparency and compliance with contract obligations, but its implementation was ineffective. It was superseded in January 2023 by a new law that allows the executive to award contracts directly by declaring a given project to be of “strategic” importance. Additionally, the Corte de Cuentas de la República, which is charged with auditing government entities and uncovering malfeasance, is largely ineffective due to its partisan nature and instead focuses on shielding government corruption. There is still no institution in charge of corruption investigations and corruption charges appear to be politically motivated.

Investigations have raised concerns about potential personal enrichment within Bukele’s family during his tenure. A report by El País in October 2024 revealed that the Bukele family acquired 34 properties valued at \$9.2 million, including luxury

#### Policy coordination

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#### Anti-corruption policy

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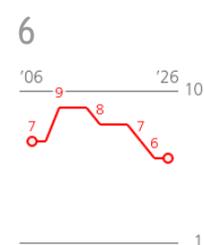
homes and coffee farms totaling 231 hectares. Notably, Bukele’s brother and chief adviser, Karim Bukele, purchased a building in San Salvador’s historic center for \$1.3 million, just three months after the Legislative Assembly – controlled by the Bukele family – passed a law exempting investors in that area from taxes. These acquisitions represent a 12-fold increase in the family’s landholdings since Bukele assumed office. The timing and nature of these purchases have led to allegations of using privileged information and favorable legislation for personal gain. Critics argue that such actions contradict the president’s anti-corruption stance, and raise questions about transparency and accountability within the administration.

## 16 | Consensus-Building

Since the 1992 Peace Accord, El Salvador has maintained a record of political stability and regular government turnovers. However, with the rise of Nayib Bukele in 2019 and especially after his party gained a majority in the legislature in 2021, democratic checks and balances have been systematically dismantled “from within.” This has been achieved through the appointment of loyal judges who endorsed his unconstitutional re-election bid, the near elimination of political opposition and the erosion of constitutional rights under the prolonged SOE. As a result, Bukele has obtained de facto control over all three branches of government as well as over municipalities. Although opposition parties disagree with some policies, they have no impact at the institutional level. The reinterpretation of the constitution in favor of Bukele’s bid for re-election in 2024 also shows that constitutional control is no longer secure. Accordingly, consensus-building between parties or political actors is unnecessary. Additionally, the ruling party exerts significant control over official news outlets, leaving independent journalism and academia as the sole remaining check on government power. However, independent journalists operate under continuous attack from the administration and face a lack of institutional protections or political support to safeguard their work.

Despite these challenges, Bukele has remained committed to the principles of a market economy. As a country with limited natural resources, El Salvador relies heavily on imports and remittances, and to a lesser extent on its entrepreneurial class to generate income and attract investment. Bukele has sought to modernize the economy by promoting sectors such as tourism and infrastructure, and by championing controversial initiatives such as bitcoin adoption and digitalization. However, these efforts have often been criticized for lacking transparency and strategic planning. Although there is broad consensus in El Salvador on the importance of market-oriented policies, that consensus does not extend to the institutions of liberal democracy or the checks and balances typically associated with liberal democracy. The government has centralized power in the executive branch, diminishing the independence of institutions that could hold it accountable. This consolidation of authority highlights a growing divide between economic policy continuity and democratic governance, with the latter increasingly under threat.

Consensus on goals



Democratic institutions in El Salvador have been significantly strained, and actors advocating the restoration of liberal democracy are on the defensive. Bukele has built a diverse coalition of actors and groups to support his project, consolidating his power and popularity. During his first term, Bukele's coalition relied on the support of small political parties willing to back his government in exchange for positions in the administration. This dynamic shifted after his party won a legislative supermajority in 2021 – reducing his reliance on smaller parties – and was consolidated by his party's overwhelming wins in the 2024 elections.

The new political elite in El Salvador consists largely of a younger generation closely associated with Bukele, including many who worked with him during his tenure as mayor of San Salvador. Others have joined his movement in search of career opportunities, often prioritizing loyalty over political experience. The armed forces, marginalized for decades, have been brought into Bukele's coalition with promises of increased budgets and an expanded role in law enforcement. This alignment has given the military renewed prominence, ensuring its support for Bukele's agenda. A segment of the business community has also aligned with Bukele, particularly those benefiting from lucrative government contracts. However, their commitment to democratic principles appears contingent on the government continuing to advance their financial interests, highlighting the transactional nature of their support.

