



Extended Country Program Evaluation

El Salvador 2015-2024

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Extended Country Program Evaluation

El Salvador 2015-2024

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ACRONYMS AND ABBREVIATIONS

AMSS	<i>Área Metropolitana de San Salvador (San Salvador Metropolitan Area)</i>
ANDA	<i>Administración Nacional de Acueductos y Alcantarillados (National Administration of Aqueducts and Sewers)</i>
PPP	Public-Private Partnership
BANDESAL	<i>Banco de Desarrollo de la República de El Salvador (Development Bank of the Republic of El Salvador)</i>
CABEI	Central American Bank for Economic Integration
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
WB	World Bank
CAF	Development Bank of Latin America and the Caribbean
CCF	Contingent Credit Facilities
CCLIP	Conditional Credit Line for Investment Projects
CDC	Country Development Challenges
SG	Sovereign Guaranteed
COMPRASAL	<i>Sistema electrónico de compras públicas de El Salvador (Electronic Public Procurement System of El Salvador)</i>
CONAMYPE	<i>Comisión Nacional para la Micro y Pequeña Empresa (National Commission for Micro and Small Enterprises)</i>
COVID-19	Infectious disease caused by SARS-CoV-2 virus
CPD	Country Program Document
CPE	Country Program Evaluation
DSL	Development Sustainability Contingent Credit Line
CS	Country Strategy
ES	El Salvador
FAO	Food and Agriculture Organization of the United Nations
IMF	International Monetary Fund
FSV	<i>Fondo Social para la Vivienda (Social Housing Fund)</i>
GO	Group of Objectives
IDB Group	Inter-American Development Bank Group
FI	Financial Institutions
FRL	Fiscal Responsibility Law
M&E	Monitoring and Evaluation
MCC	Millennium Challenge Corporation
MH	<i>Ministerio de Hacienda (Ministry of Finance)</i>
MINSAL	<i>Ministerio de Salud (Ministry of Health)</i>
MSMEs	Micro-, Small, and Medium-sized Enterprises
MOPT	<i>Ministerio de Obras Públicas y de Transporte (Ministry of Public Works and Transport)</i>
OECD	Organization for Economic Cooperation and Development

SO	Strategic Objective
IOM	International Organization for Migration
PAHO	Pan American Health Organization
OVE	Office of Evaluation and Oversight
PAPNT	Plan of the Alliance for Prosperity in the Northern Triangle
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
GDP	Gross Domestic Product
PISA	Program for International Student Assessment
PMR	Progress Monitoring Report
CP	Country Program
PPA	Power Purchase Agreement
FYDP	Five-Year Development Plan
PRIDES	<i>Proyecto Integrado de Salud</i> (Integrated Health Project)
EO	Expected Outcomes
SDL	Special Development Lending
SEM	<i>Sistema de Emergencias Médicas</i> (Medical Emergency System)
NSG	Non-Sovereign Guaranteed
SIECA	<i>Secretaría de Integración Económica Centroamericana</i> (Secretariat for Central American Economic Integration)
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
ICT	Information and Communication Technologies
UNICEF	United Nations Children's Fund
WEF	World Economic Forum
XCPE	Extended Country Program Evaluation

EXECUTIVE SUMMARY

Purpose. This Extended Country Program Evaluation (XCPE) assesses the relevance, effectiveness, and sustainability of the IDB Group's support to El Salvador during the period 2015-2024 through the last two Bank Country Strategies (CS) and the corresponding Country Program (CP). It reports exclusively on the work of the IDB Group, so it does not evaluate the country or the policies of its governments. The evaluation seeks to contribute to accountability and learning, making recommendations to improve the following CS and CP of the IDB Group. The evaluation used mixed methods based on literature review and operational documents, project portfolio analysis, in-depth studies and semi-structured interviews (with IDB Group personnel, government stakeholders, private sector clients, and project implementers and beneficiaries).

Context. El Salvador is the smallest and most densely populated country in all of continental America, even though a quarter of its population has emigrated, mostly to the United States (USA). The economy depends primarily on trade with the USA and Central America and sustained consumption of migrant remittances (which in 2024 represented 24% of GDP). Its Gross Domestic Product (GDP) of US\$34 billion and its average growth between 2015 and 2023 (2.5%) was similar to that observed in the previous decade (2.2%). The main driver of growth was capital, followed by employment, while productivity made a limited contribution, similar to the previous decade. The services sector represents the largest share of the economy (69% of GDP), with tourism being one of the most dynamic (increasing from 4.5% to 11% of GDP between 2015 and 2023). Most companies are micro and small enterprises (98.6% of the total number of companies), which generally exhibit high levels of informality and low productivity. Medium and large enterprises (1.4% of the total) generate 78.4% of the economy's added value. Historically, various factors (institutional, infrastructure-related, innovation and technology adoption, and human capital) have limited capital investment and the productive potential of companies. However, a new context of reduced political polarization starting in 2021 has led to the possibility of approving and maintaining initiatives in response to institutional challenges. In addition, the high levels of violence, which historically limited growth and productivity, registered a significant improvement since 2022, when the country carried out different measures to contain it (the homicide rate went from 38 to 2.4 per 100,000 inhabitants between 2019 and 2023) and companies stopped reporting crime as their main obstacle.

In the fiscal area, between 2015 and 2024, progress was made in tax collection (which went from 17.6% to 21.2% of GDP) through administrative measures, most notably the implementation of an anti-evasion plan, short-term tax amnesties, and technological tools such as electronic invoicing. Fiscal sustainability also improved (through the Fiscal Responsibility Act), but progress was slowed down by the COVID-19 crisis. As a result of the pandemic, the Government carried out an expansionary fiscal policy, which led to an increase in public spending and levels of debt. Although the debt has fallen since then, it is still high. By 2024, country risk returned to levels similar to those before the pandemic. It should be noted that the country also requires financial resources to meet the liabilities incurred by its high exposure to natural disasters (the 28th most affected country in the world between 2000 and 2019), which it has advanced in by searching for contingent resources. In this scenario, in 2025 the Government and the International Monetary Fund agreed on a program for US\$1.4 billion (Extended Fund Facility, EFF) that seeks to reinforce fiscal sustainability, through measures to increase revenue and rationalize spending, with the objective of improving the primary balance by 3.5% of GDP in three years (which was -0.18% in 2023).

In the social sphere, the country made significant progress in reducing inequality and poverty, which decreased from 34.9% in 2015 to 22.8% in 2019, although the pandemic interrupted these advances (poverty rose to 27.2% in 2023). The crime rate dropped significantly, benefiting society. Reducing the proportion of vulnerable households and gaps in access to basic services (education, health, water and housing) and predicting and responding to natural disasters were important challenges during the evaluation period. The recent reduction in political polarization, the decrease in violence, and the government's commitment to institutional and fiscal reforms that would reinforce fiscal sustainability (agreed with the IMF) suggest a change of context that opens up opportunities to address challenges.

Relevance of Country Strategies. The IDB Group implemented two CSs with El Salvador during the period 2015-2024 (CS1 for 2015-2019 and CS2 for 2021-2024), both structured in three priority areas: fiscal, social, and productive. To assess its relevance, OVE grouped its 15 strategic objectives (SOs) into eight Groups of Objectives (GOs): fiscal sustainability, efficiency of public spending, education, health, housing, access to finance, infrastructure, and integration and trade (Table 1).

Table 1. Objectives of the Country Strategies with El Salvador (CS) for 2015-2019 and 2021-2024

CS1 (2015-2019)	CS2 (2021-2024)	Group of Objectives
Fiscal Priority Area: Fiscal Efficiency and Sustainability		
SO1. Strengthen fiscal sustainability.	SO8. Strengthen tax collection.	GO1. Fiscal sustainability
SO2. Improve efficiency and equity of public spending	SO9. Reduce inefficiencies in public spending.	GO2. Efficiency and equity of public spending
SO3. Improve investment efficiency by prioritizing projects with high social returns.		
Social Priority Area: Reduction of Social Vulnerability		
SO4. Improve the quality of education	SO10. Improve educational coverage and relevance.	GO3. Education
SO5. Consolidate the health services network.	SO11. Improve the coverage, quality, and efficiency of the health system at all levels.	GO4. Health
	SO12. Increase financing for access to housing in vulnerable sectors.	GO5. Housing
Productive Priority Area: Productive Reactivation and Reconversion		
	SO13. Facilitate access to financing for MSMEs.	GO6. Access to financing
SO6. Improve connectivity between development poles and markets by strengthening transportation infrastructure and services.	SO14. Develop inclusive and sustainable infrastructure services.	GO7. Infrastructure
	SO15. Increase digital connectivity.	
SO7. Promote/facilitate the integration of the Mesoamerica region.		GO8. Integration and trade

Source: OVE, CS 2015-2019 ([GN-2828](#), was extended to June 2021) and CS2 2021-2024 ([GN-3046-1](#)).

The objectives of the strategies were consistent with the country's development challenges, aligned with government plans, such as the Five-Year Development Plan 2014-2019 and the Cuscatlán Plan 2019-2024. These plans prioritized institutional (fiscal and state modernization), social (such as education and health), and productive issues (such as employment and infrastructure). They also maintained an emphasis on public safety. The strategic objectives of the IDB Group focused on institutional, social, and

productive challenges, while the emphasis on citizen security was lower compared to national priorities.

In the fiscal area, the objectives were relevant as they focused on fiscal sustainability, one of the country's most pressing challenges, while at the same time they sought to preserve space for social needs. The first strategy (CS1) focused on fiscal balance, including the reduction of the pension deficit and the efficiency of public spending. The second strategy (CS2) focused on tax collection, which was key after the increase in post-pandemic indebtedness.

The objectives for the social area supported important reforms, although their relevance varied by sector. In health, CS1 was aligned with the reform started in 2009, which strengthened primary care and the service network, while CS2 expanded seeking to consolidate services at all levels. While the strategy was relevant, it did not define specific expected outcomes. In education, CS1 prioritized educational quality, while CS2 focused on preschool coverage and job training, aligning more closely with the challenges of creating opportunities, reducing inequalities, and increasing productivity. CS2 introduced the objective of expanding funding for social housing, without clarifying its relevance to other structural barriers within the sector.

In the productivity area, the strategy maintained its relevance by prioritizing infrastructure and digital connectivity, while the objectives of access to finance for MSMEs and deforestation were limited. CS1 focused on connectivity between production hubs to strengthen trade, while CS2 adopted a broader approach to infrastructure quality beyond regional integration. The inclusion of digital connectivity objectives was successful in improving productivity in an economy where services dominate, while efforts to finance MSMEs were key to the post-pandemic reactivation. However, the relevance of objectives associated with private sector productivity would have been greater if they had been complemented by objectives such as investment attraction and value chains strengthening.

CS2 sought to argue the reasons that led to the selection of its objectives and how it was going to contribute to them. However, several objectives were overly broad. For example, CS2 continued to promote the efficiency and equity of spending in general but lost its specific focus on the two key areas of pensions and subsidies. In turn, other objectives included elements of reverse logic, reducing the clarity of the theory of change they were intended to support. For example, in the social area, improving housing conditions for vulnerable populations does not contribute to increasing funding for access to housing (the logic is the opposite).

Both strategies agreed to identify four risks that could affect the contribution of the IDB Group to the objectives of the CSs: (i) macroeconomic and fiscal (ii) political context (iii) execution, and (iv) natural disasters. However, its implications for the program and mitigation actions were not clearly defined except in the case of natural disasters. This implies that, in the event of an occurrence, the Bank had to adapt without the benefit of having provisioned in the CS how it should be done, potentially jeopardizing support for long-term objectives. For example, regarding execution risk, CS2 anticipated that the challenges identified in CS1 would be intensified by the pandemic, requiring greater capacities from implementing agencies, but it defined generic mitigation measures. On the other hand, in natural disasters, specific measures were included, making tools available to deal with these phenomena and incorporating elements of prevention, risk management, and adaptation into the discussion of operations.

Relevance of the country program. The CP 2015-2024 included 178 sovereign-guaranteed (SG) operations and 64 non-sovereign-guaranteed (NSG) operations, with a total financing of US\$5.13 billion. Investment loans (INV) represented the majority of the IDB's approved portfolio during the period, which also included Policy Based Loans (PBL), Special Development Lending (SDL), and Technical Cooperation (TC). For its part, IDB Invest's portfolio included senior loans, lines of credit from the Trade Finance Facilitation Program (TFFP), and advisories.

During CS1, SG operations focused on budgetary support for fiscal objectives and the response to the pandemic, approving two series of programmatic loans (US\$550 million) and an SDL (US\$250 million) that was canceled to use a new series of PBP, in addition to US\$50 million to strengthen hospital capacity and US\$20 million for the purchase of medical equipment. During CS2, macroeconomic deterioration limited budgetary support loans, and the Bank focused on the strategic use of TC for fiscal sustainability, while political change and government interest led to an increase in investment loans in social and productive areas, increasing annual investment approvals from US\$111 million to US\$361 million.

Approvals for NSG operations also increased, focusing on the objectives of access to finance for MSMEs and infrastructure. The operations helped to maintain the liquidity of the financial system and to reduce the likelihood of corporate insolvency within the context of the pandemic. In particular, the amount approved for TFFP operations went from an annual average of \$21.1 million between 2015-2019 to \$120.8 million between 2020-2024 (adopting institutional measures and a countercyclical role during the pandemic). However, no operations were achieved in support of tertiary education, nor the growth of ICT services and high added value companies due to low demand from the private sector.

In general terms, the IDB Group program aligned with all the objectives of the CS but had a low feasibility of contributing to a third of these. Five groups of objectives (GOs) (fiscal sustainability, health, housing, infrastructure, and integration and trade) had an aligned program that, if implemented as designed, was highly likely to make a contribution. In contrast, the GOs of efficiency of public spending, access to finance and, in part, education, had operations with weaknesses in their focus or scope that affected their ability to make a contribution. For example, in MSME financing, operations were aligned with the outcome of increasing the number of MSMEs accessing credit. However, the alignment was weak with the outcome of recovering and boosting financing for productive sectors with higher added value, since no operations specifically supporting the financing for those sectors were approved. On the other hand, the CP improved coordination between the IDB, IDB Invest, and IDB Lab windows and coordination with other cooperation partners, and it was able to attract private and public co-financing.

Implementation. The SG lending program had a level of predictability in line with other countries, given that 84% of the loans identified in the Country Program Documents (CPD) were approved, reflecting good dialogue between the Bank and its counterparts in the country, and a decrease in political polarization. The unapproved loans include two PBL (which could not be approved due to lack of macroeconomic conditions) and two investment loans from the transport sector (one due to lack of consensus in the assembly, and the other due to problems in its first phase). On the other hand, ten unprogrammed loans were approved, half of which were emergency loans.

About 75% of SG loans reported implementation problems. Procurement problems were the most frequent. Other challenges were related to: (ii) configuration, capacity of the executing unit, and staff turnover, (iii) coordination and budgeting, (iv) effects of the

pandemic, and (v) other external factors. On the other hand, cancellations accounted for a smaller share of the CP, affecting support for objectives in the fiscal area, health, and regional integration. These cancellations were linked to delays in legislative approval, a problem that was preeminent in previous periods. Starting in 2021, parliamentary ratification times accelerated, reducing by about half the time needed to achieve the effectiveness and eligibility of new operations.

Faced with this scenario, in cooperation with the government of El Salvador, the Bank has been proactive in meeting implementation challenges, introducing improvements in project management and supervision. Among these measures, the implementation of an operation monitoring system called TRIAGE stands out. It consists of the classification of key processes for each operation and an alert system that determines action plans, periodic meetings and reports, trying to anticipate execution challenges. In addition, training was provided to executing units, bidding processes were promoted, and technical support was provided for procurement, among other activities.

Investment loan disbursements increased between both CSs due to an increase in the amount of loans and an acceleration of disbursements. Between 2015 and 2024, the IDB disbursed \$1.85 billion, of which \$1.05 billion was for investment loans and \$800 million for PBL. The average annual investment loan disbursement increased significantly, from \$57 million between 2015-2020 to \$178 million between 2021-2024. Among the reasons for the acceleration of disbursements are the measures taken by the IDB representation in the country, the political context, and the commitment of the executors. The IDB intensified the use of technical cooperation for operational support and implemented proactive portfolio management measures, accelerating execution and increasing disbursements, although a high proportion of operations are still in the initial stages of execution, and several supervisory and management measures are not institutionalized.

On the other hand, the pandemic was the main factor affecting the implementation of NSG projects. IDB Invest supported maintaining bank liquidity during the crisis, which was relevant. However, 27% of reimbursable transactions reported problems associated with achieving their objectives. In the crisis, financial intermediaries redirected the supply of loans to larger and less risky clients, slowing the pace of loans to MSMEs. Business demand for credit also prioritized loans for working capital rather than investment, addressing the needs of companies at the time of the COVID crisis.

SGS disbursements (US\$1.4 billion between 2015 and 2024) increased due to financial institution and infrastructure operations, especially through: (i) senior loans, and (ii) TFFP, whose disbursements increased during the pandemic, consistent with their countercyclical role, and then remained high in the context of high-country risk.

Effectiveness and Sustainability. IDB Group contributions to the objectives of the CSs were mixed in the three areas of the program:

- In the fiscal area, the main contributions were to increase revenue and strengthen fiscal sustainability, while the contribution to the efficiency and equity of public spending was low. Contributions to increasing tax revenues were made through the support of investments in technology, such as the implementation of electronic invoicing, which improved tax administration. Revenue increased from 18% in 2019 to 21% in 2024. In turn, the Bank supported the creation of the legal framework for fiscal responsibility, the drafting of a draft law, and the promotion of dialogue between relevant political stakeholders through technical cooperation (regarding the agreement with the IMF). The technical quality seal of the support given over a long period helped generate the political consensus needed for the

reforms. Support for the enforcement of the Fiscal Responsibility Law (FRL) also contributed to fiscal sustainability until the pandemic, thanks to the application of the Fiscal Rule and the Medium-Term Fiscal Framework. In addition, the Pension Savings System Act and the Pension Obligations Fund Act were approved. The contribution to the efficiency and equity of spending was low due to the weak alignment and the reduced scope of the IDB program for that purpose.

- In the social area, the main contributions were made in health and housing, while there were shortcomings in education. The health objectives received continuous support through a sequence of investment and technical cooperation programs that helped to consolidate the primary care network, and strengthen the hospital and pre-hospital emergency network, improving coverage and quality. In housing, one loan contributed to the increase in mortgage loan placements. The program to improve the quality of preschool education, the relevance of secondary education and school infrastructure was delayed due to procurement problems, affecting its contribution.
- In the productive area, the main contributions were made through infrastructure improvements (road and energy), access to finance for MSMEs, and customs improvements. Infrastructure contributions included the improvement of 141.4 km of rural roads, the rehabilitation of infrastructure damaged by tropical storms, and the expansion of solar and thermal (natural gas) generation through the NSG portfolio, which increased generation capacity by 600 MW. Contributions in access to finance were made mainly through loans to financial institutions. Finally, a medium contribution was achieved to facilitate the integration of the Mesoamerica region through technology to streamline customs processes.

The best contributions were associated with the consistency of the objectives with the country's long-term State policies (such as in tax collection), the application of lessons learned and the IDB's technical support and quality seal when they favor the country's institutional standing (such as in infrastructure and health or in the strengthening of partners such as FSV and BANDESAL). In contrast, the program's weaker contributions were associated with factors such as low ex-ante feasibility of impact (as seen in recovering and boosting financing for productive sectors with higher added value), support for a program that was still too early (as occurred in digital connectivity), or delays in implementation (as in the case of education).

Two factors were positively associated with the sustainability of results: (i) the prediction at early stages of design or implementation of how the costs and technical capabilities for maintaining the projects would be absorbed once the investment was made, and (ii) clear benefits of the project during its operation and the interest of users and the government in maintaining or scaling these. On the other hand, the sustainability of the results was affected by the pause in fiscal reform after the pandemic, and in other areas, the continuity of results will depend on budget availability and institutional capacities, particularly for adequate infrastructure maintenance.

Based on these findings, OVE makes the following recommendations:

1. **Strengthen the relevance, strategic selectivity, and feasibility of contributing the next CS, considering national priorities.** This involves: (a) more thorough diagnoses of the key barriers to the country's development, with special emphasis on tackling structural challenges in fiscal and productive areas; (b) continuing to identify, together with the country, which cooperation partners will contribute to addressing each barrier, defining ex-ante how the IDB Group can contribute by

- virtue of its comparative advantages and reinforcing its role as an honest broker among the country's various development stakeholders; (c) envisaging the use of non-refundable instruments, such as the technical cooperation to support clients, for deepening diagnostics, building consensus and planning the roadmap to address the key barriers to development that the IDB Group will assume, ensuring continuity of support for the country's reform agenda, even in the face of pauses in loan support.
2. **Strengthen risk management for risks that may affect the program's contribution to the objectives set in the CS and anticipate general response guidelines in case they occur.** This involves: (a) identifying in the future CS the main risks that may affect the contribution of the program, including different scenarios of progress in fiscal consolidation, and establishing criteria agreed with the country to adapt the support of the IDB Group in the event that risks materialize; (b) using annual programming to monitor the occurrence of expected and unforeseen risks, and fine-tune the implementation of planned actions to avoid setbacks in the contribution toward the long-term objectives identified in CS, even when responding to crises; and (c) compiling for the benefit of the subsequent CS the lessons learned about the mechanisms that were most effective in balancing the potential tension between maintaining a long-term focus and responding to emerging needs.
 3. **Continue to strengthen the coordination between the IDB Group's windows and the mobilization of third-party capital in support of the CS objectives that require investment volumes beyond the country's fiscal possibilities.** This implies: (a) defining in the future CS the mechanisms to monitor the coordination between IDB, IDB Invest, and IDB Lab towards those objectives where the need for private sector support in El Salvador is foreseen, especially in the productivity area; (b) using the annual programming to complement the support for these objectives with private sector development instruments (for example, advisory services to strengthen value chains or the sequencing of operations that promote innovation and market development); and (c) using the CS and annual programming to continue strengthening the mobilization of capital from third parties, particularly in the productive and social areas, where these third parties and the private sector can contribute to reducing funding and implementation capacity gaps.
 4. **Continue to proactively address execution challenges, seeking to anticipate them in the early stages of program implementation.** This implies: (a) envisaging in the CS the use of technical cooperation for operational support to continue to promote the execution of the investment portfolio, potentially of an increasing size and complexity; (b) moving forward in the formalization of new portfolio management measures to promote learning, economies of scale, and the training of specialized human resources; and (c) strengthening support during the pre-investment phase, in order to anticipate possible bottlenecks in procurement (for example, anticipating the procurement of land, the pre-drafting of tender documents before projects reach eligibility, or enhancing the capacities of potential contractors).
 5. **Promote the sustainability of results through improvements in the design of operations, the early identification of benefits with demonstration effects, and the strengthening of institutional capacities.** This involves: (a) establishing clear sustainability requirements as part of the design of all new operations (such

as post-intervention continuity plans, knowledge transfer, and medium-term budgetary requirements); (b) given that obtaining results involves a long-term effort, seeking opportunities to develop scalable lines of work that allow obtaining progressively evaluable results and that motivate their continuation through their demonstration effect; and (c) strengthening key institutional capacities for investment sustainability, including strategic planning, inter-institutional coordination, and execution.

I. INTRODUCTION

- 1.1 **This report evaluates the performance of the Inter-American Development Bank Group (IDB Group) in El Salvador over an extended period from 2015 to 2024.**¹ This Extended Country Program Evaluation (XCPE) assesses the relevance, effectiveness, and sustainability of IDB Group support to El Salvador through the last two Bank Country Strategies (CSs) and the corresponding Country Program (CP). The XCPE reports exclusively on the work of the IDB Group, and does not evaluate the country or its policies. The evaluation seeks to contribute to accountability and learning, making recommendations to improve the next CS and the future CP. If endorsed by the Board of Directors, these recommendations will result in the preparation of an action plan by the Administration to address them. This XCPE follows the principles set out in the OVE Country Product Protocol (document [RE-348-8](#)) and the Approach Paper for this evaluation (document [RE-597](#)).
- 1.2 **The evaluation aims to answer four main questions:** 1. How relevant were the CSs in meeting the country's development needs and national priorities?; 2. To what extent did the design and implementation of the CP support the objectives of the CSs?; 3. How effective was the IDB Group in contributing to the objectives of the CSs and what were the main factors that influenced its contribution?; and 4. To what extent have the results achieved been sustained, or are they likely to be sustained, over time?
- 1.3 **To answer these questions, a combination of quantitative and qualitative methods was used, and the triangulation of information sources was sought.** To answer the first question, a literature review was carried out on development needs and national priorities, based on recent diagnoses by the IDB Group and other cooperation agencies, in order to assess whether the objectives and design of the CSs were conducive to meeting them. For the second question, a review of the design documents of all the operations of the country program was carried out to assess their alignment with the objectives of the CS. In addition, the implementation of the program was analyzed, combining the analysis of data on the execution of the portfolio with qualitative analyses derived from fieldwork carried out for this evaluation. For the third question, an analysis was made on the contribution of each of the program's operations to the objectives of the CSs, combining the analysis of the progress reported by the operations with information on results collected by OVE through fieldwork. For the fourth question, documentary review, data analysis, and fieldwork were used to establish whether the results achieved had lasted over time, or if the operations had elements in their design and execution that favored the permanence of future results. In addition, the consideration of the four questions was complemented by two in-depth studies: one on the support of the IDB Group to facilitate access to finance for micro, small, and medium-sized enterprises (MSMEs) and another on infrastructure support, issues selected for their magnitude in the CP and for their continuity in the two CSs during the review period. To strengthen the evidence, OVE visited IDB Group projects in El Salvador and conducted more than 80 interviews with key informants

¹ This is the fifth time that OVE has evaluated the strategies and programs of the IDB Group in El Salvador. The previous reports covered the periods 1992-2004 (document [RE-307](#)), 2004-2008 ([RE-360](#)), 2009-2014 ([RE-474-3](#)) and 2015-2019 ([RE-539-1](#)).

(including 54 semi-structured interviews) involving stakeholders involved in all of the program's loan operations. During the mission, the OVE team visited 21 IDB and IDB Invest projects.

II. COUNTRY CONTEXT

- 2.1 **This section summarizes the country's main development challenges to contextualize the subsequent analysis of the relevance of the IDB Group's strategies and program.** The section is based on existing diagnoses from the IDB Group and other cooperation partners. It focuses on long-term trends and issues that align with the extended period covered by the XCPE, and therefore does not make any judgments about the performance of the country's different administrations. Nor does it allow for conclusions to be drawn about more recent periods, since it reports on longer-term averages. The section also provides some comparative analyses with certain groups of countries. Since the countries in these groups are at different stages in their development processes, the results must be interpreted taking into account those differences.
- A. **Economic structure and productive sector**
- 2.2 **El Salvador is the smallest and most densely populated country in the Americas, even though a quarter of its population has emigrated, mostly to the United States.** El Salvador has a population of around 6 million people. Ordered by population among all the IDB's borrowing countries, El Salvador is just behind Nicaragua, but its land area is almost 6 times smaller, underlining its high population density. The country has a significant migratory flow; the Salvadoran diaspora as a percentage of the population increased from 16% in 2000 to 25% in 2020, the majority of them (9 out of 10) living in the United States (IDB, 2024d).
- 2.3 **El Salvador has a small, open, and dollarized economy, driven by trade with the United States and Central America, and by domestic consumption boosted by migrants' remittances.** In 2023, its Gross Domestic Product (GDP) was US\$34 billion. Its total trade (exports and imports of goods) was linked 64% to the United States and Central America², and when including services, trade represented approximately 81% of its GDP, in line with the Central American average (82%) and above the average for Latin America and the Caribbean (65%) (WB, 2024a). Its external deficit of goods and services (19% of GDP in 2023) reflects a significant consumption of imported goods. This deficit is financed with remittances from Salvadorans abroad, which went from 18% of GDP in 2016 to 24% of GDP in 2024 (IDB, 2024d). About 95% of Salvadoran households that received remittances used them for consumption (Abuelafia *et al.*, 2019). The dollarization of the economy, the commercial link with the United States, and the importance of remittances reinforce the correlation between the country's growth and that of the United States: from 2000 to 2024, the correlation was almost 80%.³
- 2.4 **Gross capital formation averaged 18.7% of GDP, being the main driver of growth given the relative stagnation of productivity.** Between 2015 and 2023, El Salvador grew at 2.5% per year on average, a rate similar to the average of 2.2% observed in the previous decade. Around the crisis caused by the pandemic,

² In 2015-2023, trade with the USA accounted for 36% of exports and 32% of imports, and with Central America 50% and 23%, respectively (ITC,2024).

³ Pearson Correlation Coefficient, based on GDP growth rates, according to WB (2024a).

the economy contracted 7.9% in 2020 and returned to grow to 11.9% in 2021 (Figure 2.1). In the following two years, El Salvador registered higher growth rates than before the pandemic (3.2% per year). During 2015-2023, gross capital formation averaged 18.7% of GDP, similar to the previous decade (17.9%) (WB, 2024a). Domestic private investment accounted for the majority of this investment during 2015-2023, with a lower share of public investment (2.4% of GDP) and net Foreign Direct Investment (FDI) (1.8% of GDP) (BCR, 2024a). On the other hand, total factor productivity has remained practically stagnant (Figure 2.2).

Figure 2.1. El Salvador's Economic Growth 2005-2023

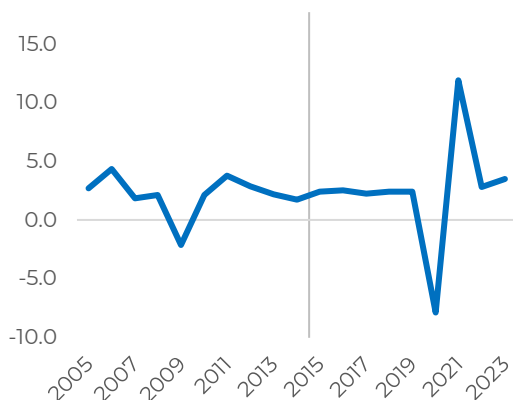
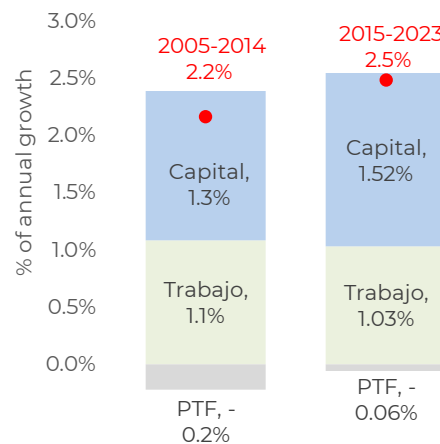


Figure 2.2. Contribution to annual growth — El Salvador 2005-2023



Source: World Bank (2024a) (Figure 2.1); OVE with IMF data (Figure 2.2):

- 2.5 The services sector accounted for the largest share of the economy and was composed mainly of micro and small companies with low productivity, although subsectors such as tourism have shown strong dynamism.** During 2015-2023, services represented 69% of GDP, with tourism being one of the most dynamic sectors (it went from representing 4.5% of GDP in 2015 to 11% in 2023). The manufacturing industry, which represents 25% of GDP, includes sectors such as textiles, plastics, paper, chemicals and pharmaceuticals, and food and beverages. Agriculture, which accounts for about 5% of GDP, is mainly comprised of sugar and coffee. On the other hand, exports of goods and services represented 29% and were concentrated in the textile and clothing, food and beverage, and agro-industry (medium and low complexity products) sectors (ITC, 2024). The productivity of companies varies greatly depending on their size. On the one hand, most enterprises (98.6%) are micro and small, and are concentrated in the trade sector. Although they are a heterogeneous segment, they are characterized by a high level of informality (75%), low productivity and difficulties in accessing credit and markets. The few medium and large companies (1.4% of the total) have higher productivity, producing 78.4% of the economy's added value (CEPAL, 2020) and 97.3% of exports (BCR, 2022). Overall, sectors with higher-than-average productivity (such as finance, electricity and telecommunications) employ only 2% of the workforce (WB 2024c).
- 2.6 Historically, several factors had been limiting investment and the productive potential of companies.** These include institutional factors, infrastructure, innovation, and adoption of technology and human capital (OECD, 2023a). The

following describes how each of these factors affects productivity potential and ultimately limits growth.

- 2.7 **At the institutional level, pre-existing factors related to the investment climate are beginning to be addressed.** Historically, the country maintained a high burden of state regulations, bureaucracy, and paperwork that affected competitiveness and investment.⁴ In response to this, in 2023 El Salvador launched a National Trade Facilitation Strategy, which sought to reduce the time and costs involved in the exchange of goods. On the other hand, transparency indicators also presented challenges⁵, which led to the Executive send a proposal for an Anti-Corruption Law to the Legislative Assembly in January 2025, seeking to reinforce the transparency and integrity of public officials. Furthermore, additional reforms are being worked on to improve governance and transparency at a court of accounts, public procurement, and fiscal transparency level (IMF, 2025). The effects of decades of violence on the poorest sections of society have also been one of the motivators behind high migration⁶, which in turn has limited economic growth and productivity (WB, 2015). In 2016, companies reported that crime was the main barrier to doing business (WB, 2016). Starting in March 2022, the country took strong measures, declaring an exceptional regime framed in a Territorial Control Plan (Legislative Assembly, 2022b). After these measures, the homicide rate fell dramatically, from 38 per 100,000 inhabitants (2019) to 2.4 (2023) (PNC, 2024). Companies stopped reporting crime as their main obstacle to doing business (WB 2023b), opening up the opportunity to address other barriers.
- 2.8 **The new context of reduced political polarization has also favored the possibility of approving and maintaining initiatives to address institutional challenges.** After the peace accords (1992), the country managed to establish a stable, yet polarized, democratic system. The two largest political parties transferred a polarization similar to the one that had divided the country during the civil conflict to the National Assembly. This affected the approval of initiatives in the Legislative Assembly (OECD, 2023a). In the 2021 legislative elections, the Nuevas Ideas party secured a majority in Congress (with 66% of the seats). This majority was later increased to around 90% of the seats in 2024 (TSE, 2024). The presence, for the first time in decades, of a parliamentary majority of the ruling party led to a historic drop in polarization and to the possibility of advancing reforms.
- 2.9 **To face the challenges linked to infrastructure, both public and private investments are required, which the country is now encouraging.** It is estimated that infrastructure would require an investment equivalent to 80% of GDP (IDB, 2021b). There were associated challenges, with the accelerated growth of the vehicle fleet and an urban transport system that does not respond to new demands. In addition, although the density of the roads is adequate, there were also challenges in their quality (IDB, 2020a). All of this had an impact on competitiveness, since 60% of Salvadoran exports are time-sensitive, and 7% are logistically intensive (OECD, 2023a). However, there have been improvements in the management of border crossings and efforts are being made in port and road

⁴ WB 2023b and WB 2024d.

⁵ Transparency International 2024 and IBP 2023.

⁶ The high history of migration goes back to another history of violence, the civil war that ravaged the country in the 1980s (OECD, 2023a).

infrastructure to improve their capacity and efficiency⁷. The quality of trade and transport infrastructure requires additional advances at a regional level (WB, 2023a).⁸ On the other hand, the challenge of wastewater treatment has an impact on the development of emerging sectors, such as tourism (IDB, 2019). Public-Private Partnerships have the potential to develop infrastructure, complementing public investment, resulting in the country updating its legal and institutional framework.⁹

- 2.10 **Business innovation and technological adoption had been historically limited and combined with gaps in universal access to connectivity, issues that the country is addressing.** On average, only 41.6% of medium and large companies have made any innovation in products and services in the last 3 years. This challenge is even greater, considering companies that have made innovations in their processes (25.8%) (WB, 2023b). In addition, there were challenges to universal access to connectivity, due to the lack of digital infrastructure such as fixed broadband networks¹⁰, required to enhance digital transformation and the development of innovative sectors (WB, 2022a), which the country is encouraging.
- 2.11 **Human capital skills were also mismatched with respect to business demand.** The population's years of schooling are short (7.2) (Eustat, 2022). In turn, from 2015 to 2021, the percentage of adults who had not attained any level of education (38%) created challenges for entering into the labor market (UNESCO, 2024). The available skills of human capital did not always meet the supply and demand in the labor market. Medium-sized companies therefore indicated that one of the main limitations of the business environment was inadequate workforce training (WB, 2023b), and 35% of young employees worked in jobs that required more skills than they actually had (such as finance, real estate, and information and communications).

B. Macroeconomic Situation

- 2.12 **El Salvador has made significant progress in tax collection over the 2015-2023 period.** Total general government revenues¹¹ increased from 23.5% of GDP in 2015 to 26.8% in 2024 (IMF, 2025c), while tax revenues increased from 17.6% to 21.2% of GDP (MH, 2024). This increase was associated with administrative measures by the Ministry of Finance, including an anti-evasion and anti-smuggling plan, short-term tax amnesties, closer collaboration between the Ministry of Finance and the Attorney General's Office to combat tax crimes, an improvement in the regulation of transfer prices and the implementation of technological tools for fiscal control and payment of taxes, such as electronic invoicing (IMF, 2022).

⁷ As of August 2024, the Port of Acajutla, the largest in the country with 38% of imports and exports, has a new concession that seeks to improve its operation and its port performance index (WB, 2024b).

⁸ In 2018, El Salvador joined a customs union with Guatemala and Honduras. This union needs to be complemented by an agenda of joint policies and actions, productive integration, and connectivity (SIECA, 2023).

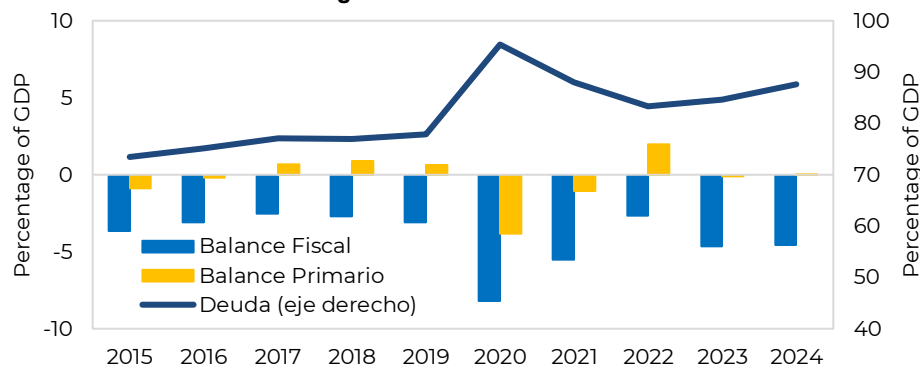
⁹ El Salvador has a PPP, the cargo terminal at the International Airport, awarded in 2020. It seeks to update the framework based on the PPP law approved in 2013 (Infrascope 2023/2024).

¹⁰ In 2022, fixed broadband subscriptions were 10.6 per 100 people (WB, 2024a).

¹¹ General government consists of entities that perform government functions as their primary activity. It is comprised of the social security fund, central government, local governments and, if applicable, state governments (IMF, 2014).

2.13 **In response to the pandemic, the Government deployed an expansionary fiscal policy that caused an increase in public spending and debt (including pension debt).** In 2024, debt represented 87.6% of GDP (IMF, 2025c), where the most important part of this debt is that corresponding to pension liabilities.¹² There were both fiscal and pension reforms, prior to the pandemic, that managed to control debt growth. In 2016, the country passed a Fiscal Responsibility Law (FRL) that included a medium-term fiscal rule and framework that achieved surpluses in the primary balance sheet between 2017 and 2019. In addition, the country implemented spending measures such as freezing public salaries above the 75th percentage point (IMF, 2022). With the arrival of the pandemic in 2020, the government took timely measures to address the health crisis¹³, which led to the activation of the escape clause contemplated in the FRL, and increased debt to 95% of GDP in 2020 (IMF, 2025c). Although debt has declined since then, it remains high (Figure 2.3).

Figure 2.3. Primary balance sheet, fiscal balance sheet, and gross debt of the general government 2015-2023



Source: (IMF, 2025c). The public debt figure includes the public financial sector, municipalities, and pensions.

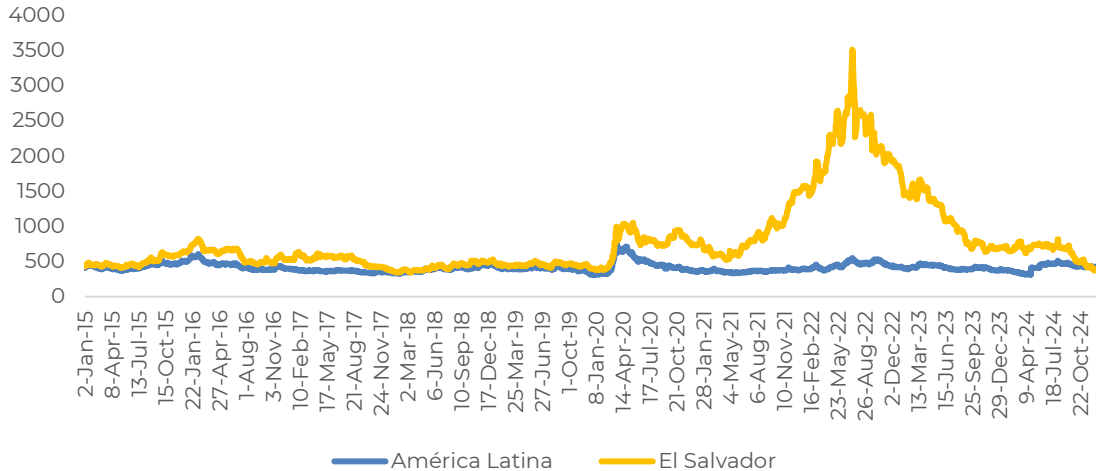
2.14 **In an unfavorable international context, the debt situation reached a critical point in 2022, as a result of which the country undertook innovative debt management that helped to reduce the country's risk.** Faced with inflation pressures, the US Federal Reserve began raising interest rates in March 2022. El Salvador's country risk reached an all-time high in July 2022 (3,512 basis points). To face this situation, the country resorted to domestic indebtedness (IMF, 2025a) and innovative financial operations were executed. In 2022, El Salvador repurchased two series of Eurobonds, saving US\$289 million in debt service and improving its payment profile (IMF, 2025a). In April 2024, the country issued US\$1 billion in bonds with a maturity from 2028 to 2030 at an equivalent yield of 12%, and an additional 0.25% to 4% related to an improvement in country risk or an agreement being made with the IMF by October 2025, with reviews at regular six-month intervals until the agreement expires (IMF, 2025a). In October 2024, the country returned to international markets, obtaining another \$1 billion backed by

¹² The country has made reforms to the pension system in 2017 and 2022. In 2025, the IMF pointed out the need for a comprehensive reform of the pension system to contain fiscal deficits and restore the sustainability of said system (IMF, 2025a).

¹³ The measures amounted to a total of US\$3.64 billion (OECD, 2023a), which corresponds to 14.6% of GDP in 2020, according to OVE estimates.

the United States in a debt-for-nature bond (IMF, 2025a), which resulted in savings of around \$350 million. At the end of 2024, country risk returned to levels similar to those before the pandemic (388 basis points) (Figure 2.4).