El Salvador lacks ethnic or religious cleavages that could lead to overt conflict. Because of its small size, the country experiences few regional and cultural disparities, and immigrants have been successfully integrated into the country's economic and social fabric. This is evident in that the current president and two former presidents are from third-generation immigrant families. Furthermore, the civil war of the 1980s revolved primarily around class divisions intertwined with political and economic marginalization. These were never addressed at the root, but they led to acceptance of the status quo regarding private property and the distribution of wealth, and to a new constitution. Today, private property and the principles of a market economy enjoy broad political consensus.

At present, El Salvador's major cleavages revolve around inequality (poor vs. rich), political positions (pro-Bukele vs. anti-Bukele) and location (the diaspora vs. those still residing in El Salvador). Bukele does little to moderate these cleavages and even fuels them on some occasions. Economic cleavages are normalized, as described above. Political cleavages have intensified between pro-Bukele supporters and those who oppose his agenda and policies. The share of individuals openly and visibly criticizing Bukele has declined, partly due to Bukele's persecution of opposition voices. While remittances are encouraged, as the economy is highly dependent on them, outside sources are attacked when voicing critical positions on government actions. Bukele often uses social media to attack his critics and those deemed to represent foreign influences.

Anti-democratic actors

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Cleavage / conflict management

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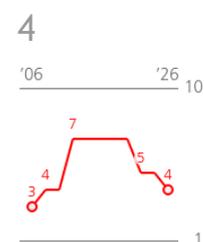


Bukele has been particularly critical of traditional political parties and their leaders who were involved in the social conflicts that led to the 1980s civil war and to the peace negotiations that ended it. He has described the war as a needless confrontation that produced suffering and benefited only the leadership of both sides. NI has refused to participate in the annual commemoration of the signing of the peace accord, calling instead for a day of remembrance for the victims of the war. This might make sense politically because it attracts younger voters who know little of past conflicts, but it also angers those who struggled to install democracy after decades of authoritarian rule.

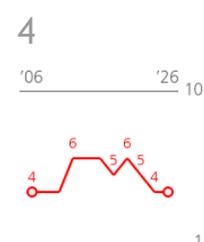
A rift between President Bukele and civil society actors has grown over time. CSOs primarily emerged in the political landscape before Bukele's presidency, with their concerns focused on upholding and reinforcing the rule of law, safeguarding human rights, preserving the environment, advancing social justice and combating gender inequality. Most CSOs disapprove of Bukele's administration because of its anti-pluralistic views and actions, which contradict their own commitments and work. While the government in 2021 held discussions with certain labor unions on wages and working conditions, resulting in a 20% increase across all productive sectors, this kind of consultation has largely ceased. The government has brokered agreements with select Catholic clergy to modify sex education in public schools in return for qualified support for Bukele's re-election from these figures. Additionally, the government has made overtures to organizations representing Salvadorans residing in the United States and other countries to encourage them to vote from abroad. Nonetheless, the Bukele administration asserts its self-sufficiency based on its high approval rating and refuses to accept that significant decisions and actions can originate from sources outside the president's office, let alone through engagement with civil society. The president has accused several CSOs of pursuing an agenda influenced and financed by foreign sources. In all, the government rarely, if at all, consults civil society actors and only considers those interests that are in line with its own policies.

Reconciliation has been difficult for a country that suffered more than 70,000 nonmilitary violent deaths during the civil war (1980–92). In 2016, the Supreme Court ruled that a blanket amnesty law enacted in 1993, which had hindered the prosecution of human rights violations during the civil war, was unconstitutional and ordered prosecutors to proceed with cases. While the decision opened the way for some investigations, many cases remain unsolved and impunity remains a significant issue. High-profile cases that received international attention include the murders of six Jesuit priests and their two housekeepers in 1989, as well as the El Mozote massacre in 1981, both carried out by the army. In the latter case, investigations have been delayed due to the army's refusal to turn over relevant files, a move that was backed by President Bukele. Human rights lawyers for the families of victims denounce the fact that investigations have effectively come to a halt since Bukele overhauled the judiciary. Since Judge Mirtala Portillo was appointed to oversee

#### Public consultation



#### Reconciliation



investigations, following Judge Guzmán's resignation in 2021 due to the administration's dismissal and transfer of judges over the age of 60, little to no progress has been made in investigations against military officials. Portillo has instead used the 1981 massacre to pursue abusive investigations of leading human rights activists who have sought accountability for the killings. In December 2023, Portillo used trumped-up charges to issue arrest warrants against former government officials and lawmakers. The accused include Rubén Zamora, a prominent human rights advocate seeking accountability for the El Mozote killings and a critic of Bukele, who was falsely charged with helping to pass the 1993 Amnesty Law.