Figure 2.4. El Salvador Country Risk 2015-2024 — EMBI Indicator



Source (JP Morgan, 2024).

- 2.15 **The country's exposure to natural disasters creates an additional financial challenge, which the country has paid more attention to through the search for contingent resources.** El Salvador was the 28th country in the world most affected by extreme events between 2000 and 2019, mainly hydrometeorological events affecting infrastructure and agriculture (IDB, 2024c). In recent years, the storms Amanda-Cristobal, Eta and Iota stand out in 2020, Julia in 2022, Pilar in 2023, and Alberto in 2024. The country has made progress in seeking financial resources to meet potential disaster needs by developing a financial management strategy for disaster risks, including working with financial institutions on parametric insurance for disasters (IMF, 2022).
- 2.16 **In February 2025, the IMF's executive board approved an Extended Fund Facility (EFF) agreement to reinforce fiscal sustainability, involving the country's commitments to advance additional reforms.** The agreement was signed for US\$1.4 billion for a 40-month period anchored on reforms to improve the primary balance by 3.5% of GDP over 3 years and stabilize debt (IMF, 2025b). This agreement is expected to mobilize resources from other agencies, including the IDB, to reach a total of \$3.5 billion. The fiscal adjustment includes measures on the revenue side, such as broadening the tax base, increasing the use of electronic invoicing, and further improving tax and customs administration (0.7% of GDP), as well as measures on the expenditure side, including wage controls and cuts in spending on goods and services (2.8% of GDP). For the rest of the period, reforms are also expected to make the pension system sustainable, improve the efficiency of public administration and mobilize revenues to reduce the cost of borrowing.

C. Social Development

- 2.17 **The country made significant progress in reducing poverty and inequality, in addition to significant improvements in citizen security.** The country decreased the proportion of poor households (from 34.9% in 2015 to 22.8% in 2019) and inequality (from 40.6 in 2015 to 38.8 in 2022) (WB, 2024a). The country stood out for its sharp reduction in the crime rate, which benefits society as a whole. The perception of safety when walking down the street at night increased significantly (from only 36% to 88% of the population between 2015 and 2023, according to Gallup).¹⁴ Social programs, particularly public education and health, had the greatest impact on reducing inequality (Ulku & Zaurak, 2021). El Salvador maintained an¹⁵ average social expenditure of 9.6% of GDP between 2015 and 2023, similar to the Central American average (9.5%) (ECLAC, 2025). Historically, the country presented challenges in terms of social program coverage and focused subsidies for public electricity, water, and liquefied gas services (WB, 2024c).
- 2.18 **The pandemic highlighted the persistence of multiple challenges in reducing the proportion of vulnerable households.** In an adverse context, poverty increased from 22.8% in 2019 to 27.2% in 2023 (ONEC, 2024). Among the population living in poverty, two-thirds are considered transitory, alternating between poverty and non-poverty; while one third are chronically poor (WB, 2024c). In addition, the share of the population considered "never poor" (those who did not fall into poverty from one year to the next) decreased from 63% in 2018-2019 to 58% in 2021-2022, reflecting increased vulnerability following the pandemic. To reduce poverty and vulnerability, the country faces challenges in the labor market, in reducing gaps in basic services (education, health, water and housing) and in dealing with risks caused by natural disasters.
- 2.19 **Although unemployment is relatively low, informality and underemployment were challenges to a more long-lasting way out of poverty.** During 2015-2023, the average unemployment rate was 4%, lower than the Central American average (6.1%) (WB, 2024a). Employment, on the other hand, presents challenges associated with informality (64% of workers) and underemployment (about half of workers).¹⁶ Informal workers earn 40% less per hour than formal workers and have no social protection (WB, 2024d). This challenge also disproportionately affected women, who bore the greatest burden of unpaid caregiving responsibilities. This resulted in women's having a 31.3% lower participation in the workforce than men (WEF, 2024).
- 2.20 **The country increased its spending on education, although challenges of enrollment, dropout rates, and learning persist.** Between 2015 and 2022, the country increased its spending on education from 3.9% to 4.5% of GDP, above the LAC average¹⁷, and achieved a net elementary school attendance rate close to the region's average (95% on average from 2015 to 2023). Enrollment in early childhood education and kindergarten in 2020 was low (5.1% and 56.3%

¹⁴ Other possible benefits are in health (Cerdeira et. al. 2009) and social cohesion (Muggah, R.2012).

¹⁵ Social expenditure includes expenses on health, education, housing, social protection, recreation, and environmental protection (OECD, 2023a).

¹⁶ Underemployment measured in urban areas. Those who work less than 40 hours involuntarily or who work longer but earn less than the minimum wage.

¹⁷ 3.8% in 2022 (WB, 2024a).

respectively)¹⁸, which also affects the workforce participation of women who have to care for children. Secondary (63.2%) and higher (20.4%) education enrollment was also low¹⁹, which, together with the high school dropout rate (4 out of 10 young people between 15 and 19 years old dropped out of school), limited the development of workplace skills. Finally, there were learning challenges: the country ranked 78 out of 81 countries in the PISA mathematics tests and there were opportunities to improve digital literacy and basic technological skills (WB, 2022a).

2.21 **In addition, there were challenges of access to health, housing, water, and sanitation.** Between 2015 and 2022, public spending on health increased from 4.8% to 6.1% of GDP, above the LAC average²⁰, with improvements in infant mortality and maternal health. The health system faced challenges in adapting to the burden of diseases, especially chronic non-communicable diseases.²¹ In addition, a large number of primary care facilities had infrastructure problems (IDB, 2024c). On the other hand, the quantitative and qualitative housing deficit²² reached 40.9% and 50% of households respectively, with precarious urban settlements being part of this problem. The barriers are both with demand²³ and supply (building permits, market concentration and entry barriers to developers) (OECD, 2023a and Superintendencia de Competición, 2022). There were also gaps in access to drinking water: 21.2% of households lacked piped water, and half the population had shortcomings in the service (OECD, 2023a), while 39.7% lacked adequate sanitation (IDB, 2024c).

2.22 **In addition, losses due to natural disasters during the period disproportionately affected the poorest households.** Historically, the country has faced challenges in sustaining its environmental capital, including its natural forests, soil quality, and surface water. The high exposure to natural disasters together with processes of urbanization that are not always planned have increased the vulnerability of a significant part of the population to earthquakes and floods. 75.7% of the poor lived in vulnerable areas (IDB, 2023a). During the period, storms²⁴ have affected the lives and livelihoods of approximately 900,000 Salvadorans (WHO, 2023), and droughts have increased food insecurity: the prevalence of moderate food insecurity went from 42.2% in 2014-2016 to 46.9% in 2021-2023 (FAO, 2024).²⁵ Systems for dealing with the consequences of disasters and monitoring risks are in the process of being improved, but they are still weaker at a local level than at a national level (OECD, 2023a).

¹⁸ Early childhood education for children aged 0 to 3; kindergarten for students aged 4 to 6 (IDB, 2020b).

¹⁹ Below the levels of Central America (67.9% and 26%, respectively) (2022) (IDB, 2023b).

²⁰ 4% in 2022 (WHO, 2024).

²¹ Source: CDC (with data from PAHO 2019).

²² A quantitative deficit occurs when there are three or more people per bedroom in the house, and a qualitative deficit occurs when the home needs improvements in infrastructure, basic services, and security (CS, 2022).

²³ WB, 2021.

²⁴ Since 2020 there have been two tropical storms (Amanda and Cristóbal), as well as hurricanes Eta, Iota and Julia.

²⁵ The country is located in the Central American “dry corridor” (an area shared with Guatemala, Honduras, Nicaragua, and Costa Rica), where long periods of drought alternate with others of heavy rain. Different factors affecting El Salvador, including drought (due to El Niño), the pandemic, and imported food inflation, have increased food insecurity.

III. THE IDB GROUP IN EL SALVADOR: 2015-2024

3.1 **This chapter analyzes the relevance and implementation of the IDB Group's Country Strategies (CS) and Country Program (CP) in the period 2015-2024.** The chapter is divided into four sections. The first analyzes the relevance of the CSs in this period, examining their selectivity and design quality. The second section describes the CP, examining its mix of instruments and division of labor with other cooperation partners. The third section examines the degree of alignment of CP operations with CS objectives and their integration of transversal issues. The fourth section reviews the implementation of the CP, looking at the predictability of programming, its execution, and progress in national systems.

A. IDB Group Country Strategies in El Salvador

3.2 **The IDB Group had two strategies with the country during this period, both of which set objectives in three different areas: fiscal, social, and productive.** The IDB Group prepared a first Country Strategy with El Salvador for the period 2015-2019 ([GN-2828](#), hereinafter CS1) and a second strategy for 2021-2024 ([GN-3046-1](#), hereinafter CS2). With the arrival of COVID-19, the duration of CS1 was temporarily extended, given the limited room for maneuver and the immediate needs arising from the pandemic. At the request of the authorities, the validity of CS1 was extended until June 2021. Both CSs set their objectives under three priority areas: (i) fiscal, (ii) social, and (iii) productive. As anticipated in the Approach Paper (document [RE-597](#)), to facilitate its analysis, OVE grouped the objectives of the two CSs under these three areas into eight themed groups of objectives (GOs): (i) fiscal sustainability, (ii) efficiency of public spending, (iii) education, (iv) health, (v) housing, (vi) access to finance for MSMEs, (vii) infrastructure, and (viii) integration and trade. The objectives of both CSs by priority area and group (GO) and the results of each objective are summarized in Table 3.1.

Table 3.1. Objectives of CS 2015-2019 and CS 2021-2024

CS1 (2015-2019)	CS2 (2021-2024)	Group of Objectives
Fiscal Priority Area: Fiscal Efficiency and Sustainability		
SO1. Strengthen fiscal sustainability. EO1.1 Improvement of the primary fiscal balance in the medium term	SO8. Strengthen tax collection. EO8.1 Increases tax collection through administrative and policy measures.	GO1. Fiscal sustainability
SO2. Improve efficiency and equity of public spending EO2.1 Reduction of the annual cash flow deficit in the contributory pension system. EO2.2 Improve the targeting of public service subsidies.	SO9. Reduce inefficiencies in public spending. EO9.1 Improve efficiency and equity of spending.	GO2. Efficiency and equity of public spending
SO3. Improve investment efficiency by prioritizing projects with high social returns. EO3.1 System for evaluating the social return of public investment projects in execution.		
Social Priority Area: Reduction of Social Vulnerability		
SO4. Improve the quality of education EO4.1 Public school students improve their learning at the primary level. EO4.2 Public school students improve their learning at the secondary level.	SO10. Improve educational coverage and relevance. EO10.1 Increase the coverage of preschool education services.	GO3. Education

	EO10.2 Improved educational options to support the integration of young people into the labor market.	
SO5. Consolidate the health services network. EO5.1 Increased primary and preventive care. EO5.2 Families receive medical attention according to Ministry's guidelines.	SO11. Improve the coverage, quality, and efficiency of the health system at all levels. EO11.1 Strengthened health system.	GO4. Health
	SO12. Increase financing for access to housing in vulnerable sectors. EO12.1 Improved housing conditions for vulnerable populations.	GO5. Housing
Productive Priority Area: Productive Reactivation and Reconversion		
	SO13. Facilitate access to financing for MSMEs. EO13.1 More MSMEs accessing credit. EO13.2 Recovering and boosting financing for productive sectors with higher added value	GO6. Access to financing
SO6. Improve connectivity between development poles and markets by strengthening transportation infrastructure and services. EO6.1 Reduction of overall travel times and transportation costs on road sections connecting production hubs to free trade zones and the final destination of cargo.	SO14. Develop inclusive and sustainable infrastructure services. EO14.1 Improvement of infrastructure quality. EO14.2 Forest cover is maintained to protect ecosystem services. EO14.3 Limiting the increase in greenhouse gas emissions.	GO7. Infrastructure
	SO15. Increase digital connectivity. EO15.1 Increased use of information and communication technologies.	
SO7. Promote/facilitate the integration of the Mesoamerica region. EO7.1 Reduction of average border crossing time.		GO8. Integration and trade

Source: OVE, Country Strategies with El Salvador 2015-2020 (CS1, [GN-2828](#)) and 2021-2024 (CS2, [GN-3046-1](#)).

3.3 The objectives of both CSs were consistent with the country's development challenges and priorities. In its diagnosis, the IDB Group grouped the country's development challenges under four major challenges: strengthening human capital, closing infrastructure gaps, strengthening institutions, and expanding productive opportunities (Box 3.1). The country's priorities were set out in two plans: the Five-Year Development Plan (FYDP) 2014-2019 and the Cuscatlán Plan 2019-2024. The FYDP sought the sustainable development of the country by promoting three priorities: productive employment through economic growth, inclusive and quality education, and citizen security. The Cuscatlán Plan covered productivity objectives (such as employment, infrastructure, innovation, tourism, agriculture), social objectives (such as health, education, public safety, human rights, women, youth, culture, sports), institutional objectives (fiscal, state modernization, transparency, and foreign policy), and sustainability and environmental objectives. The CSs objectives were more in line with institutional, productive, infrastructure, and social challenges with less emphasis on aspects of citizen security.

Box 3.1. Challenges for El Salvador According to the IDB Group's Diagnosis

Prior to the preparation of each CS, the IDB Group prepares a diagnostic document of development challenges (Country Development Challenges, CDC) to identify the main obstacles to growth and proposals to address them. The CDC 2019 identified four challenges for El Salvador to increase its growth rate. The first challenge identified was to strengthen *human capital* and adapt it to the creation of new productive opportunities and inclusive growth. This would require increasing the coverage, quality, and relevance of education, as well as training and employment services to improve employability, especially for youth, women, and migrants. The second challenge was to close *infrastructure* gaps through strategic and resilient investments that increase growth potential. This required increasing investment in logistics, social and digital infrastructure, and the pursuit of a long-term infrastructure strategy. The third challenge was to *strengthen institutions* to create fiscal space and improve transparency. On the one hand, fiscal consolidation and the search for a path to debt sustainability required improvements in the collection and quality of spending, public management, and digital transformation. On the other hand, it was also necessary to modernize processes and strengthen the rule of law and citizen security. The fourth challenge was to expand *productive opportunities*. This involved improving the quality of regulations, the business climate, and access to financing. It was recommended to streamline regulations for business registration, modification, and operation; facilitate the issuance of permits and licenses; promote technology clusters associated with high-potential digital activities; expand productive financing mechanisms; and improve access to credit for MSMEs.

- 3.4 **The objectives of the CS in the *fiscal area* were relevant because they focused on one of the country's most pressing challenges— its fiscal sustainability —while simultaneously seeking to preserve space to address the main social needs through improvements in the efficiency and equity of public spending and investment.** Fiscal sustainability remained a key challenge for the country over the period. In 2015, the CS1 set objectives that increased in relevance, both because of opportunity —at that time the country was embarking on an ambitious process of fiscal consolidation— and because of its specificity, focusing on the areas with the highest priority for fiscal balance: the pension system deficit and subsidies for public services. In 2021, the CS2 incorporated specific objectives related to revenue collection, which was relevant for covering the debt service associated with additional borrowing in response to the emergency. On the other hand, although CS2 continued to improve the efficiency and equity of spending in general, it lost its specific focus on the two key items of pensions and subsidies. However, this more general focus was reasonable given the expectation that spending —including pensions and subsidies— could not be reduced in the immediate future due to its role in addressing post-pandemic social needs. In summary, the objectives in the fiscal area evolved appropriately over the period (i.e., between CS1 and CS2), underscoring their relevance.
- 3.5 **The objectives in the *social area* supported important reforms. However, their relevance declined over the period in *health*, while increasing in *education*. The relevance of the housing objective introduced in CS2 was not clear.** In *health*, the country had launched a major reform in 2009 to strengthen primary and preventive care, consolidate the health network, and improve the coverage, quality, and efficiency of the system. The CS1 set relevant objectives that were directly aligned with the country's priorities. This coincided with the enhancement of the reform in 2015 and the strengthening of the Ministry of Health as the governing body, which the CS1 supported in its objectives. In contrast, CS2 set more general health objectives, which reduced its relevance in supporting the reform. Both CSs sought to consolidate health services at all levels, which was relevant given the infrastructure, equipment, and personnel needs of the system. In *education*, the focus of the objectives changed over the period: CS1 focused on

the quality of education²⁶, while CS2 had a dual focus on preschool coverage and vocational training. Although educational quality was a challenge for the country, the more specific objectives set in CS2 to facilitate access to initial education and to facilitate the participation of the population in the economy through employment training were more significant because of their connection with the country's key challenges to create opportunities and reduce inequalities, including gender inequalities related to the care of young children, and of to increase productivity. In *housing*, CS2 introduced the objective of increasing access to finance for social housing, but without clarifying its relative importance compared to other barriers (for example, the scarce supply of social housing or problems in land management, which were identified in the Bank's diagnoses).

- 3.6 **The objectives of infrastructure and digital connectivity were relevant to the productivity area, while the objectives of financing MSMEs and deforestation were limited.** Both CSs maintained infrastructure objectives. CS1 focused on improving connectivity between production centers and regional and international markets, a key challenge for the country's productivity. The CS2 dropped this focus on regional integration²⁷ to adopt a broader approach to improving the quality of infrastructure. This was important to address the country's infrastructure deficits, not only in transportation, but also in areas such as water and sanitation (important for social development, and also to enable investment in productive sectors such as tourism). CS2 also introduced objectives for improving digital connectivity, which are highly relevant to meeting the country's key challenge of improving productivity. Increasing access to finance for MSMEs was relevant for productive reactivation after the pandemic and for increasing the productivity of the private sector, considering that in El Salvador most companies are MSMEs. However, complementary objectives aimed at attracting large investments and strengthening value chains to connect SMEs with large companies (including through the financing of supply chains) would have increased the relevance of the objectives associated with increasing the country's productivity. In turn, other important objectives for the country, that were less relevant to increasing productivity, included a reduction of deforestation and emission of greenhouse gases.
- 3.7 **Following an earlier recommendation from OVE, CS2 sought to argue the reasons for its selection of objectives and how it would contribute to them.** According to the CPE 2015-2019 (document [RE-539-1](#)), CS1 had not clarified the criteria for selecting its objectives within the country's broadest set of needs, setting objectives in sectors such as education, where it was unlikely to contribute given the limited experience of the IDB (which had not worked in the sector for decades), and the strong presence of non-reimbursable programs from another collaborator (the Millennium Challenge Corporation had prioritized the sector in its second compact of US\$277 million). In addition, it had not considered most of the legacy

²⁶ The CS1 objectives in education covered quality at the primary and secondary levels. Despite their importance to the country, the IDB Group did not have (and did not achieve) the necessary presence to support them, at least until 2020, when the Fomilenio II program ended. This second investment and reform compact from the U.S. Millennium Challenge Corporation (MCC), totaling \$277 million, provided significant grants for education, reducing the space for IDB Group lending.

²⁷ The integration objective remained relevant, although it was discontinued. It accompanied a major regional initiative, the Plan of the Alliance for Prosperity in the Northern Triangle (PAPNT), which ran from 2016 to 2020. The PAPNT was a joint initiative by El Salvador, Guatemala, and Honduras that sought to coordinate policies and investments to improve socioeconomic conditions in the region and reduce emigration flows. The PAPNT received support from the United States and the IDB.

portfolio and the private sector, even though both were the most viable contributors during the period, given that new sovereign guaranteed approvals had to go through a long period of parliamentary ratification. The CPE 2015-2019 recommended establishing clear prioritization criteria for the next CS, taking into account the potential contribution of the legacy portfolio and IDB Invest, as well as synergies with other donors. CS2 improved these aspects by considering prioritization factors for the dialogue with the government²⁸ and by taking into account the legacy portfolio and the expected approval of new operations for most of the targets²⁹. In addition, the private sector was better integrated into the design of the strategy.

- 3.8 **However, the argument about the feasibility of contributing to the objectives continued to show gaps, particularly with respect to several very broad objectives.** In the fiscal area, the EO of *improving the efficiency and equity of spending* in CS2 was too broad (especially at a more detailed EO level, which should have specified how it would contribute to each SO). In fact, this was a setback compared to CS1, which had formulated more specific contribution “levers” (reduction of the pension deficit, targeting of subsidies, and prioritization of investments). In the social area, CS2 expanded the focus of CS1 on primary and preventive care, proposing a broader EO of *achieving a stronger health system*, without defining expected outcomes that would specify how this problem would be addressed. In the productive area, CS2 proposed the very comprehensive EO of *improving the quality of infrastructure*. This EO encompassed infrastructure as a whole, going beyond the areas of transportation and logistics (on which CS1 focused), or water and sanitation and digital connectivity, for which CS2 provided some support. In addition, it also covered urban transport and energy, without clarifying how they would be supported.³⁰
- 3.9 **In addition, the structuring of the objectives in the CSs included numerous instances of inverted logic, which undermined the clarity of the theory of change with which it was expected to contribute.** The hierarchical structuring of the different levels of objectives in the CSs defines the expected theory of change, i.e. how the progress of the EOs was expected to contribute to their SOs and how the progress of the SOs was expected to contribute to their priority areas. However, both CS1 and CS2 presented several instances where this logic was reversed. For example, for housing objectives, pushing forward with the EO of *improving housing conditions of the vulnerable population* does not contribute to the SO of *increasing financing for access to housing* (rather, the logic is reversed). Similarly, the EO of a *stronger health system* is a consequence of improvements made to the coverage, quality, and efficiency of the health system (the SO identified in the CS) and not the other way around. In addition, the CSs showed weaknesses in the link between the EOs and their SOs. For example, several EOs

²⁸ For the discussion with the authorities and civil society, the following issues were considered: (i) the medium- and long-term impacts of the pandemic, (ii) structural challenges, (iii) current portfolio, (iv) areas for international cooperation, (v) indicative financing scenario, (vi) lessons learned, and (vii) OVE recommendations in the previous CPE and their corresponding action plan in the ReTS.

²⁹ Except for EO13.2 for recovering and boosting financing for sectors with higher added value.

³⁰ CS2 did not clarify how it would seek to support the urban transport area, in particular considering the poor results of IDB's support to the Integrated Transportation System of the Metropolitan Area of San Salvador (Sitramss) in previous periods. In the area of energy, the CS did not include a diagnosis of the main problems or a prioritization of how it would seek to contribute to the area of reactivation and productivity conversion (energy was only defined as an area of dialogue in the CS).

(such as *maintenance of forest cover, limiting the increase of emissions, financing for productive sectors with higher added value, and greater adoption of ICTs*) did not have a clear logical connection with the SOs to which it was expected for them to contribute (i.e., *developing inclusive and sustainable infrastructure services, facilitating access to finance for MSMEs, and increasing digital connectivity*, respectively; see Annex I).

- 3.10 **In contrast, there were improvements in the definition of the CS2 indicators with respect to CS1, since most of them could be updated to monitor their progress.** The CPE 2015-2019 (document [RE-539-1](#)) had concluded that the CS1 results framework had weaknesses in collecting data and covering expected actions. It also recommended supporting the country in strengthening its monitoring and evaluation (M&E) system. CS2 proposed 17 progress indicators, 14 of which were updated. Only 3 of the 17 indicators had problems in their quality or definition³¹. CS2 did not include specific objectives or actions for the country's M&E system, but proposed to strengthen monitoring plans at an operational level and to work with counterparts on agreed matrices for better follow-up. Subsequently, the program included in several approved operations actions to strengthen the M&E systems of executing agencies and exercises to review the results matrices³².
- 3.11 **Both CSs generally identified the main risks that could affect the IDB Group's contribution; however, their implications for the program and mitigation actions were not clearly defined except in the case of natural disasters.** Both strategies agreed to identify four risks that could affect the IDB Group's contribution to the objectives of the CSs: (i) macroeconomic and fiscal, (ii) political context, (iii) execution, and (iv) natural disasters (to which CS2 added those caused by climate change). *Macroeconomic risks* took into account the deterioration or prolongation of fiscal problems. CS2 mentioned the impact of the crisis, as well as the postponement of an agreement with the IMF, which would create challenges for deficit financing and financial support from the Bank. However, it did not clarify the possible implications for the different areas of the program (implications for the use of instruments or for the implementation of both private and public sector operations³³). As a mitigating measure, the IDB Group would provide support through the program to reduce fiscal risk, and would monitor the situation to identify corrective actions if necessary, without envisaging specific actions that would reduce possible impacts if this happened in the different areas of the program (such as adjustments to investment spending), beyond coordinating with other

³¹ Percentage of MSMEs in the country that operate in the rural sector and have access to credit (Conamype data), quality of infrastructure (Global Competitiveness Index, WEF not published since 2019), area of the national territory with natural forest cover (problem with CS base data, different from that reported by MARN for 2011).

³² These operations are: Modernization of El Salvador's Statistical System (ES-L1128/2021), Support for the Recovery and Expansion of the Tourism Sector (ES-L1151/2022), Strengthening of the Water and Sanitation Sector (ES-L1152/2022), Rural Roads (ES-L1155/2022), and Access to Credit for MSMEs (ES-L1156/2023). During 2023, exercises were conducted to review the results matrix and monitor indicators. In 2024, a diagnostic study on the M&E capacity of the executing agencies was completed, establishing a schedule of activities to strengthen the M&E processes for 6 operations under execution (55% of the ongoing operations that were already eligible).

³³ For example, an increase in the cost of financing for the country could affect the implementation of ongoing operations through possible disbursement restrictions, reduced bids from infrastructure providers, the need to reallocate counterpart funds, or, in the case of access to SG and NSG financing, the reallocation of resources to less risky IF portfolios.

multilateral institutions. In terms of *political risk*, according to CS2, the new majorities in Congress made it possible to foresee greater flexibility in the approval of loans, but with possible risks in how accounts are rendered with State institutions. However, the description of this risk and the proposed mitigation actions were general. In terms of *implementation risk*, CS2 anticipated that the challenges identified in CS1 would be exacerbated by the pandemic, requiring a greater capacity from the implementing agencies, and defined general mitigation measures. Among the mitigation measures, training was mentioned based on the lessons learned during the previous period and the use of technical cooperation to support the development of implementation mechanisms. In these cases, if macroeconomic, fiscal, political, or implementation risks were to materialize, the Bank would have to adapt without the benefit of prior guidance in the CS on how it should be done. Regarding the risk of *natural disasters and climate change*, the CS considered the country's exposure to these threats in different areas of the program (such as educational infrastructure, housing, transportation, and water), and envisaged clear mitigation measures, making available instruments to deal with these phenomena and incorporating elements of prevention, risk management, and adaptation when discussing operations.

- 3.12 **CS2 also made improvements on CS1 by identifying areas where collaboration between the IDB Group's public and private sectors could be strengthened, but there were gaps in its specificity.** CS1 defined the role of the private sector as complementary to sovereign-guaranteed (SG) operations, but did not explicitly mention possible synergies between the two sectors. For its part, CS2 anticipated four areas where efforts would be made to strengthen coordination: (i) financing and resilience of MSMEs, (ii) strengthening the enabling conditions to attract greater investment, (iii) assessment of Public-Private Partnership (PPPs) mechanisms, especially in the transport and energy sectors, and (iv) a more explicit consideration of risks in terms of transparency and integrity in the dialogue with the public and private sectors. However, it was not explicit that specific aspects would improve the likelihood of achieving the program's objectives, leaving the IDB's coordination activities and synergies with IDB Invest and IDB Lab depending on their business plans.³⁴

B. IDB Group Program with El Salvador: 2015-2024

- 3.13 **The country program (CP) consisted of 178 IDB sovereign-guaranteed (SG) operations and 64 non-sovereign guaranteed (NSG) operations, for a total of US\$5.13 billion.** The CP included 43 SG operations with an outstanding balance at the beginning of the evaluation period of \$531 million (hereinafter, *legacy operations*) and 135 SG operations, totaling \$3,208 million approved during the review period. Investment loans represented the majority of the IDB's approved portfolio during the period, with a significant increase during CS2 (average annual investment loan approvals went from \$111 million between 2015 and 2020 to \$361 million between 2021 and 2024). For IDB Invest, 12 legacy NSG operations were included, totaling US\$23.5 million, along with 52 operations approved during the

³⁴ Although CS2 was not explicitly for the case of El Salvador, in the last year of the review period (2015-2024) the IDB Group developed initiatives in line with increasing coordination between windows (associated with the synergies framework, the new programming model, BidInvest+, and the new Institutional Strategy). Since these initiatives are very recent (for example, the regional management of BidInvest is just being implemented), they are not part of the analysis of this evaluation.

evaluation period, amounting US\$1.37 billion. Credit lines within the Trade Finance Facilitation Program (TFFP) and senior loans represented the largest proportion of IDB Invest's portfolio (Table 3.2).³⁵

Table 3.2. Country program analyzed: US\$ Million (number of operations)

Instrument	Legacy Operations ^a	Period approvals ^b	Total
IDB	\$531.1 (43)	\$3,208.1 (135)	\$3,739.2 (178)
Reimbursable operations	\$515.2 (16)	\$3,160.6 (135)	\$3,675.8 (46)
Investment loans (INV)	\$415.2 (15)	\$2,110.6 (26)	\$2,525.8 (41)
Policy-Based Loans (PBL)		\$800 (3)	\$800 (3)
Special Development Lending (SDL)		\$250 (1)	\$250 (1)
Development Sustainability Contingent Credit Lines (DSLs)	\$100 (1)		\$100 (1)
Non-reimbursable operations	\$15.9 (27)	\$47.5 (100)	\$63.4 (127)
Investment Grants (IGR)	\$10.8 (2)	\$18.4 (4)	\$29.2 (6)
Technical Cooperation (TC)	\$5.1 (25)	\$29.1 (96)	\$34.2 (121)
<i>Memorandum</i> ^c			
Contingent Credit Facilities (CCF)		\$400 (1)	\$400 (1)
Conditional Credit Lines for Investment Projects (CCLIP)		\$900 (4)	\$900 (4)
IDB Invest	\$23.5 (12)	\$1,371.5 (52)	\$1,395 (64)
Loans	\$23.5 (2)	\$606.8 (23)	\$630.3 (25)
Debt securities		\$55 (3)	\$55 (3)
Trade Finance Facilitation Program (TFFP) lines (loans and guarantees)		\$709.7 (6)	\$709.7 (6)
<i>Memorandum</i> ^c			
Advisory services		\$1.2 (20)	\$1.2 (20)
Operations that submitted or were required to submit an Extended Supervision Report (XSR)	\$216.3 (10)		\$216.3 (10)
Total	\$554.6 (55)	\$4,579.6 (187)	\$5,134.2 (242)

Source: OVE, with data from IDB (2024b) and IDB Invest (2024b).

Notes: ^a Includes the amount to be disbursed at the start of the evaluation period. ^b Includes the amount originally approved.

^c Counted in the total in number of operations but not in amount.

3.14 **During CS1, approvals focused on budget support to back fiscal objectives and the pandemic response.** After a slow start due to the country's fiscal challenges and consensus difficulties in Congress, since 2018, two series of programmatic policy-based loans (PBP) and special development lending (SDL) have been approved to support the Government in its fiscal consolidation and financial support efforts during the pandemic. The first series –Fiscal Strengthening for Inclusive Growth– included conditions to support expenditure containment measures (fiscal rule, medium-term fiscal framework, budgeting for results, among others) and changes in the pension system (increase in contribution rate, changes in replacement rate, among others), in line with the country's fiscal and institutional needs and the objectives of *fiscal sustainability* (SO1) and *strengthening revenue collection* (SO8) from CS1 and CS2, respectively.³⁶ This series consisted of two operations (ES-L1093/2018 and ES-

³⁵ The OVE Country Product Protocol (RE-348-8) defines the criteria for identifying the CP.

³⁶ See Annex I.

L1137/2019) for a total amount of US\$550 million. In May 2020, an SDL was approved within the context of a pandemic for budgetary support of US\$250 million (ES-L1142/2020), but was later canceled. In June 2020, the first loan in a new series of PBP was approved, which supported counter-cyclical measures in response to the pandemic (ES-L1143/2020). Finally, in addition to fiscal support, the Bank approved funds for immediate response to the pandemic (\$50 million from operation ES-L1144/2020) and reallocated \$20 million from an investment loan from the Health sector (Box 3.2).

Box 3.2. IDB Group Response to the COVID-19 Pandemic in El Salvador

El Salvador was one of the Latin American and Caribbean countries that implemented early health and economic measures to fight the pandemic, with a substantial countercyclical fiscal policy response. As of March 2020, strict quarantines, deferred payment for public services, and traffic restrictions were imposed. Additionally, the El Salvador Hospital was equipped, while the Legislative Assembly authorized the issuance of up to \$2 billion in Eurobonds for economic reactivation (Romero & Álvarez, 2022). Measures to address the pandemic involved higher public spending and an increase in the fiscal deficit, which made a contribution to the GDP trajectory, helping to recover economic activity (Rivas & Santamaría, 2024).

The IDB supported the government with investment loans and budget support to deal with the pandemic. The IDB approved a \$50 million loan for the immediate response to the pandemic and reallocated \$20 million from the Integrated Health Program II for the purchase of medical and biosafety equipment. The operation (ES-L1144/2020) focused on the detection and follow-up of cases and the strengthening of health services. It made it possible to equip the National Public Health Laboratory, implement a remote healthcare platform, carry out prevention and vaccination campaigns, purchase ambulances, and enhance the hospital network (with imaging, diagnostic, and patient management equipment). In addition, the IDB deployed budgetary support to back government spending during the crisis, approving \$250 million in a PBL (ES-L1143/2020) as part of a programmatic series. This funding made it possible to have a little more flexibility with the FRL and provide subsidies, including \$300 for lower-income households and \$150 per month for public employees. The IDB approved US\$250 million in an SDL (ES-L1142/2020), which was not ratified due to lack of consensus in the Legislative Assembly.

IDB Invest approved nine operations to respond to the pandemic, disbursing more than US\$222 million in 2020-2021. In response to the pandemic, IDB Invest approved a Crisis Management Facility (CMF) for Latin America and the Caribbean totaling \$500 million to address its clients' urgent liquidity needs (by streamlining approval and disbursement processes) (CII/GN-419). Under this facility, a US\$60 million loan was approved for El Salvador, targeting women-led MSMEs, and was accompanied by advisory services to promote digital payments and electronic invoicing, key to maintaining sales during the pandemic. This, together with eight other operations, helped maintain liquidity in the financial system, at a time when financial institutions aligned their credit portfolios with working capital financing, to reduce the likelihood of corporate insolvency, which may have protected employment during the crisis. The general exposure limit of the TFFP program to provide liquidity for foreign trade was also raised (from a total of \$1.5 billion to \$3 billion for the IDB Group) (CII/GN-419-4). Within this framework, three TFFP lines were expanded in El Salvador, the use of which doubled during the pandemic, compared to 2018-2019. In addition, an uncommitted discount facility of up to US\$60 million was approved to finance the purchase of accounts receivable from electricity distributors. Although it was not used to the extent expected, it provided a liquidity option for distributors in the event of a decrease in their accounts receivable due to the pandemic.

Source: OVE, with data from IDB, 2024.

3.15 During CS2, macroeconomic deterioration limited budgetary support loans, while a political change and renewed government interest in program areas led to an increase in investment loans. During CS2, no new PBLs or SDLs were approved due to the lack of macroeconomic conditions and the delay of reforms.³⁷ The Bank's support for the pending reform agenda to achieve fiscal sustainability

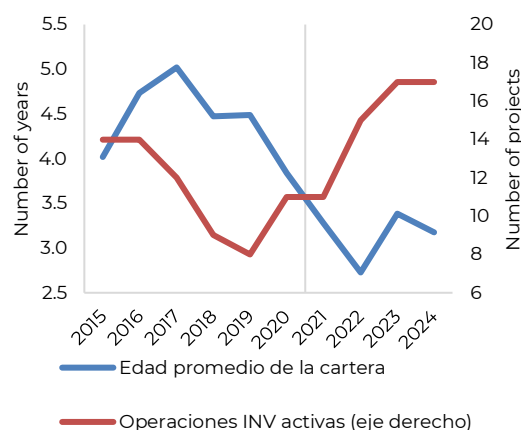
³⁷ In the context of the pandemic, the country approved a package of spending measures that paused progress in fiscal sustainability. The Bank initially supported this through the PBP series of fiscal strengthening for pandemic management (ES-L1143/2020), but the series was terminated due to non-compliance with the conditions of the second operation. The conditions involved restoring the fiscal institutional framework that had been relaxed during the pandemic (including the fiscal rule and the medium-term fiscal framework). See section III of the results and Annex I for more details.

in the country³⁸ was limited to the strategic use of TCs to strengthen the Ministry of Finance in managing fiscal risks (ES-T1345/2021) and to support compliance with policy measures to restore fiscal sustainability (ES-T1349/2022). In contrast, INV approvals increased during CS2 (Figure 3.1) in *social* and *productivity* priority areas, going from 11 active operations at the end of 2020 to 17 at the end of 2024. With this acceleration, total approvals were in line with the amount of funding expected in the CS (\$1.3 billion), and the average age of the portfolio fell from around 4.5 years to about 3 years between the two strategies (Figure 3.2). Increases in investment loans were mainly due to a change in context that included (i) the presence, for the first time in decades, of a parliamentary majority of the ruling party since 2021; and (ii) the interest of the Executive Branch in promoting projects. Both factors led to an increase in capital expenditure in the Non-Financial Public Sector (which went from 3.2% to 4.3% of GDP between 2019 and 2023), as well as in the balance of debt with multilateral institutions (which increased 59% between 2019 and 2023, from US\$3,847 million to US\$6,131 million).

Figure 3.1. SG Approvals



Figure 3.2. INV transactions in execution and average portfolio age at year-end



Source: OVE, with data from IDB (2024a). Note: Figure 3.2 excludes transactions that were not eligible or effective.

3.16 **Non-sovereign guaranteed (NSG) approvals focused on the objectives of access to financing for MSMEs and inclusive and sustainable infrastructure, leaving other objectives originally expected to receive support from IDB Invest unaddressed.** During CS2, support of the private sector was planned in the areas of access to financing (GO6), infrastructure (GO7), tertiary education (GO3), and the growth of ICT services and high value-added companies (GO7). The average annual approval rate for senior loans and guarantees was around three per year, which has remained very similar over time. Despite this, the amounts nearly doubled in 2020, driven by larger transactions for financial institutions and, to a lesser extent, infrastructure (Figure 3.4). At a time when the pandemic had accentuated liquidity needs, IDB Invest approved a Crisis Management Facility to streamline financial support to the region, and increased the exposure limit for the TFFP (Box 3.2). Therefore, TFFP operations took greater precedence in the CP starting in 2020, adopting a countercyclical role during the pandemic, increasing the importance of the private sector program in GO6

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In areas such as pensions, payroll, property tax, among others.

(Figure 3.3). The approval amount for these lines went from an annual average of \$21.1 million between 2015-2019 to \$120.8 million between 2020-2024. However, expected operations to support tertiary education and the growth of ICT and high value-added service companies did not materialize due to low demand from the private sector.

Figure 3.3. NSG Approvals by instrument

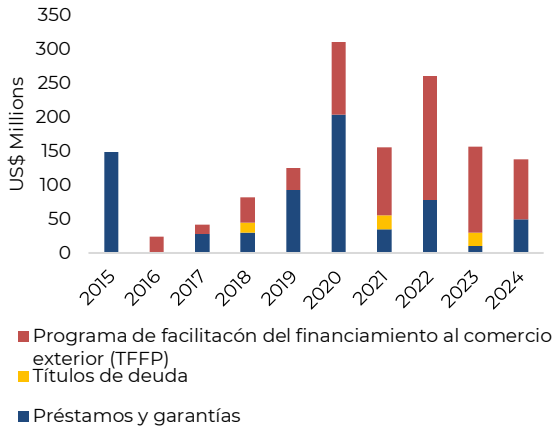
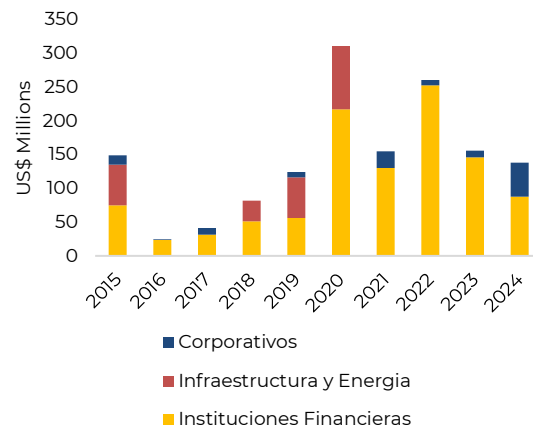


Figure 3.4. NSG Approvals by segment



Source (Figure 3.3): OVE, with data from IDB Invest (2016a, 2024a).

Source (Figure 3.4): OVE, with data from IDB (2024a).

3.17 The coordination between the IDB Group windows was mainly in support of the objective of access to financing for MSMEs.

The specialists from the public and private windows of the IDB Group coordinated in order to avoid overlapping final beneficiary MSMEs in the target portfolios of the financial institution beneficiaries when it came to access to financing operations. IDB operations, through support to public financial institutions, focused on riskier segments, while IDB Invest operations, through private banks, concentrated on more consolidated MSMEs. This allowed the IDB Group to support a larger portion of the demand for MSMEs financing. There were also specific cases of coordination between the IDB and IDB Invest windows with IDB Lab on issues of access to financing and innovation. For example, in financing MSMEs, a loan operation by IDB Invest was accompanied by a TC from IDB Lab for the development of digital solutions. In support of this innovation, IDB Lab developed an operation to create a hub to support the startup ecosystem, in coordination with an IDB specialist. In water and sanitation, an IDB Lab project sought to support funding for water boards, in support of an IDB TC (ES-T1198/2013).

3.18 Coordination and synergies with other cooperation agencies improved between the first and second strategies.

Between 2017 and 2019, the IDB participated in coordination meetings with multilateral and bilateral parties³⁹ mainly on issues of fiscal sustainability (meetings led by the Ministry of Finance, World Bank, USAID and EU), agriculture (led by FAO) and migration (led by UN)⁴⁰. However, coordination with the Fomilenio II program (from the Millennium

³⁹ WB, CAF, the EU, FAO, UN-UNICEF, and the governments of the United Kingdom, Mexico, Canada, among others.

⁴⁰ The meeting discussed fiscal sustainability, pension reform in 2017, studies on the relevance and quality of health spending, lessons learned on migration issues, public procurement, and external debt financing.

Challenge Corporation) was limited in areas of education. Coordination activity increased during the pandemic, with the creation of an information platform for cooperation agencies. The IDB Group led the fiscal meeting (increasing its frequency and incorporating other agencies⁴¹) and coordination meetings were added on education (with WB, Unicef), business climate, informality, and digital transformation (including 5G network feasibility). As a result, progress was made in the coordination of sovereign-guaranteed programs approved for water and sanitation (splitting support to the San Salvador Metropolitan Area with the WB); in health (during the response to the pandemic, in parallel to PAHO, WB, CABEL, OAS and SE-COMISCA operations); in Digital Connectivity (with the EU); and in social protection (coordinating with the WB and the World Food Program).