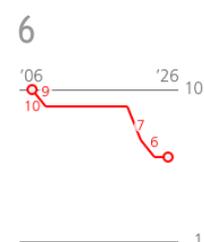
## 17 | International Cooperation

In 2022, El Salvador received approximately \$707.97 million in foreign aid, equivalent to 2.4% of GDP. In 2023, the country received \$428.26 million in net official development assistance from governments and multilateral organizations, according to OECD data. This represents a 32% reduction from the previous year. In 2021, the government became entangled in several confrontations with foreign governments over the removal of the attorney general and top judges. USAID, for instance, redirected aid from El Salvador's national police and a public information institute to civil society groups in 2021.

Besides their critique of the Salvadoran government's political actions, donors have their own priorities. Until 2019, Salvadoran governments generally prioritized promoting private sector economic growth and directed government spending to social programs, particularly education and health. These objectives aligned with the concerns of the country's primary foreign donors. U.S. aid was linked to the broader strategic goal of reducing illegal immigration, while the European Union focused on youth development programs and assistance for small- and medium-sized businesses and cooperatives. The Biden administration emphasized creating more employment and educational opportunities for young people, as well as efforts to address issues of corruption, violence, security and the rule of law in the Northern Triangle. Under the Trump administration, as of January 2025, the aid budget is on hold and under revision. Recently, the European Union and individual European governments have backed projects in green energy, local development, gender issues and investment opportunities.

In the absence of a comprehensive development policy, the priorities of Bukele's government can be inferred from its actions. First, the government has focused on reducing violence as a precondition for increasing both national and foreign investment needed to accelerate economic growth. Second, the government has announced significant public investments in transportation infrastructure and urban development with the goal of promoting tourism. Third, it has introduced cryptocurrency as legal tender to increase the amount of money in circulation, expand

Effective use of support



access to financial services for more people and stimulate foreign investment. Last, the government has expanded its ties with foreign governments, including a commercial treaty with China, to diversify its trading partners and sources of capital. It is unclear whether current foreign aid donors will agree to participate in these initiatives. The Paris Declaration on Aid Effectiveness, to which El Salvador is a signatory, commits donors and recipients to establishing priorities for development agendas through consultation processes, including with local CSOs. However, the contentious relationship between the government and CSOs, as well as the lack of government transparency, needs to be resolved before aid agencies feel confident that international cooperation can be put to effective use.

President Bukele faces criticism from governments and international organizations for actions perceived as undermining democratic principles. His decision to seek re-election in 2024, despite constitutional prohibitions and the Inter-American Democratic Charter, drew particular scrutiny. The government's proposed Foreign Agents Law also faces significant opposition from international organizations, which view it as a move to suppress dissent and limit freedom of expression. The government has also faced criticism for human rights violations related to the crackdown on urban gangs and for jeopardizing economic stability through the introduction of bitcoin as legal tender. Moreover, the administration has only partially honored its international climate change commitments. It has promoted investments in renewable energy and diversified the energy matrix. However, it has not enacted pollution or emissions regulations for motor vehicles. The government has also failed to comply with international demands that it support judicial procedures for victims of the country's civil war.

Leaders from China and Russia have congratulated President Bukele on his re-election, signaling a willingness to strengthen bilateral relations. China, in particular, has emerged as a significant international partner. Bukele's decision to break diplomatic ties with Taiwan in 2018 was seen as a step toward deepening relations with China and as a potential provocation to El Salvador's traditional ally, the United States. In recent years, China has funded and constructed several major infrastructure projects in El Salvador, most notably the new National Library of El Salvador and the National Stadium in Santa Tecla. The United States has been more wary of the Bukele government and of endorsing policies that it deems to undermine democracy or violate human rights. However, since Bukele's re-election, criticism by foreign governments has been scaled back in tone and intensity.