- 3.19 **The IDB Group was able to mobilize US\$ 379.3 million from 32 public and private institutions in support of almost all GOs (7 out of 8) of the CSs.** The IDB Group attracted third-party resources in 45 (22%) of the program's operations. In 11 NSG operations, IDB Invest contributed US\$869.2 million and mobilized US\$262.9 million with the participation of 9 financial institutions (mostly private). Of this US\$262.9 million, US\$165 million was mobilized through A/B loans and co-financing and US\$97 million through credit protection. These resources supported the GOs for access to financing and infrastructure. On the other hand, in 34 SG operations, the IDB provided \$73.5 million and attracted refundable and non-refundable co-financing of another \$116.4 million with the participation of 23 institutions. These resources supported the GOs of infrastructure, access to financing, health, education, housing, spending efficiency, and fiscal sustainability. Of this amount, 82% is associated with 3 investment operations: Social Digital Connectivity Program (2021), Financing Energy Efficiency in Small and Medium Enterprises (2018), and the Rural Water and Sanitation Program (legacy operation).⁴²

C. Program Alignment

- 3.20 **The alignment of the CP was determined by the ex-ante feasibility of its constituent operations contributing to the objectives of the CSs.** The alignment analysis is first conducted at the level of each operation in the CP, assessing the degree of logical connection and feasibility of contribution to each EO of the CS, based on the operation's design and assuming implementation proceeds as planned. This is then added to the level of each EO, based on the alignment ratings (strong or weak, depending on their contribution feasibility) of all the operations aligned with said EO. Finally, it is added to the SO level, based on the ratings of all EOs under each SO, and combined into an aggregate rating (weak or strong) that represents the ex-ante feasibility of the CP contributing to that SO.⁴³
- 3.21 **The program achieved alignment with all the CSs' objectives, but had low feasibility of contributing to about one-third of the strategic objectives due**

⁴¹ According to information from meetings of the Cooperator Group in El Salvador, provided by the IDB representation. The IDB Group also presented the "Opportunity Landscape in El Salvador 2024" to the rest of the cooperating partners and led the education collaboration with UNICEF.

⁴² The Social Digital Connectivity Program received the largest co-financing of the period, with US\$51.5 million or 60% of the total amount: US\$35 million from the Korea Infrastructure Development Cofinancing Facility for Latin America and the Caribbean (KIF) and the rest from the European Commission.

⁴³ In some cases, operations not aligned to any EO are aligned to one of the SOs. For the purpose of computing the alignment of the CP at the level of a certain SO, they are considered as if they were an additional EO. See methodological details in Annex II.

to gaps in its focus or scope. All SOs and EOs of the CSs had an aligned program, i.e., the program had at least one operation with the feasibility of contributing to each objective. Five GOs (fiscal sustainability, health, housing, infrastructure and integration, and trade)⁴⁴ had an aligned program that, if implemented as designed, had a strong feasibility to contribute to nine of the SOs across all of their EOs.⁴⁵ In contrast, the GOs of efficiency of public spending, access to finance and, in part, education, had associated operations, but with weaknesses in their focus or scope that affected their feasibility of contributing to five of the SOs. In *public spending*, the CP had a weak alignment with all objectives. In particular, the CP did not seek to support the focus of public service subsidies, nor the implementation of a system to evaluate the social return of public investment projects. Furthermore, although some interventions proposed by the CP were aligned with spending equity (particularly social sector projects), their alignment was weak because they did not support actions to *improve the efficiency and targeting of public spending*.⁴⁶ In *Education*, the CP was weakly aligned to the CS1 objective (both in scope and approach), with only one approved investment operation (ES-L1139/2020) and technical cooperation with different focus⁴⁷. The alignment to this GO improved during CS2, with two operations closely aligned to the objective (including the ES-L1139). In *MSME financing*, operations were aligned with the expected outcome of *increasing the number of MSMEs accessing credit*, but the alignment was weak with the outcome of *recovering and boosting financing for productive sectors with higher added value*, as no operations specifically supporting the financing for these sectors were approved.

- 3.22 **A relatively minor part (less than 10% of the amount) of the program was not aligned with the objectives, partly because it was tailored to meet emergencies or emerging needs that had not yet been introduced as objectives.** In total, there were 24 legacy operations, 28 approved during the implementation of CS1, and eight approved during CS2 that were not aligned with the objectives of the CS. The lack of alignment was due to three main reasons: (i) the CSs did not continue objectives related to certain legacy operations⁴⁸; (ii) there were operations on issues such as access to financing and housing that were not objectives of CS1 and concluded before CS2 incorporated them as objectives; and

⁴⁴ See Annex I, Section VII.

⁴⁵ A detailed analysis of each operation is presented in Annex II.

⁴⁶ In other words, the alignment was weak with the expected outcomes of i) improving the targeting of public service subsidies (CS1); ii) implementing a system to evaluate the social return of public investment projects (CS1); and iii) improving the efficiency and equity of spending (CS2). The only operation strongly aligned to these objectives is ES-L1159/2023, focused on reducing inefficiencies in public spending in the design and distribution of social subsidies in the face of shocks, although its scope is limited compared to the objective. An expected outcome of decreasing the annual deficit of the pension system was also defined, for which the CP was strongly aligned.

⁴⁷ The EOs in CS1 were to *improve learning in primary and secondary education*, while technical cooperation sought to support actions in areas such as improving education sector information systems, support for teacher policy reforms, integration of young people living in poverty, education policies for abandoned children or children raised by grandparents, among others.

⁴⁸ Including, for example, in security (ES-L1025/2012) and metropolitan transport (ES-L1050/2011)

(iii) operations were approved for emergency care and technical cooperations (TC) for client support not related to the objectives of the CS in effect at the time (about a third of all TCs fell into this category).

3.23 During CS2, the Bank increased the use of TCs in support of the program. Two-thirds of TC approvals during the 2015-2024 period were concentrated in client support, while the remaining third was for operational support. Client support operations were mainly concentrated in the social investment, natural disasters, transportation, state modernization and education sectors, accounting for 62% of the TCs approved during the evaluation period. However, their alignment with the objectives was weak during CS1, although it improved by CS2. Thus, most of these operations were aligned with the GOs of *education, fiscal sustainability, and sustainable, low-emission infrastructure*⁴⁹. On the other hand, TC approval for operational support increased towards the end of CS1 and during CS2 (both in number and in amounts) (Figure 3.5 and Figure 3.6). These were approved to support the preparation and implementation of investment operations.⁵⁰

Figure 3.5. Number of approved technical cooperation projects by type

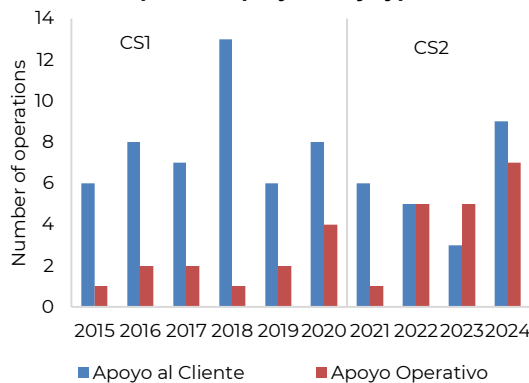
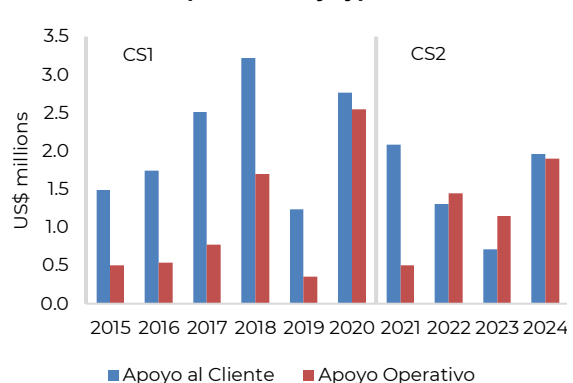


Figure 3.6. Amounts approved for technical cooperations by type



Source: OVE, with data from IDB (2024a).

3.24 The cross-cutting themes (CTs) of the CSs were incorporated into the design of about half of the CP operations. The CSs defined some issues that were expected to be integrated into the design, execution and/or results of the CP. CS1 identified four cross-cutting themes to be integrated during the 2015-2019 period: (i) vulnerability to natural disasters, environmental degradation and adaptation to climate change, (ii) Mesoamerican integration, (iii) gender equality, and (iv) mitigation of causes of migration. CS2 proposed three CTs: (i) gender and diversity; (ii) climate change, environmental sustainability, and natural disasters; and (iii) institutional capacity and rule of law. Thus, CS2 broadened the scope from gender to diversity and incorporated a new institutional strengthening CT, while discontinuing the integration and migration mitigation CTs, which were framed in the Plan for the Alliance for Prosperity of the Northern Triangle (PAPTN) regional initiative, which was not continued in the second period. The CTs in force during

⁴⁹ See Annex II for details on the alignment of these operations.

⁵⁰ Such as the TCs to support the implementation of programs to strengthen tax administration (ES-T1245/2017), integrated health II (ES-T1300/2019), support for digital transformation (ES-T1335/2021), water and sanitation (ES-TES-T1351/2022), rural roads (ES-T1350/2022), shock-responsive social protection (ES-T1366/2023), among others.

the entire period were gender and diversity (which was included in 47% of operations) and natural disasters, climate change, and environmental sustainability (which was included in 44% of CP operations).⁵¹

- 3.25 **The CTs were incorporated as expected in the CSs, except for the key CT related to Regional Integration and Migration.** Both CSs had the expectation of including *gender and diversity* in the CP aligned to the health and education GOs, with a focus on sexual-reproductive health and adolescent pregnancy. In CS2, the expectation of including it in the program aligned to housing and access to financing was also added. Mainstreaming of gender rose between the CS1 and the CS2 (from 27% to 67% in NSG CP and from 31% to 63% in SG CP) in line with the expectation that it would be more present in the CP. Overall, gender and diversity were integrated in line with what was expected.⁵² *Natural disasters, climate change, and environmental sustainability* were also incorporated as expected in the GO of infrastructure and access to financing (in water and sanitation, energy, transportation, tourism, and financial markets projects). *Institutional capacity and rule of law* was also incorporated as planned in 71% of SG operations during the CS2 period⁵³, mainly through capacity building activities in public institutions and executing units, focusing on governance, digitalization, and strategic planning. However, the CTs of *Regional integration and migration*, outlined in CS1, were not sufficiently mainstreamed throughout the program. *Integration* was only incorporated in 17% of the SG operations (in those infrastructure operations that considered regional issues). *Migration* was included in only 4% of the SG operations, particularly in TC to support knowledge initiatives on migration in the Northern Triangle.

D. Program execution

- 3.26 **The SG lending program had a level of predictability in line with other countries, reflecting the Bank's good dialogue with its counterparts in the country.** Of the 25 IDB loans identified in the Country Program Documents (CPD), 21 (84%) were approved, which aligns with observations in other countries (ranging from 60% to 80%) and demonstrates close dialogue with counterparts. The unapproved loans include two project-based loans (PBLs)⁵⁴, which could not be approved due to a lack of favorable macroeconomic conditions, as well as two loans for investments in the transport sector, one for urban transport⁵⁵ and one for rural roads⁵⁶. On the other hand, ten loans were approved that were not

⁵¹ A total of 64% operations integrated the issues into component or activity design, 63% into diagnostics, 59% into objectives, and 50% through specific indicators. See Annex I.C. for more details.

⁵² Operations such as ES-L1146/2021, designed to ensure that at least 40% of financing is granted to women heads of household, and support for financing MSMEs led by women. These data are in line with those of the IDB's GDI Impact Tracker, which covers reimbursable SG operations and which registered an alignment of 100% for gender and 56% for diversity for CS2.

⁵³ Of the total loans approved, two did not include the CT (ES-L1146 and ES-L1156 for FSV and Bandedal). In these cases, the IDB approved TCs for institutional strengthening of both executing agencies.

⁵⁴ The second PBL of the pandemic emergency PBP (ES-L1147) scheduled for 2021 and the first PBL of a new fiscal sustainability series (ES-L1153) scheduled for 2022.

⁵⁵ The second segment of the AMSS transportation program (ES-L1096) was not approved due to problems in the first phase. The first segment (ES-L1050/2011) was impacted by the absence of feeder routes, opposition from carriers, and a court injunction that suspended the segregated lane (CPE 2015-2019).

⁵⁶ The Rural neighborhood roads PBL (ES-L1097) was not approved due to lack of consensus in the assembly.

programmed in the DPCs, half of which were emergency loans⁵⁷, and the rest of which aligned with the GOs of *health, fiscal sustainability, efficiency and equity of spending, digital connectivity, and financing for MSMEs*.⁵⁸

3.27 About 75% of the SG loans reported some implementation problems. The most common implementation problems were related to: (i) procurement, (ii) configuration, capacity of the executing unit, and staff turnover, (iii) coordination and budgeting, (iv) effects of the pandemic, and (v) other external factors (Table 3.3). Procurement problems were the most common across all SG operations. The issue of executing unit capacity arose in infrastructure-related loans due to a lack of technical knowledge, which led to problems during the pre-investment phase.⁵⁹ In addition to the above, some executing units had issues with their setup and high staff turnover.⁶⁰ The issues of executing units were concentrated on legacy operations.⁶¹ Coordination problems were concentrated in legacy infrastructure operations due to a lack of communication between institutions and the absence of a higher body to ensure coordination.⁶² In addition, the impact of the pandemic and other external factors⁶³ affected project schedules and budgets, mainly for operations that were in more advanced instances of execution.⁶⁴ Finally, during CS2, the government's renewed interest in investment loans, some of which involved new executing entities, posed challenges to implementation. This was due to the increased, simultaneous demand for qualified professionals to execute projects, on the part of the IDB and other cooperation agencies.

⁵⁷ The SDL for macroeconomic and fiscal sustainability (ES-L1142/2020), the PBL for fiscal response to the health crisis (ES-L1143/2020), the INV for immediate health policy response (ES-L1144/2020), and two INVs for emergencies due to tropical storm Julia (ES-L1161/2022) and tropical storm Alberto (ES-L1169/2024).

⁵⁸ These loans included the Integrated Health Program II (ES-L1095/2015), the Tax Administration Strengthening loan (ES-L1131/2016), the Statistical System of El Salvador Modernization Program (ES-L1128/2021), the Data Infrastructure Development Program (ES-L1168/2024), and the Program to Support the Technological and Digital transformation of MSMEs (ES-L1163/2024).

⁵⁹ Relevant costs such as land acquisition (ES-L1066/2013, ES-L1016/2011, ES-L1050/2011, ES-L1095/2015) and rights of way (ES-L1045/2010) were not considered in the designs.

⁶⁰ This happened in executing agencies such as the Ministry of Public Works (ES-L1045/2010, ES-L1061/2011), the Ministry of Tourism (ES-L1066/2013, ES-L1151/2022), and the National Administration of Aqueducts and Sewers (ANDA) (ES-L1152/2022).

⁶¹ Some EUs, such as the Social Housing Fund (FSV), the Central Bank, and the Integrated Health Program, were success stories. These units are better integrated with the executing agency, effectively coordinating the management and execution of loans. The Central Bank recently became the new executor, speeding up the population census, while the FSV quickly solved a pre-eligibility problem, avoiding delays. In the health sector, ministry staff with fiduciary expertise work alongside the Project Management Unit (PMU).

⁶² For example, in rural connectivity (ES-L1061/2011) there were coordination problems between FOVIAL and ANDA, resulting in aqueduct works without restoring pavements. In health (ES-L1095/2015) and in the rural roads program (ES-L1155/2022), there were coordination difficulties between implementing entities and the Municipal Works Directorate.

⁶³ Rising international prices of raw materials, issues with international supply chains, climate shocks.

⁶⁴ For example, cost increases led to renegotiation of the contract with the construction company (a 30% increment for materials) for the Nejapa Hospital. In the operation of production corridors, the disruption in the supply chain caused increased costs and delays in the construction of a dock in La Unión.

Table 3.3. Number and percentage of projects reporting implementation problems by approval period

Reported problems	Legacy	CS1	CS2
Number of projects			
Procurement	7	6	5
Composition, executing agency capacity, and personnel turnover	8	5	2
Coordination and budget	5	9	0
COVID-19	9	2	2
Other external factors	3	6	1
Delays in legislative approval and change in government priorities	5	3	0
As a percentage of operations approved per period			
Procurement	44%	43%	29%
Composition, executing agency capacity, and personnel turnover	50%	36%	12%
Coordination and budget	31%	64%	0%
COVID-19	56%	14%	12%
Other external factors	19%	43%	(6%)
Delays in legislative approval and change in government priorities	31%	21%	0%

Source: OVE, with data from the IDB (2024a), interviews, documentary review, and field visit. The colors represent in which operations the implementation problems most frequently occurred:

● Most frequent ● Frequent ● Less frequent/No occurrence

3.28 The problems associated with procurement are the ones that most affected the implementation of the SG loan portfolio during the entire period. These were mainly associated with (i) the bidders' lack of technical knowledge, (ii) perceived risk regarding the timeliness of payments, and (iii) modifications to the country's contracting system. The lack of technical knowledge in the supplier market has resulted in unawarded tenders and forced some implementing units to extend procurement processes to international bidders, which has delayed product delivery.⁶⁵ On the other hand, despite the fact that in the case of IDB Group projects, payments are insured, information asymmetries refrained some bidders from showing up due to a perception of risk regarding the timeliness of payments. This has occurred mainly in the *infrastructure, education, and health* GOs.⁶⁶ In addition, due to changes in the country's procurement system, the expected progress in the use the procurement system could not be sustained. Although there were advances in financial management systems and improvements in non-trust domestic systems during the period, the use of procurement systems declined. The CPE 2015-2019 had found that the goals for procurement systems were ambitious and were not achieved until 2019, including the redesign and implementation of the COMPRASAL system⁶⁷. During CS2, the entry into force of a new legal framework in 2023 modified the country's public procurement system, requiring changes in procurement reviews by the IDB.

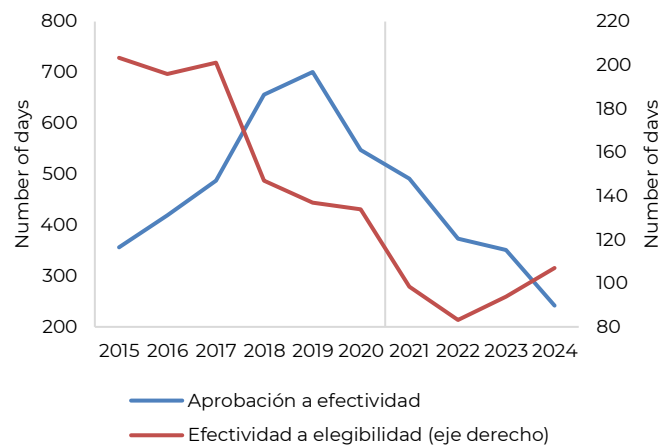
⁶⁵ For example, in the productive corridors program (ES-L1075/2014), bidders from Guatemala had to be invited for the construction of the Union Pier. The operation to improve the quality and coverage of education (ES-L1139/2020) had unawarded tenders due to a lack of technical knowledge among local suppliers and a lack of interest from international suppliers due to geographic dispersion.

⁶⁶ In operations such as ES-L1095/2015, ES-L1139/2020, ES-L1151/2022, ES-L1152/2022, ES-L1155/2022.

⁶⁷ Electronic Public Procurement System of El Salvador. Progress was also made in harmonizing procurement criteria with other multilateral institutions and in promoting a new evaluation of the country's procurement system (MAPS, currently underway).

3.29 **Cancellations represented a smaller part of the CP and were further reduced during CS2, partly due to strong improvements in ratification times.** Of the loans approved during the period, only one was canceled (the SDL aligned with fiscal sustainability, which represented 5% of the CP). Two other legacy projects (representing 3% of the CP) were also canceled, one affecting support for integration and trade (Mesoamerican Pacific Corridor ES-L1085/2013, accounting for 13% of the CP aligned with GO8) and the other in the health area. These cancellations were linked to delays in legislative approval, a problem that was preeminent for legacy and approved transactions during CS1 (Table 3.3). However, parliamentary ratification times accelerated during CS2, reducing by about half the time needed to achieve the effectiveness and eligibility of new operations (Table 3.3 and Figure 3.7).

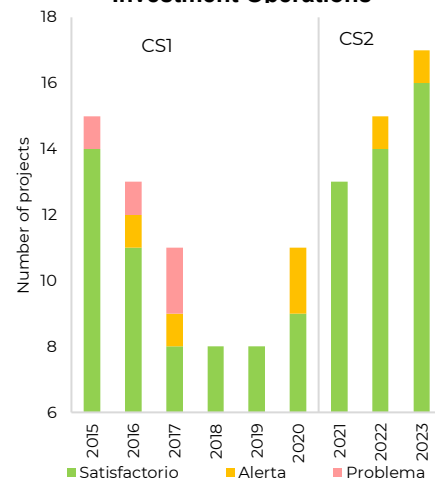
Figure 3.7. Average number of days to achieve effectiveness and eligibility



Source: OVE, with data from IDB (2024a). Note: The calculation of the number of days does not include projects that are ineligible or ineffective.

3.30 **The proportion of alert and problem projects in the portfolio has decreased in the second period (Figure 3.8), but it is still too early to evaluate the results of the measures taken by the Bank.** Although some operations were accelerated, the improvement in the portfolio's PMR rating profile reflects a lower incidence of implementation problems, particularly during the pre-eligibility stages (legislative approval and formation of the implementing unit). However, it is too early to evaluate the recent measures taken by the bank to mitigate implementation problems in more mature stages (such as procurement, coordination). This is due to the fact that a high proportion of the projects are in the initial stages of implementation, and several measures are not yet institutionalized (e.g., through systematization, digitalization, inclusion in

Figure 3.8. PMR Classification of Investment Operations



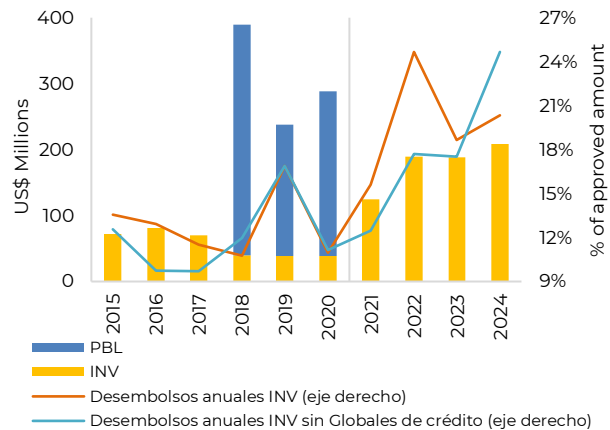
Source: OVE, with data from IDB (2024a). Note: PMR classifications corresponding to stage 1 (from approval to eligibility) and stage 2 (from eligibility to 95% disbursement) are included, according to the methodological guidelines of the PMR [OP-1072-5](#).

operational manuals). Additionally, the PMR does not identify projects with implementation problems that have not yet resulted in schedule delays or cost overruns⁶⁸, so the operations identified in the PMR are only the most problematic in the portfolio.

3.31 The Bank has been proactive in addressing execution challenges, introducing improvements in project supervision and management. The Bank sought strategies to address implementation challenges. These measures included: (i) implementing an operations monitoring system called TRIAGE, which consists of classifying key processes for each operation and setting an alert system to determine action plans, periodic meetings, and reporting, aiming to anticipate implementation challenges; (ii) facilitating events, forums, and trainings for executing units⁶⁹; (iii) promoting bidding processes and organizing procurement fairs with potential suppliers to publicize tenders; (iv) disseminating information on payment processes to suppliers⁷⁰; and (v) hiring a consultant to support the procurement specialist. The measures, along with the commitment of the executing entities post-pandemic, accelerated some operations once the start-up problems were overcome (e.g., in Tourism, Tax Administration, Health, and Census).⁷¹

3.32 Investment loan disbursements increased between the two CSs periods. Between 2015 and 2024, the IDB disbursed \$1.85 billion, of which \$1.05 billion was for INV and \$800 million for PBL (Figure 3.9). In CS1, PBL disbursements dominated over INV disbursements, and together totaled US\$1.14 billion⁷². However, between 2021 and 2024, in the absence of PBLs, disbursements were lower on average for the entire portfolio, since they corresponded only to INV (which reached US\$710 million). Nonetheless, the annual

Figure 3.9. SG Disbursements



Source: OVE, with data from IDB (2024a). Note: The calculation of annual disbursement percentages does not include PBL disbursements, global credit operations with second-tier banks, or contingent loans due to natural disasters.

⁶⁸ According to the methodological guidelines of the PMR (OP-1072-5), a project is classified as an "alert" or "problem" when it experiences delays and/or cost overruns, prompting the need for corrective measures (alert) or project adjustments/reformulations (problem).

⁶⁹ Annual award events have been held for the best executing units as an incentive for good work; training has been provided to executing units on public procurement, procurement clinics, and workshops on sustainability, financial management, and agile planning.

⁷⁰ It addresses the challenge of suppliers regarding their perception of the impunctuality of payments, reporting on the commitments that the country acquires in payments for products financed by the IDB. Projects ES-L1139/2020, ES-L1151/2022, ES-L1152/2022, ES-L1155/2022, and ES-L1095/2015 showed improvements in procurement processes following the fair.

⁷¹ The field mission confirmed with the execution units that the representation tracking system is useful for making timely decisions, and that the annual awards generate some management incentives.

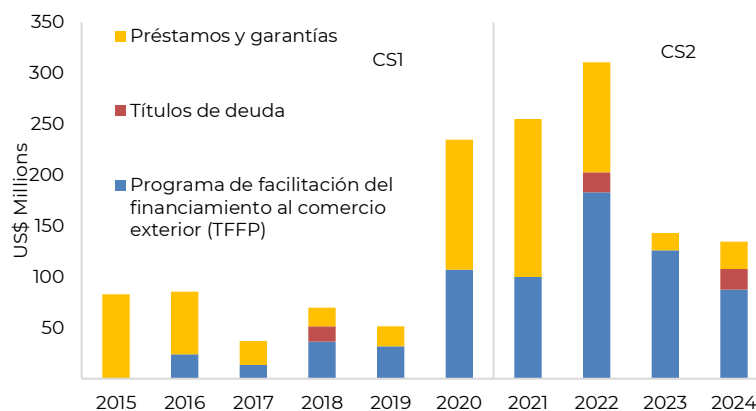
⁷² Between 2015 and 2020, PBL disbursements were US\$800 million, while INV disbursements reached US\$340 million.

- average of INV disbursements increased significantly, from \$57 million between 2015 and 2020 to \$178 million between 2021 and 2024. This increase reflects not only the increase in the amount of INV loans, but also the acceleration of operational disbursements during the CS2. In particular, program disbursements went from representing 14% of the amount outstanding to be disbursed⁷³ in 2020 to 23% in 2024, while annual disbursements from INV projects as a percentage of the approved loan amount averaged 18% in CS2, compared to 12% in CS1.⁷⁴ Among the reasons for the acceleration of disbursements are the measures taken by the IDB's representation in the country and the less polarized political context.
- 3.33 **The pandemic was the main factor affecting the implementation of IDB Invest projects.** IDB Invest supported maintaining bank liquidity during the crisis, which was relevant. However, the rate of placement of loans in target portfolios of 27% of repayable transactions reported problems in those years. During the crisis, financial intermediaries redirected the supply of loans to larger and less risky clients, slowing the pace of loans to MSMEs. In addition, the demand for credit from companies prioritized loans for working capital rather than investment, affecting the rate of placement of green finance loans offered by IFs. Finally, energy infrastructure projects that were under construction were also affected.
- 3.34 **In the case of solar projects, IDB Invest built on the IDB's regulatory work, gaining insights through successive projects that supported the standardization of contracts.** The IDB had supported the electricity sector reform since 2011. Within this framework, IDB Invest supported solar projects. In 2015, the first operation (Providencia, ES-L1091) faced delays due to difficulties with the bankability of the PPA contract awarded to IDB Invest's client, as this was the first non-conventional renewable energy tender carried out by the country. This led to one-year negotiations (with support from IDB Invest) with distribution companies prior to the financial close. Once a bankable PPA was reached, its conditions were repeated in subsequent tenders, supporting the standardization and reduction of origination times for the rest of the projects (both for IDB Invest and other market participants). These projects did not suffer construction delays.
- 3.35 **NSG disbursements increased based on disbursements from financial institutions and infrastructure operations.** NSG disbursements totaled US\$1.4 billion between 2015 and 2024, and were made through: (i) senior loans and (ii) TFFP. In the case of senior loans, the annual average of disbursements increased from US\$55 million in CS1 to US\$77 million in CS2, explained by the disbursement of loans to financial institutions and energy infrastructure (regasification and thermoelectric power) that were characterized by high amounts. In the case of TFFP, disbursements increased during the pandemic (Figure 3.10), consistent with their countercyclical role, although they later remained high in a context of high country risk and lower relative participation of long-term loans to Financial Institutions in the IDB Invest portfolio (especially in 2023 and 2024).

Figure 3.10. NSG Disbursements

⁷³ Calculated as the approved funds pending disbursement at the beginning of each year.

⁷⁴ In fact, some operations (ES-L1128/2021, ES-L1136/2020, and ES-L1146/2021) ready for disbursement conditions were restricted due to the lack of macroeconomic conditions. The non-approval of the Independent Assessment of Macroeconomic Conditions (IAMC) restricts cumulative disbursements to 15%, 30%, and 50% of the approved amount for the first three years of execution.



Source: IDB Invest (2016a, 2024a).

IV. IDB GROUP PROGRAM RESULTS 2015-2024

- 4.1 **This chapter presents the contribution of the IDB Group to the objectives of the CSs and examines the sustainability of its results.** The IDB Group's contribution to the country strategy objectives through the CP and extra-programmatic support, including technical assistance and resource mobilization, was analyzed. For this analysis, OVE interviewed executing entities, country officials, IDB Group specialists, and sector experts in person or remotely, covering all IDB and IDB Invest loan operations, as well as the most relevant investment grants (IGR) and technical cooperations (TCs).⁷⁵ The sustainability of the results and progress in the CS progress indicators were also considered (see Annex I).
- 4.2 **In line with the OVE Country Product Protocol (document [RE-348-8](#)), the XCPE focuses on reporting results and contributions to date.** Country products analyze the contribution of the IDB Group's country program to the CS's objectives, reporting on outputs, outcomes and, when possible, impacts, with a primary focus on outcomes. Since these results are attributable to multiple factors, the analysis is limited to reporting the contribution of the IDB Group. The contribution is presented as of the current date, so it could continue to increase if it involves parts of the CP that are still in implementation.
- 4.3 **To date, the IDB Group's contributions to the CSs objectives were mixed in all three areas.** In the fiscal area, the main contributions were to increase revenue and strengthen fiscal sustainability (GO1). However, the contribution was low to GO2 of public spending. In the social area, the main contributions were made in health (GO4) and housing (GO5), with limited contributions in education (GO3). In the productive area, contributions were average in infrastructure (GO7), access to finance (GO6), and integration and trade (GO8). At the level of individual objectives, the CP made a high contribution to strengthening *tax collection* (SO8), a medium contribution to *strengthening fiscal sustainability* (SO1), *health* (SO5 and SO11), housing (SO12), infrastructure (SO6 and SO14), *facilitate* access to finance (SO13), and integration and trade (SO7). The program had a low contribution to the remaining six SO (See Table 4.1).
- 4.4 **Several factors were associated with higher or lower contributions.** These included the consistency of the objectives with the country's long-term state

⁷⁵ The analysis is based on a triangulation of internal and external sources, including database analysis, document review, interviews, and field visits (detailed information in Annex II).

policies (for example, tax collection), the IDB's technical quality seal (such as technical support for PBL), and applying lessons learned from continuous sectoral support (such as infrastructure and health, or strengthening partners like FSV and BANDESAL). Weaker contributions were associated with factors such as low ex-ante feasibility of impact (for example, due to the lack of direct focus on *public spending efficiency* or on *recovering and boosting financing for productive sectors with higher added value*), support for a program that was still too early (*digital connectivity*), and delays in implementation (*education*).

- 4.5 **The sustainability of results was affected by the pause in fiscal reform after the pandemic; in addition, the continuity of the results will depend on the availability of budgetary and technical resources.** Sustainability analysis identifies potential risks following results, without evaluating the likelihood of materialization. In the fiscal area, the main factor associated with sustainability was that, after the pandemic, reforms in fiscal institutions supported by the PBP for Fiscal Strengthening for Inclusive Growth (ES-L1193/2018 and ES-L1137/2019) were paused. On the other hand, in the social and productive area, the main risks to give continuity to the results were associated with (i) a sufficient budget for the maintenance of the works and the absorption of key personnel when the operations ended; and (ii) to the technical capacity of some entities to maintain the financed infrastructure.

Table 4.1. Contribution of the country program to the objectives of the CSs

Group of Objectives	Strategic Objective (SO)	Contribution to date	EO • High • Medium • Low
Priority Area I. Fiscal Efficiency and Sustainability			
GO1. Fiscal sustainability	SO1. Strengthen fiscal sustainability. (CS1)	Medium	●
	SO8. Strengthen tax collection. (CS2)	High	●
GO2. Public Expenditure	SO2. Improve the efficiency and equity of public spending. (CS1)	Low	●●
	SO3. Improve investment efficiency by prioritizing projects with high social returns. (CS1)	Low	●
	SO9. Reduce inefficiencies in public spending. (CS2)	Low	●
Priority Area II. Reduction of Social Vulnerability			
GO3. Education	SO4. Improve the quality of education (CS1)	Low	●●
	SO10. Improve educational coverage and relevance. (CS2)	Low	●●
GO4. Health	SO5. Consolidate the health services network. (CS1)	Medium	●●
	SO11. Improve the coverage, quality, and efficiency of the health system at all levels. (CS2)	Medium	●
GO5. Housing	SO12. Increase financing for access to housing in vulnerable sectors. (CS2)	Medium	●
Priority Area III. Productive Reactivation and Reconversion			
GO6. Access to financing	SO13. Facilitate access to financing for MSMEs. (CS2)	Medium	●●

GO7. Infrastructure	SO6. Improve connectivity between development poles and markets by strengthening transportation infrastructure and services. (CS1)	Medium	●
	SO14. Develop inclusive and sustainable infrastructure services. (CS2)	Medium	●●●
	SO15. Increase digital connectivity. (CS2)	Low	●
GO8. Integration and trade	SO7. Promote/facilitate the integration of the Mesoamerica region. (CS1)	Medium	●

Note: The EOs under each SO are presented (in the order they appear in the CSs) in the last column of the Table.

A. Fiscal Efficiency and Sustainability Area

GO1. Fiscal Sustainability (SO1 and SO8)

4.6	<p>The Bank supported the implementation of several policy reforms over the period through loans and technical cooperation. The Bank supported the implementation of policy reforms during 2017 and 2018, covering key areas such as macro-fiscal</p>	CS1	CS2
		<p>SO1. Strengthen fiscal sustainability.</p> <p>EO1.1 Improvement in the primary fiscal balance in the medium term.</p>	<p>SO8. Strengthen tax collection.</p> <p>EO8.1 Increases tax collection through administrative and policy measures.</p>

management, pensions, public purchases, results-based budgeting, collection management and tax transparency. The PBP series that accompanied these policy actions was nourished by several previous technical cooperation supports⁷⁶, with the close support of IDB specialists. According to the CPE 2015-2019, the technical quality seal of these supports, given over a long period, helped generate the political consensus necessary for the reforms. In general, the Bank supported the creation of the legal framework for fiscal responsibility, the elaboration of a draft law, and the promotion of dialogue and discussion between relevant political actors. For example, Technical Cooperation ES-L1207/2015 held workshops for the technical discussion of the Fiscal Responsibility Law (FRL) and provided support in the generation of scenarios for medium and long-term fiscal goals. Also, the Assembly improved its analysis capabilities with support from a previous loan (ES-L1017/2010), which was relevant for considering the FRL (according to the CPE 2015-2019). In addition, a parallel INV contributed to strengthening the tax administration (ES-L1131/2016), supporting investments in information technology, including the implementation of the electronic invoice system.

4.7 **The results for the fiscal sustainability objective (SO1) were mixed, with reforms supported by the programmatic series (PBP) that improved the regulatory framework.** The PBP on Fiscal Strengthening for Inclusive Growth (ES-L1093/2018 and ES-L1137/2019) established conditions to improve efficiency in fiscal management and reinforce the sustainability of the pension system. Among the main measures, some of which were supported by the Bank's Technical Cooperation, the following stand out: (i) the Fiscal Responsibility Law

⁷⁶ Through the TCs for Strengthening the Pension System (ES-T1199/2014), Improving Expenditure Management and Strengthening Tax Administration (ES-T1207/2015), Strengthening Tax Administration and Fiscal Policies (ES-T1245/2017). There were other older technical cooperations that had also been supporting efforts in fiscal sustainability.

(FRL), which established the Fiscal Rule ⁷⁷ and the Medium-Term Fiscal Framework (MTFF); (ii) the Pension Savings System Act (SAP); and (iii) the Pension Obligations Fund Act (FOP). The FRL made it easier to obtain primary surpluses between 2017 and 2019 (0.7% of GDP on average) through fiscal consolidation goals and an MTFF⁷⁸ aligned with those goals. For their part, the SAP and FOP laws sought to improve the sustainability of the pension system through measures such as increasing the contribution rate from 13% to 15%, reducing the administrative fee charged by Pension Fund Administrators (Administradoras de Fondos de Pensiones, AFP) from 2.2% to 1.9%, limiting benefits for pensioners, and creating a Solidarity Guarantee Fund (SGF)⁷⁹, among others. Despite the contributions⁸⁰, the pension system has continued to face chronic deficits to the present day (according to IMF, 2025a). Other conditions included in the series had a limited contribution. For example, results-based budgeting pilots did not lead to widespread implementation in the budget⁸¹.

4.8 There were greater contributions to tax collection (SO8), supported by investments in information technologies that improved tax administration.

During the analysis period, the Government has placed emphasis on improving tax collection through administrative measures and technological investments, without carrying out tax reforms that increase tax rates. In this context, the Bank supported this effort through the implementation of Electronic Invoicing and other related technological efforts (ES-L1131/2016)⁸² that are in line with institutional strengthening to better collect existing taxes. Thus, the IDB contributed to tax collection, which since 2019 has increased by 3 percentage points of GDP, from

⁷⁷ The FRL created a series of rules to achieve fiscal consolidation and sustainability. Between 2017 and 2021 (period of fiscal consolidation), a minimum of 0.7% of GDP was set for the fiscal balance for the SPNF for the period 2017 and 2019 and a minimum of 1.2% of GDP from 2021 onwards. From 2021 onward (period of fiscal sustainability), other fiscal rules were established that set minimums for revenues, maximums for spending, and debt targets. These were not implemented due to the suspension of the FRL in 2020 due to the health emergency.

⁷⁸ The MTFF draws up revenue projections for the next 3 to 5 years and calculates aggregate spending consistent with fiscal goals and rules. This added expense supports the budgeting process (*Ardanaz et al.*, 2019).

⁷⁹ The solidarity guarantee account is a common fund that is used when the beneficiary's savings are not enough to cover the minimum pension or the corresponding pension based on their salary.

⁸⁰ Latest published report.

⁸¹ El Salvador is one of the few countries in Latin America and the Caribbean without a results-based budgeting framework (Pimenta et al., 2023).

⁸² Technological improvements included investments in products such as electronic invoicing (including a mobile application), GPS tracking devices for transport monitoring, video surveillance systems, and RFID systems for controlling cargo transport entering customs, process automation through the licensing of the *Auraquantic* system, and consulting on database integration, critical service monitoring systems, among others. Other products were also financed, such as improvements to the infrastructure of the Express Centers (agencies for paying taxes in remote areas of San Salvador), and Smart Domes for the Directorate General of Customs (DGA).

18% of GDP in 2019 to 21% of GDP in 2024. The IDB also collaborated with studies to design and implement a property tax, but this had not yet been approved (ES-T1298/2019).

- 4.9 **In terms of sustainable results, some of the supported reforms were paused in the context of the pandemic, and in the case of investment loans, the continuation of results depends on the operating budget.** Regarding support for the pension system, part of the measures promoted by the SAP and FOP laws were suspended. In 2022, the new pension reform also increased benefits for pensioners⁸³, which as a result reduces the Solidarity Guarantee Fund (SGF) over time. In addition, the state established an explicit guarantee to cover SGF deficits, which increase the contingent liabilities of the pension system (IMF, 2025a). On the other hand, during the pandemic, the Government activated the escape clause contemplated for the Fiscal Rule by implementing counter-cyclical measures. The IDB's PBP series in support of the response to COVID-19 (ES-L1143/2020) included the temporary easing of the Fiscal Rule, with the commitment to restore it in the next programmatic operation. However, after the approval of the first segment, the series was discontinued and the Fiscal Responsibility Law (FRL) was suspended⁸⁴. The country is working on a proposal to reform the pension system and, with support from the IDB, on the approval of a new fiscal rule within the framework of the new agreement with the IMF (IMF, 2025). The IDB is supporting this dialogue with specialists and technical cooperation resources (ES-T1349/2023).⁸⁵ In addition, and associated with this dialogue, the IDB recently approved an SDL (ES-L1153/2025) for \$500 million, although this is not part of the evaluated program (which ends in 2024). Finally, the continuity of the results will depend on the Ministry of Finance hiring key personnel to operate the electronic invoicing system—specialists in software architecture and customer service—who are currently hired as consultants funded by program funds.

⁸³ The old-age pension increased 30% and the maximum monthly benefit increased from US\$2,000 (fixed in the SAP Act) to US\$3,000 (IMF, 2025a).

⁸⁴ This situation remained throughout the entire period covered by this evaluation. Subsequently, on June 10, 2025, a new fiscal sustainability law was approved to strengthen public finances, which replaces the FRL and reestablishes a medium-term fiscal framework.

⁸⁵ The Government, together with the IMF and the IDB, are working on a new Sustainability and Fiscal Responsibility Act (LSRF) that seeks to replace the FRL with simple fiscal rules, clearly defined escape clauses, and a transition period consistent with the goals of the program with the IMF (IMF, 2025a). Support has been given, for example, in the formulation of the Medium-Term Fiscal Plan, in the simulation of macro-fiscal scenarios and in evaluating the viability of fiscal adjustment measures.