### Credibility

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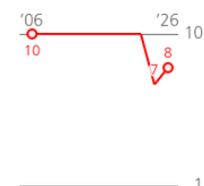
The commitment of successive Salvadoran governments to regional integration and cooperation has been unquestionable. Central American countries have been closely integrated since the 1960s in both commercial exchange and the movement of people. Free flows of trade and capital, as well as the movement of migrant workers, are vital, especially during the coffee and sugar harvests. El Salvador relies heavily on food imports from its immediate neighbors and has also made significant investments in those countries. The main offices of the Central American Integration System (SICA) are in San Salvador. SICA provides coordination and expertise for the ongoing process of Central American integration, which includes a regional development bank and a Central American parliament.

President Bukele is a proponent of Central American reunification, envisioning a political union akin to the former Federal Republic of Central America. In January 2024, he reiterated his belief that uniting Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua would strengthen the region. A major obstacle to these ambitious plans for regional integration lies in the differing political visions and conflicting interests of Central American countries. Not all countries in the region share Bukele’s personalist rule, *mano dura* approach, and hostility toward checks and balances. Other countries, such as Honduras, have followed Bukele-style security policies. Bukele appears to be exerting political influence in other Central American countries, leveraging his domestic popularity and the appeal of gang-suppression policies.

The United States faces a balancing act in its relationship with Bukele. On the one hand, Bukele’s popularity and success in reducing crime make him a key figure in stabilizing El Salvador. On the other hand, the United States is wary of endorsing policies that undermine democracy or violate human rights. Since Bukele’s re-election, criticism by foreign governments has waned. Indications of a shift in the United States’ stance toward El Salvador include its backing of a billion-dollar loan by JPMorgan Chase in 2024 and the fact that the latest “Engel List” from December 2024 lists only an imprisoned organized crime leader and an imprisoned former mayor. Prior reports had included a long list of corrupt actors in Bukele’s government. It is widely believed that the second Trump administration will show less concern about democratic backsliding and instead emphasize migration control. The United States has pushed for migration cooperation in the region with agreements such as the “safe third country” deals with Guatemala, El Salvador and Honduras. These agreements require asylum-seekers traveling through these countries to seek asylum there rather than continuing to the United States.

## Regional cooperation

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## Strategic Outlook

Nayib Bukele's presidency was propelled by public discontent over corruption, poor economic performance and rampant gang violence. Widespread violence has given way to concerns about human rights abuses and restrictions on civil liberties. Meanwhile, poverty, inequality and corruption remain pressing issues that require urgent attention.

Efforts to combat corruption have largely failed under Bukele's administrations. Bukele initially established an anti-corruption commission similar to Guatemala's CICIG, but he quickly dissolved it. Corruption remains deeply rooted in the government because of a weak civil service and a political system that relies on patronage. Addressing this problem requires a strong international component to counter resistance from those who benefit from corruption.

Persistent poverty and inequality necessitate investment in education and economic reform. The country relies heavily on remittances, which fund a significant share of imports. To achieve a more sustainable economy, investment should be directed toward competitive sectors such as tourism, niche agricultural exports (e.g., specialty coffee, fruits, nuts and cocoa) and light manufacturing. Expanding employment opportunities in these areas could reduce migration pressures.

Security improvements have come at a high political cost, with the government deploying the military for large-scale policing and engaging in mass arrests. The crackdown on gangs raises concerns about the erosion of constitutional rights. Political, academic and business leaders must consider whether these actions provide lasting solutions or are merely short-term measures for political gain. A balanced strategy is needed that ensures safety, while upholding civil and human rights.

Environmental challenges are urgent as well. El Salvador is the most water-stressed country in Central America, yet little has been done to ensure long-term water and energy security. Aquifers are being depleted at unsustainable rates and surface waters are heavily contaminated. Deforestation leads to erosion, dam siltation and permanent soil loss. Addressing these problems requires building sewage treatment plants, reforestation of watersheds and implementing stricter water consumption controls. The possibility of resuming mining operations raises further concerns, as many citizens oppose it because of environmental risks and uncertain economic benefits. Transparent access to environmental impact assessments is crucial for informed decision-making.

Underlying these challenges is government funding. High debt levels make it difficult to secure new loans from international institutions or local sources. Tax reform is needed to increase government revenue as a share of GDP, while also reducing spending on nonessential and prestige projects. Overall, a holistic, long-term approach is needed to address these pressing issues. Without fundamental reforms, El Salvador risks continued instability despite short-term political and security gains.