GO2. Public Expenditure Efficiency (SO2, SO3 and SO9)

4.10 **The CP made a low contribution to the objectives of efficiency, equity, and effectiveness of public spending due to delays and reduced scope of operations.**

This GO had 27 aligned operations (2 PBLs, 8 INV, and 19 TCs) that could contribute to increasing spending efficiency directly or indirectly, given the high generality with which the expected outcomes in the CS were formulated. However, the scope or focus of these operations were limited to contribute to the objective. Two projects (health and education) were delayed and another (the second phase of Ciudad Mujer) was canceled due to a reorientation of priorities. The program to modernize the statistical system (ES-L1128/2021), which draws up the population census and is

CS1	CS2
SO2. Improve the efficiency and equity of public spending.	SO9. Reduce inefficiencies in public spending.
EO2.1 Reduction of the annual cash flow deficit in the contributory pension system.	EO9.1 Improve efficiency and equity of spending.
EO2.2 Improve the targeting of public service subsidies.	
SO3. Improve investment efficiency by prioritizing projects with high social returns.	
EO3.1 System for evaluating the social return of public investment projects in execution.	

an input for focusing spending, was also delayed. Although it has accelerated during 2024 (85.1% disbursed), it has not yet achieved the results. At the fiscal level, through the PBP for Fiscal Strengthening for Inclusive Growth (ES-L1193/2018 and ES-L1137/2019), an effort was made to improve spending efficiency through the use of results-based budgeting for the entire public sector, although this only occurred through three pilots in the Ministries of Finance, Education and Health.⁸⁶ The same series also sought to support intergenerational equity through reforms to the pension system (SAP and FOP laws)⁸⁷, although the need for comprehensive reform remains (IMF 2025a). A shock-responsive social protection program (ES-L1159/2023), which seeks to support the design and distribution of social subsidies by building a registry that allows the selection of low-income beneficiaries, was approved at the end of 2023, so results are not yet expected.⁸⁸ Finally, for the result of improving project social return evaluation systems, the program had a weak alignment and there are no results in the period.

⁸⁶ This series incorporated conditions for the implementation of preliminary phases of results-based budgeting. However, according to Pimenta *et al.* (2023), El Salvador does not have a results-based budgeting framework or a national performance framework, unlike 82% of Latin American countries that do.

⁸⁷ It was also supported by previous technical studies (such as the longitudinal survey ES-T1185/2013, social policy design ES-T1195/2013 and strengthening of the pension system I and II - ES-T1199/2014 and ES-T1244/2016).

⁸⁸ However, through TCs (ES-T1366) to support the loan, progress was made in products such as, for example, in the definition of adaptive social protection protocols and a system strategy.

B. Social Vulnerability Reduction Area

GO3. Education (SO4 and SO10)

4.11 The contribution of the CP in education was low due to problems of approach and scope during the first CS and implementation during the second.

The Mejora de la Calidad y Cobertura Educativa: Nacer, Crecer Aprender (Improving Educational Quality and Coverage: Birth, Growth, Learning) program (ES-L1139/2020) sought to improve the quality of preschool education, the relevance of secondary education for the labor market and the conditions of school infrastructure. The program has been affected by procurement problems,⁸⁹ disbursing only 16% of its resources until mid-2024. Although disbursements accelerated at the end of 2024 (accumulating 60%), and it was possible to allocate most of the schools to intervene (31/38), there is no information on most of the expected outcomes of the program and its contribution is low to date⁹⁰. Another strongly aligned program (Shock-Responsive Social Protection - ES-L1159/2023) has not yet contributed because it was recently approved. On the other hand, technical cooperation (TC) support has generally been poorly focused on CS objectives, except in cases where it has supported the production of valuable inputs for loan operations. One of these TCs (ES-T1261/2018) supported dialogue to promote a new education policy, and its studies on early childhood education and expansion of youth education were incorporated into the new education policy. Most, however, did not provide key inputs and were not scaled up.⁹¹

CS1	CS2
SO4. Improve the quality of education	SO10. Improve educational coverage and relevance.
EO4.1 Public school students improve their learning at the primary level.	EO10.1 Increased coverage of preschool education services.
EO4.2 Public school students improve their learning at the secondary level.	EO10.2 Improved educational options to support the integration of young people into the labor market.

The program has been affected by procurement problems,⁸⁹ disbursing only 16% of its resources until mid-2024. Although disbursements accelerated at the end of 2024 (accumulating 60%), and it was possible to allocate most of the schools to intervene (31/38), there is no information on most of the expected outcomes of the program and its contribution is low to date⁹⁰. Another strongly aligned program (Shock-Responsive Social Protection - ES-L1159/2023) has not yet contributed because it was recently approved. On the other hand, technical cooperation (TC) support has generally been poorly focused on CS objectives, except in cases where it has supported the production of valuable inputs for loan operations. One of these TCs (ES-T1261/2018) supported dialogue to promote a new education policy, and its studies on early childhood education and expansion of youth education were incorporated into the new education policy. Most, however, did not provide key inputs and were not scaled up.⁹¹

4.12 In terms of sustainability, there has been progress in absorbing key project personnel, but the budgetary resources associated with maintaining the infrastructure will be required. The investment program (ES-L1139/2020) presents sustainability risks due to the nature of hiring facilitators from kindergarten schools, since they are funded by the program and the program did not have a

⁸⁹ There are few domestic bidders that meet the requirements for infrastructure works and international bidders are not interested due to the geographic dispersion. In addition, budgetary restrictions generated a perception of risk regarding the timeliness of contract payments. See implementation section of Chapter III.

⁹⁰ Of the 15 expected outcomes for the project, only two met the intermediate goals for 2024: the number of students aged 0 to 3 years and 11 months who benefited from family circles (early education) reached 19,413 boys and 19,547 girls that year, meeting the goals. The rest of the indicators do not have intermediate goals (such as improvements in social, cognitive, and language development, which will be assessed at the end of the program), or they did not achieve their goals in 2024 (such as new places in kindergarten education or young beneficiaries in the life skills module), and their progress will be observed in the coming years. The project was extended for 12 months until July 2027.

⁹¹ Such as ES-T1260/2017, a randomized controlled trial (RCT) that yielded positive results regarding youth employability, enrollment in higher education, and employability through digital platforms. The following were also carried out: RCTs (ES-T1295/2019) on the upbringing of abandoned and partially abandoned children, a study (ES-T1282/2017) to understand the socioeconomic contexts of skipped-generation families and their relationship with education, and knowledge exchanges (ES-T1272/2016, ES-T1291/2018) on policies for transitioning from school to work and to learn about Ecuador's teacher evaluation system. However, their contribution to the objectives is unclear.

clear funding plan at the end of the project. The government of El Salvador is making progress in the phased absorption of the facilitators into the Instituto Crecer Juntos, which, if fully implemented, would mitigate this risk. Infrastructure maintenance is part of the regular budget of the Ministry of Education, but the availability of sufficient budget in the event of a continuation of fiscal restrictions is a risk to consider, considering that there have been delays in the ministry's allocations for this area in recent years.

GO4. Health (SO5 and SO11)

4.13 **The contribution of the CP to health was medium, sustained by long-term support through a sequence of programs and instruments.** The Bank maintained support in the health area in both strategies, with investment operations connected to each other and with TC supporting both operations⁹², as well as the client in health policy improvements and regional coordination⁹³. The Integrated Health Programs (PRIDES I ES-L1027/2010 and PRIDES II ES-L1095/2015), coupled with the Intelligent and Comprehensive Health Program (ES-L1160/2024) supported a reform process initiated in 2009. These operations supported the implementation of health service networks, increasing the focus on prevention and primary care, and achieving a progressive expansion in coverage and quality. The operations contributed to the strengthening of the Ministry of Health, infrastructure improvements and equipment acquisition, training of health personnel, and implementation of digital services. PRIDES II extended support to secondary and tertiary levels of the health network. In parallel, other programs whose direct focus was not the health network, such as Ciudad Mujer I (ES-L1056/2011) and the regional initiative Salud Mesoamérica (ES-G1002/2014 and ES-G1003/2018), contributed to improving access to health services and protocols in their areas of interest.⁹⁴

CS1	CS2
SO5. Consolidate the health services network.	SO11. Improve the coverage, quality, and efficiency of the health system at all levels.
EO5.1 Increased primary and preventive care.	EO11.1 Strengthened health system.
EO5.2 Families have medical attention according to Ministry guidelines	

4.14 **The main contributions to the consolidation of the health services network (SO5) were made through investments in infrastructure that increased access to primary care services.** PRIDES I (ES-L1027/2010) made a significant contribution through investments⁹⁵ that increased the access of some 766,000

⁹² ES-T1243/2015 Supporting the Empowerment of Adolescent Girls in El Salvador and ES-T1300/2019 Support for the Implementation of the Electronic Medical Record and the Integrated Health Program.

⁹³ ES-T1195/2013 Support for the Design of Social Policy in El Salvador, ES-T1284/2018 Program for the Use of Innovative Technology Tools to Improve Health, RG-T3544/2019, Efficient Health Systems: Roadmap for the Reduction of Diseases and Deaths in the Central American Region, RG-T3680/2020 Support Program for the Council of Ministers of Central America and the Dominican Republic (COMISCA) to Develop COVID-19 Activities.

⁹⁴ Two other regional initiatives, Malaria Elimination (ES-G1004/2018, RG-T3492/2019, and RG-G1044/2022) have no evidence of contributing to CS objectives in El Salvador.

⁹⁵ Funded 45 Community Health Teams (ECOS) and 61 Community Family Health Units (UCSF) to improve preventive care.

people (more than 12% of the population) to preventive care and prenatal care.⁹⁶ It also supported infrastructure and the creation of an Emergency Medical System (SEM), which helped to reduce response times to pre-hospital health emergencies (see Box 4.1). The Ciudad Mujer I and II program sought to provide comprehensive services to women in new specialized centers, which address the problems of maternal mortality⁹⁷ and early pregnancy (this topic is for the second phase). Its first phase, completed in 2016 through the establishment of 5 Ciudad Mujer Centers (CCM), contributed through an increase in the use of women's health services. Its impact assessment showed results in increasing access to preventive services, such as cytology and mammography.⁹⁸ The expansion of the program stopped, as the second phase (ES-L1092) was canceled in 2018 due to a reorientation of priorities. The Salud Mesoamérica regional initiative also made contributions to reproductive and neonatal health services (improvement in prenatal and infant care rates and coverage of institutional childbirth in the areas served).⁹⁹

Box 4.1. The Medical Emergency System (SEM)

One of the support services for the health network that complements the capacity of the hospital system is the patient transfer and bed management system. Until 2013, El Salvador lacked a pre-hospital emergency medical system that would respond quickly to the transfer of critically ill patients, causing deaths that could be prevented. In this context, that year, the government of El Salvador created the Emergency Medical System (SEM) (Executive Decree number 158 of September 4), a system that later (in 2022) was attached to the Ministry of Health. At the beginning, the system started with modest coverage objectives, establishing basic infrastructure, equipment, systems, and personnel in order to attend emergencies, advise the population by telephone (#132 nationwide), and serve as a control command to coordinate the transfer of patients according to the availability of beds in the network hospitals (initially in San Salvador).

Through one of the components of PRIDES I, the IDB supported the creation of the SEM with equipment and supplies for its operation, support for the coordinating center, as well as the selection, hiring, placement and training of health personnel. The program supported the implementation of the system by financing 44 human resources hired and trained for the SEM (out of 137 positions), 147 workshops, 6 ambulances, the coordinating center, and four operational centers (bases). Although it is difficult to attribute an effect on mortality indicators, the PCR of the operation mentioned that, once in operation, the SEM allowed for the treatment of health emergencies prior to their hospital transfer, carrying out around 4,000 pre-hospital interventions per month in 2016. This care not only involved coordination with ambulance services, but also medical telephone service, provided by coordinating physicians and teleoperators of the system 24 hours a day.

During the pandemic, the government took the SEM as one of the pillars of its strategy in the face of the crisis, seeking to reinforce it through support from the IDB. The SEM was operational at the time of COVID's arrival in 2020, although considering its low coverage it was saturated due to the lack of operators and ambulances (only 20% of first level health facilities had ambulances, and 68% of these did not have medical equipment for patient support or care - being of type C). The IDB's Public Health

⁹⁶ From 2009 to 2016, targeted areas saw a 15% to 44% increase in preventive consultations, a 56% to 90% increase in prenatal registrations, and a 56% to 96% increase in child registrations. Additionally, the percentage of women with at least four prenatal checkups increased from 58% to 71.6%.

⁹⁷ Including prevention and early detection of cervical, uterine, and breast cancer.

⁹⁸ [Impact Evaluation of the Ciudad Mujer Project in El Salvador, IDB, 2016](#). The impact evaluation found that women attending MCCs used public health services 43% more than those who did not attend, with a 9% higher levels of overall satisfaction.

⁹⁹ By the end of the program, the percentage of women of reproductive age who were using modern family planning methods had increased from 53.5% to 75%, surpassing the target of 60.5%. The percentage of women who received four prenatal care visits in their most recent pregnancy increased from 47.5% to 63.9%, surpassing the target of 63.9%. MinSal spending at the first level of care increased from US\$6.2 million to US\$11.1 million, surpassing the target of US\$8 million.

Immediate Response Program (ES-L1144/2020) supported the expansion of the system through one of its subcomponents, which financed the purchase of 48 ambulances (which were equipped with a doctor, a nurse and an anesthesiology professional - Type B) and the financing of medical supplies and equipment. As unanticipated outcomes of this operation, coverage was scaled up both at the population and geographic level (to 62% of the population and 18 municipalities), and a drug delivery service was added for sick patients.

After the pandemic, the government decided to continue its expansion and consolidate the system at the national level, also with support from the IDB. One of the components of the new Intelligent and Integral Health program approved in 2024 (ES-L1160 - PROSINT) will seek to support the increase in the number of bases, especially in the eastern region (where there is low coverage), improve existing bases, finance equipment and digital systems (considering a new network coordination unit in the ministry that will seek to support, among others, the SEM's digital management systems). The project's expected outcomes include increasing SEM coverage to 83% of the population. This is an example of a scalable project that has received sequential support from the IDB for more than a decade.

- 4.15 **Implementation problems limited contributions to *improving the coverage, quality, and efficiency of the health system at all levels (SO11), particularly in hospital care.*** PRIDES II (ES-L1095/2015), after delays in its ratification in the assembly (2.5 years), faced several execution problems and is still in the implementation stage 10 years after its approval. Of the two planned hospitals, it was decided to implement one (the Nejapa Hospital, which is currently under construction). Challenges included delays in finding land and in tenders. In 2023, the government decided to finance the work of the Rosales Hospital (the main hospital in the network) with its own resources, reallocating loan funds to other components of the program. In primary care, of the 22 new planned Family Health Community Units, seven have been completed, and 12 are expected to be completed, given the difficulties in finding suitable land and the increase in construction costs (37% between 2020 and 2023) due to several unforeseen factors (COVID-19; interruption of logistics chains; increase in energy prices). In terms of improvements in management and efficiency of the health network, although there are advances in products, no results have yet materialized. This operation, together with PRIDES I and the one in response to COVID (ES-L1144), has supported the Ministry's digital efforts by financing computer systems, servers and application development. In addition, through program funds reallocated for the emergency during the pandemic, equipment was purchased and SEM was reinforced (through the purchase of ambulances), contributing to expand the coverage of the mobile emergency system. Operation ES-L1160/2024, which seeks to boost digital health, is at the beginning of its execution.
- 4.16 **In terms of sustainability, the forecast for the absorption of key personnel mitigated risks for the operation of the services, but budgetary availability for infrastructure maintenance must be ensured.** Both Integrated Health Programs I and II financed infrastructure works that require resources for maintenance. A compromised fiscal situation could make it difficult to budget for maintenance and the continuation of other planned investments. Despite these difficulties, since 2015 MINSAL has been incorporating resources for personnel and maintenance of the products achieved through PRIDES I into the budget. An example of this is, the absorption of SEM into the Ministry and the subsequent expansion of its coverage with its own personnel, who operate the system and maintain the ambulances. PRIDES II also provides for the gradual incorporation of personnel, once the project is completed.

GO5. Housing (SO12)

4.17 **The contribution to access to housing finance in vulnerable segments (SO12) was medium, with part of the program that could not be implemented as expected and a partial focus on the sector's barriers.**

CS1	CS2
	SO12. Increase financing for access to housing in vulnerable sectors. EO12.1 Improved housing conditions for vulnerable populations.

During CS2, the Bank approved one investment loan (ES-L1146/2021) under a Conditional Credit Line for Investment Projects (ES-O0009/2020)¹⁰⁰ and two TCs (ES-T1355/2022, ES-T1379/2024). IDB Invest approved a senior loan (13746-01/2021). The INV, for US\$50 million, was executed by the Fondo Social para la Vivienda (FSV),¹⁰¹ and contributed to finance the increase in the placement of loans to households for the acquisition of low-income housing. In line with the program's goals, the FSV's social housing portfolio increased from \$668 million to \$797 million (corresponding to 1,529 mortgages) between March 2023 and December 2024.¹⁰² This contribution was also associated with TC support for the institutional strengthening of the FSV through a review of its women's mortgage financing programs. On the other hand, a senior loan to a financial institution (La Hipotecaria 13746-01/2021) to support financing for the purchase of first social housing, which had been delayed in execution until 2024 managed to disburse during the second half of the year. The TCs, for their part, considered in a more comprehensive way the multidimensional flaws of the social housing market and the need for a national policy that addresses weaknesses in urban planning, land titling, land management capacities, and governance, although they are still under development and have not yet recorded results. The ES-T1355 is developing a "social and environmental seal for housing" and a "territorial and urban information system." RG-T4251 is funding a housing value chain study in El Salvador. Other products are also under development (such as the comprehensive master plan for precarious urban settlements, or municipal planning guides).

¹⁰⁰ The CCLIP (multisectoral modality) was approved for US\$400 million with an expected allocation of US\$300 million for the Banco de Desarrollo de El Salvador (Bandesal) and US\$100 million for the FSV. This was the second operation under the CCLIP line and the first with the FSV.

¹⁰¹ The FSV is a public institution that offers credit to facilitate homeownership. Prior to this first operation with the IDB, the FSV was financed by the Central American Bank for Economic Integration (CABEL) and Bandesal. Since 2021, its indebtedness to these institutions has not grown.

¹⁰² The Program's outstanding results include that 42% of its resources financed housing for women with incomes of 4 minimum wages or less; 100% of the housing financed by the program has had a natural disaster risk analysis; and the ratio of FSV's social housing delinquent portfolio over the delinquent portfolio remains below the target (down from 2.3 to 1.3).

C. Reactivation and Productive Reconversion Area

GO6. Access to Financing for MSMEs (SO13)

- 4.18 **The contribution to facilitating access to finance for MSMEs (SO13) was medium, with mixed results in the growth of clients' objective portfolios.** Through 12 loans (8 NSG and 4 SG), the Bank disbursed US\$553.3 million to public and private financial institutions to promote the growth of its MSME portfolios. They reported close to 18.000 new loans to MSMEs during the CS2. However, the achievement of goals for these projects has been mixed¹⁰³. In the NSG portfolio, two operations had high contribution (exceeding goals)¹⁰⁴, three had medium contribution (reaching goals in amount, but not in number of loans), and the rest of the loans had lower contributions¹⁰⁵. As for the TFFP, although its main purpose is to support foreign trade financing, it also considers support for MSMEs.¹⁰⁶ Only 2 of the 6 TFFP operations showed increases in the banks' outstanding MSME foreign trade portfolio (see Annex II). On the other hand, in the SG portfolio, 3 of the 4 operations meet some of their goals (two with BANDESAL on the second floor¹⁰⁷ and one with the Banco de Fomento Agropecuario on the first floor). The other operation (with BANDESAL) for energy efficiency financing for SMEs has already reached 100% of disbursement, but it is not meeting its goals for the number of loans to SMEs¹⁰⁸, since the average amount of credits has been higher than estimated in its design.
- | CS1 | CS2 |
|-----|--|
| | SO13. Facilitate access to financing for MSMEs. |
| | EO13.1 More MSMEs accessing credit. |
| | EO13.2 Recovering and boosting financing for productive sectors with higher added value. |
- 4.19 **Loan operations were supported by technical support that promoted improvements in the monitoring capabilities of the financial institutions.** On the one hand, the IDB provided support for the institutional strengthening of public banks, mainly BANDESAL¹⁰⁹, where cooperation was maintained during the

¹⁰³ 7 NSG operations had targets for both the amount and number of loans in target portfolios. 5 achieved loan amount targets, but only one met loan number targets. On the other hand, 4 SG operations maintain targets for loan amounts and terms granted to MSMEs, as well as for MSMEs led by women.

¹⁰⁴ These were executed by the clients with which the IDB Group has the longest track record, with 5 operations approved with each of the institutions prior to the CS2. The mix of instruments used included senior loans, TFFP operations, and consultancies.

¹⁰⁵ Due to monitoring problems and partial progress on goals. In addition, another operation has only recently been approved, so results are not yet expected.

¹⁰⁶ OVE's evaluation of financial intermediaries reports that support for SMEs is an implicit objective of the TFFP (document [RE-486-2](#), see [note](#) on the TFFP) and the evaluation of IDB Invest noted that the TFFP had room to increase its coverage of SMEs (document [RE-577](#)).

¹⁰⁷ One of these exceeds the goal related to the amount of the portfolio of working capital financing and investment in fixed assets for MSMEs, reaching a value of US\$ 337.5 million.

¹⁰⁸ As of December 2024, 127 credits have been placed (26% of the goal of 495 credits). Through these projects, reductions of 51,170 tCO2 have been reported, achieving expected goals for that project objective.

¹⁰⁹ The IDB has supported the transformation of the country's development banking system, including the creation of BANDESAL in 2011. The CPE 2015-2019 mentions that the IDB worked effectively with BANDESAL (through TCs, and SG and NSG loans) supporting its funding and capitalization.

evaluation period ¹¹⁰. For example, through technical cooperation (ES-T1303/2019), BANDESAL strengthened its monitoring and evaluation capabilities, supporting the achievement of results from an operation (ES-L1138/2020). Another technical cooperation (ES-T1324/2020) supported the development of a methodology for measuring energy savings, aimed at facilitating their tracking and monitoring by reducing technical and information barriers in energy efficiency financing. In addition, IDB Invest provided six advisories for strengthening the capacities of private banks. Some advisories supported operations that achieved performance goals. One of these supported an operation, through the implementation of an information system to capture and report disaggregated data on SMEs led by women. In addition, the support for another client allowed it to more precisely segment its objective portfolios, associated with a loan that achieved its goals. Other consultancies support similar aspects of monitoring related to operations that have not yet closed¹¹¹. Finally, support was also provided at the banking system level, through a consultancy to the Banking Association that mapped the use of environmental standards by its members¹¹².

- 4.20 **The effects of the pandemic and monitoring difficulties affected the achievement of original operating results.** During the pandemic, six operations had mixed results regarding their original funding objectives for MSMEs. Five NSG loans reported lower growth in their target portfolios, attributing this to the health crisis. One of these reported that this situation resulted in fewer but larger loans being granted. Other operations, both NSG and SG (ES-L1132/2018), focused on promoting green credit, reported that companies changed their investment plans, prioritizing working capital loans over other types of loans, affecting the demand for green credit and the achievement of their original results. The difficulty of monitoring the target portfolio affected the achievement of results from two operations. One of the cases was due to the merger of a client with another financial institution, which affected the ability to measure results. This loan was made prior to the completion of the merger process, so it was not clear what objective portfolio growth strategy the new entity would follow, and portfolio tracking systems were not yet approved between the two institutions.
- 4.21 **The sustainability of the results will depend on the continuity of the country risk reduction process.** The shocks that affected the financial market during the period (such as the pandemic) or individual operations (such as a merger that impacted portfolio tracking capacity), had effects on the strategy of financial institutions, reducing, for example, expected goals in objective portfolios (such as exposure to SMEs). In the next cycle, the evolution of the credit quality of the country's sovereign debt, in a context of continued reform implementation, will have effects on local banks' access to funding and liquidity. On the other hand, IDB Invest's continued relationship with its clients can also be favored by

¹¹⁰ Technical cooperations to strengthen and scale their second-floor productive business financing programs (ES-T1303/2019), knowledge exchange (ES-T1310/2019), and institutional strengthening to support MSMEs (ES-T1362/2023).

¹¹¹ An advisory service linked to loan provided the client with a guide for managing green projects and recommendations on its risk system. However, the pandemic affected the results of the loan operation. Another advisory service is linked to an operation that has not yet presented results, while another one is linked to a recently approved operation, for which results are not yet expected.

¹¹² In October 2019, IDB Invest signed a Sustainable Finance Protocol with the 12 banks that make up the Salvadoran Banking Association (ABANSA), in order to build and implement a sustainable finance strategy for the country's commercial banking system.

improvements in the country's credit ratings. Country risk affects decisions about the number and size of new operations, the selection of financial institutions to which to direct loans, and the capacity to mobilize third-party funds in the face of changes in investor appetite.

GO7. Infrastructure (SO6, SO14, and SO15)

4.22 **The contribution to the objective of improving connectivity between development poles (SO6) was medium, achieved mainly through support for rural roads.**

During the evaluation period, the IDB executed legacy operations for rural and tertiary roads (ES-L1045/2010 and ES-L1061/2011), and a Productive Corridor program (ES-L1075/2014). However, due to the lack of consensus in the Assembly during CS1, support for the objective was lower than expected. On the one hand, the Mesoamerican Pacific Corridor Improvement program (ES-L1085/2013)¹¹³ was canceled. On the other hand, two operations in programming were never approved: an operation under the CCLIP for strategic investments for the Northern Triangle (ES-O0005)¹¹⁴ and a new rural roads program (ES-L1097)¹¹⁵. In addition, the second phase of the metropolitan transportation program for San Salvador was not approved either given the problems during the first phase (ES-L1096). Based on the program implemented, the largest contributions were through the improvement of 141.4 km of rural and tertiary roads (sections prioritized by the Ministry with the support of the Bank), which achieved goals for trafficability and

CS1	CS2
SO6. Improve connectivity between development poles and markets by strengthening transportation infrastructure and services.	SO14. Develop inclusive and sustainable infrastructure services.
EO6.1 Reduction of overall travel times and transportation costs on road sections connecting production hubs to free trade zones and the final destination of cargo.	EO14.1 Improvement of infrastructure quality.
	EO14.2 Forest cover for the protection of ecosystem services is maintained.
	EO14.3 Limiting the increase in greenhouse gas emissions.
	SO15. Increase digital connectivity.
	EO15.1 Increased use of information and communication technologies.

¹¹³ The sections of this road (also known in El Salvador as Carretera del Litoral) to be intervened were intended to complement investments supported by Fomilenio II on the same road. The project did not reach consensus in the legislative assembly after three extensions and was canceled.

¹¹⁴ The operation was part of a regional CCLIP approved in 2018 for \$700 million (RG-O1667) for the three Northern Triangle countries (El Salvador, Guatemala, and Honduras). Funding of \$250 million was previously approved for El Salvador (ES-O0005), but was not ratified. The operation supported the PAPTN, which lost support in Congress.

¹¹⁵ The operation was programmed for 2016, giving continuity to the rural roads program. Another operation with similar objectives was approved in 2022 (ES-L1155) and is in the early stages of implementation.

traffic speed at reasonable investment costs¹¹⁶. Despite this prioritization, these represented a limited portion of total investment in roads between 2015 and 2020 (about 5%) and of the km of national rural and tertiary roads (3%).

- 4.24 **The contribution to the objective of *developing inclusive and sustainable infrastructure services (SO14)* was also medium, through investments in energy and support for the sustainable rehabilitation of infrastructure affected by climate events.** In energy infrastructure, the NSG portfolio executed 3 solar energy loans and 2 loans to expand natural gas-fired generation during the period. These operations contributed to the outcome of *improved quality of infrastructure* through increases in electricity generation capacity by 600 MW¹¹⁷, which represented 47% of the increase in installed generation capacity in the country between 2015-2023, as well as the expansion of 44 km of transmission lines, which in turn supported the diversification of the energy matrix. Subsequently, IDB Invest supported the implementation of battery energy storage systems for solar projects. On the IDB side, the CP executed 2 projects (ES-L1166/2013, ES-L1075/2014) that supported punctual improvements in infrastructure¹¹⁸ located in the coastal-marine strip, as part of the Government's strategy and in coordination with Fomilenio II works¹¹⁹. However, the contributions of these operations have been low to the CS objective, with lower than expected results or no results reported so far.¹²⁰ Major contributions were made in the event of weather contingencies. The approval in 2021 of US\$400 million under the Contingent Credit Facility for Natural Disasters and Public Health Emergencies (CCF, ES-O0011/2021) allowed for a timely emergency response to tropical storm Julia the following year (with INV ES-L1161/2022 under the CCF, seven works were carried out to rehabilitate critical infrastructure)¹²¹, and to storm Alberto in 2024 (ES-L1169/2024 under execution). In addition, as a requirement for event eligibility, the CCF established a monitoring of annual progress goals until 2026 of the country's Integrated Natural Disaster Risk Management Plan (PGIRDN).
- 4.25 **There are still no contributions to the objective of *increasing digital connectivity (SO15)*, which is being supported by several recent operations through institutional strengthening of executing agencies.** The Social Digital Connectivity program (ES-L1145/2021), the only support operation directly targeting the objective, is in the initial stages of implementation. Similarly, other recent operations in different sectors have components to improve the quality of infrastructure and also seek to strengthen the digital transformation of the

¹¹⁶ ES-L1045 underwent extensions of 25 months. After overcoming initial problems, it was able to execute some 66.15 km at a cost of approximately US\$500,000 per kilometer. The second operation (ES-L1061) executed on time some 58.67 km at a cost of US\$225,000 per kilometer.

¹¹⁷ 220 MW solar and 380 MW based on liquefied natural gas

¹¹⁸ 2 piers for dual use (fishing and tourism), a market, and two wastewater treatment plants.

¹¹⁹ As part of the Cuscatlán Plan, a Strategy for the Integral and Sustainable Development of the Coastal-Marine Strip 2012-2024 was developed, aimed at improving living conditions in 30 prioritized municipalities, supporting, among other issues, infrastructure for fishing and sustainable tourism, water and sanitation, and transportation.

¹²⁰ There are other young operations lined up from which no contribution was expected yet. Support for the recovery of the tourism sector (ES-L1151/2022), strengthening of the water and sanitation sector (ES-L1152/2022), rural roads (ES-L1155/2022).

¹²¹ Stabilization of slopes, repair of La Bermeja flood pond, rehabilitation of 2 drainage vaults adjacent to road arteries, and rehabilitation of 2 bridges.

respective counterparties. This is the case in tourism, water and in a port¹²², but because they are recent, none of these operations have evidence of contribution yet.

- 4.26 **Contributions to improving connectivity between development poles (SO6) and developing infrastructure services (SO14) were associated with long-term technical support to partners in the sector, especially the Ministry of Public Works and Transport (MOPT).** Continued strengthening support to the MOPT was provided through both loans and TCs. TCs sought to improve the technical and planning capabilities of the MOPT (including a Master Infrastructure Plan and various technical supports for urban mobility).¹²³ In particular, through technical support in rural road projects, a project planning, monitoring, and evaluation system was implemented and adopted by the ministry (considering several systems that already existed), thus expanding its scope to investments not financed by the IDB¹²⁴. However, interaction with other entities relevant to the infrastructure area, such as the Fondo de Conservación Vial (FOVIAL) or the Comisión Ejecutiva Portuaria Autónoma (CEPA) was only more intense during the CS2¹²⁵, and these entities still have gaps in their experience in executing operations with the IDB.
- 4.27 **In contrast, contributions to these two objectives were reduced due to execution problems that generated delays and modifications to planned works.** The main challenges relate to: (i) difficulties in forming executing units in the Ministry of Public Works and Transportation (MOPT) and the National Administration of Aqueducts and Sewers (ANDA); (ii) delay in procuring land, obtaining environmental permits, or procuring rights of way; (iii) challenges in carrying out pre-investment studies and definitive designs; (iv) staff turnover; (v) increased costs due to the pandemic; (vi) deserted tenders; and (vii) inter-institutional coordination difficulties. These problems have caused delays (in road infrastructure, tourism, and water operations) and changes in scope (in the operation of productive corridors).
- 4.28 **The maintenance of works is the main sustainability risk, both because of technical capacity and because of the country's budgetary restrictions.** Weaknesses were found in the technical and financial capacity of the agencies responsible for the management and maintenance of the works. In works that were managed at the subnational level, for example, in projects managed by Municipalities or Water Boards¹²⁶, there were not enough technical personnel and financial capacity (in tourism development, for example, a sanitation project was transferred to ANDA for maintenance). In turn, the entities in charge at the national

¹²² Support for the recovery of the tourism sector (ES-L1151/2022), strengthening the water and sanitation sector (ES-L1152/2022), and the program for commercial facilitation and modernization of port operations (ES-L1157/2024).

¹²³ TC support sought to provide knowledge on pre-investment (ES-T1239), an Infrastructure Master Plan (ES-T1289), and urban transport and mobility models for San Salvador (ES-T1275, ES-T1307, ES-T1314, ES-T1315).

¹²⁴ Infraestructura para el desarrollo [Infrastructure for Development], Volume 4, No. 2 (IDB)

¹²⁵ A recent support to CEPA (ES-T1360/2023) seeks to strengthen the agency in preparation for the new operation with the entity. In the case of FOVIAL, a TC (ES-T1350/2022) supporting the preparation of rural road operations completed a study in 2024 on gaps in the implementation of IDB operations (PACI).

¹²⁶ ES-L1046/2010, ES-L1066/2013, ES-L1075/2014, ES-L1151/2022.

level, such as FOVIAL (for road works¹²⁷), ANDA¹²⁸, and MOPT, have financial and resource limitations, in a scenario restricted by the fiscal situation.

GO8. Integration and Trade (SO7)

4.29 **The contribution to facilitate the integration of the Mesoamerican region was medium and came through improvements in customs processes, through the incorporation of technology.**

CS1	CS2
SO7. Promote/facilitate the integration of the Mesoamerican region.	
EO7.1 Reduction of average border crossing time.	

The main aligned operation, focused on strengthening Tax Administration (ES-L1131/2016), financed equipment and infrastructure to streamline the operation of several customs offices, including the most important ones (San Bartolo and Acajutla Port Customs)¹²⁹. The customs offices benefiting from the program were strengthened through technological investments for the implementation of a blue channel.¹³⁰ In addition, the project strengthened customs through equipment to streamline the processes of registration, review and risk analysis of goods passing through customs (using smart domes). The products financed by the program made it possible to switch from manual to electronic processes, thus speeding up customs clearance. In addition, the IDB provided technical support to the Northern Triangle customs integration process through workshops and consultancies, which, in the case of El Salvador, sought to accelerate integration with Honduras and Guatemala (RG-T3384/2019)¹³¹. Therefore, the CP made contributions (in institutional strengthening, infrastructure and technology) that expedited times when crossing borders. The rest of the associated operations had alignment weaknesses or were canceled. TFFP operations had low feasibility to contribute due to a lack of focus on the Mesoamerican region.¹³² In any case, 3 out of 6 operations showed a contribution through the growth of foreign trade financing in Mesoamerica. For its part, a legacy investment loan (ES-L1085/2013) that sought to support the construction of the Mesoamerican Pacific Corridor (MPC), a trunk cargo corridor with Guatemala and Honduras, was canceled due to delays in its ratification.

¹²⁷ ES-L1045/2010, ES-L1061/2011, ES-L1155/2022.

¹²⁸ ES-L1152/2022.

¹²⁹ They are considered the most important in terms of total value of goods and number of competencies (number of procedures and responsibilities performed in these customs offices). The customs offices that benefited from the program were San Bartolo, Acajutla, El Poy, and La Hachadura. In addition, there were products that benefited the entire customs system, such as the unification of legal provisions among all customs offices through a customs code.

¹³⁰ The blue channel is a facility granted to taxpayers so that they are not subject to on-site physical and documentary inspection, thus allowing goods to be dispatched more quickly.

¹³¹ For example, through a specialized consultancy for the interconnection of the IT services of the Tax Administration of El Salvador (DGII) with the Community IT Platform (PIC) for the functionality of the Central American Single Invoice and Declaration System (FYDUCA). It also supported an update of the Central American trade facilitation strategy with emphasis on coordinated border management (ECFCC)-2023. In addition, the IDB recently approved a loan for trade facilitation and port operations modernization (ES-L1157/2024), which is in the early stages of implementation. Although it received TC for institutional support, this support was not directly aligned due to the discontinuation of the objective during CS2.

¹³² During 2016-2024, the underlying operations of the TFFP in El Salvador totaled US\$709.7 million. Of the total, 33.7% (US\$238.9 million) relates to intraregional trade (LAC) and 12.1% (US\$86 million) to trade within Mesoamerica (El Salvador, Guatemala, Belize, Honduras, Nicaragua, Costa Rica and Mexico).

4.30 **The sustainability of the results achieved will depend on the continuity of the regional customs integration process and the availability of a budget for the maintenance of the funded equipment.** The infrastructure supported by the program consists of intelligent domes for the inspection of cargo trucks, zebra readers for the registration of containers with goods, internet connection devices for the operation of X-ray scanners, among others. As with other objectives, the continuity of benefits will depend on the budgetary availability for the maintenance of the infrastructure and equipment financed by the program. Furthermore, although the objective of promoting/facilitating Mesoamerican integration was discontinued in the CS2, it continues to be relevant to enhance the results achieved in customs processes. The country is in a process of customs integration with its neighbors. The sustainability of the results achieved requires continuing this process, strengthening integrated border management, digital transformation in foreign trade management, and the harmonization of regional and infrastructure management regulations.

V. CONCLUSIONS AND RECOMMENDATIONS

- 5.1 **The objectives of the IDB Group's Strategies were consistent with development challenges, with greater relevance in the fiscal area than in the social and productive areas.** During the evaluation period (2015-2024), El Salvador's growth, similar to that of the previous decade, was affected by several challenges. As a result of the pandemic, public spending and debt levels increased, reducing financing options. In this scenario, the IDB Group's objectives in the *fiscal area* were relevant as it focused on *fiscal sustainability*. In the *social area*, *health* objectives were relevant to the extent that they continued to support a long-term reform program; in *education*, the objectives increased their relevance in CS2, addressing key challenges of social inclusion and human capital skills; while the relevance of housing objectives was not clear. In the *productive area*, the objectives of *infrastructure* and *digital connectivity* were relevant, but the relevance of *financing for MSMEs* and *deforestation* was limited in contributing to raising the country's productivity. Starting in 2022, the reduction in political polarization, the reduction in violence, and the government's commitment to fiscal reforms suggest a change in the context that could open up opportunities to address structural challenges.
- 5.2 **CS2 improved the argument about the selection of its objectives and how it was going to contribute to them, although gaps persisted in terms of feasibility and risk mitigation.** Improvements were observed in the definition of the progress indicators of the CS2 with respect to the CS1, and areas were identified where collaboration between the public and private windows of the IDB Group would be strengthened. However, the argument about the feasibility of contributing was not always present, particularly in relation to some very broad expected outcomes, such as improving the efficiency and equity of public spending or the quality of infrastructure. Both CSs generally identified the main risks that could affect the country; but their implications for the program and mitigation actions were not clearly defined, except for risks associated with natural disasters. Feasibility and risk mitigation gaps diminished the relevance of the strategy as a guide to the program, and in practice the IDB Group adapted its ad hoc support, without the benefit of having foreseen in the CSs how this should be done.
- 5.3 **The IDB Group's country program (CP) aligned with all the objectives of the CSs and benefited from synergies both within the Group and with other development partners, but the feasibility of contributing to a third of the objectives was low.** The IDB Group program included 178 sovereign-guaranteed (SG) operations and 64 non-sovereign-guaranteed (NSG) operations, totaling US\$5.1 billion. The IDB transitioned from using primarily policy-based loans (PBLs) in CS1 to investment loans, tripling the annual amounts between CS1 and CS2. For its part, IDB Invest almost doubled its amounts in 2020 in support of the objectives of access to finance for MSMEs and infrastructure. The program aligned with all the objectives of the CSs, improving coordination between the IDB, IDB Invest, and IDB Lab windows and coordination with other cooperation partners. In addition, the program succeeded in attracting private and public co-financing. On the other hand, the feasibility of contributing to a third of the objectives was low, due either to an indirect focus or to the limited scope compared to the established objectives.

- 5.4 **The Bank maintained a proactive role in the face of implementation problems, promoting together with the country an acceleration of execution during CS2.** More than two-thirds of investment loans faced implementation problems during CS1, in part due to delays in legislative approval, which were reduced during CS2. Once the start-up stages of the programs were completed, procurement problems were the most common. During CS2, the IDB intensified the use of technical cooperation for operational support and implemented proactive portfolio management measures, accelerating execution and increasing disbursements, although a high proportion of operations are still in the initial stages of execution, and several supervisory and management measures are not institutionalized.
- 5.5 **The contributions of the IDB Group to the objectives of the CSs were mixed in the three areas of the program.** In the fiscal area, the main contributions were to increase revenue and strengthen fiscal sustainability, while the contribution to the efficiency and equity of public spending was low. In the social area, the main contributions were in health and housing, while there were shortcomings in education. In the productive area, the main contributions were made through infrastructure improvements (road and energy), access to finance for MSMEs, and customs improvements. The main factors that were associated with greater contributions were: (i) consistency with the country's long-term State policies (for example, in tax collection), (ii) the IDB's technical quality seal, including through technical cooperation for client support, which played an important role in generating consensus around key reforms in the fiscal area, and (iii) the application of lessons learned derived from a continuity of sectoral support (such as in infrastructure and health). Lower contributions were associated with factors such as low *ex-ante* feasibility of contributing (for example, due to the lack of direct focus on *efficiency of public spending* or on *financing productive sectors with higher added value*), the support of a program that was too young (*digital connectivity*) and implementation delays (education).
- 5.6 **The sustainability of the results was affected by the pause in fiscal reform after the pandemic, and in other areas it will depend on budgetary availability and institutional capacities.** Sustainability analysis identifies potential risks in the continuation of results, but does not imply a judgment about their likelihood of materialization. The pause or delay of reforms presents a risk to the sustainability of the results achieved in the fiscal area, while the commitment to advance these reforms mitigates that risk. Budgetary challenges also increase risks to the sustainability of results in other areas, particularly those that depend on adequate infrastructure maintenance (such as rural roads, water and sanitation, or even health and education infrastructure). Some projects, such as on highways, sought to ensure from their design stage the transfer of responsibilities and resources necessary for their maintenance, which mitigated the risk. In addition, other projects, such as the Medical Emergency System, produced rapidly visible results for the population, which promoted its continuity and expansion. Finally, sustainability risks intensify in the face of gaps in institutional capacity (for example, at the subnational level) in contrast to what happens with executing entities with greater capacity in public management (some even strengthened by the program, such as FSV, Bandesal, MOPT or Ministry of Health). Thus, three factors, where the IDB Group can provide support, were associated with greater sustainability of results: (i) the early-stage planning during design or implementation of how the costs and technical capacities required to support

project maintenance and operation will be absorbed; (ii) when the project's benefits during operation are clear and generate interest from users and the government to sustain or scale them; and (iii) when the institutions responsible for sustaining results are solid and have execution capacity, inter-agency coordination, and strategic planning capabilities.

5.7 **Based on these findings, OVE makes the following recommendations:**

1. **Strengthen the relevance, strategic selectivity, and feasibility of contributing the next CS, considering national priorities.** This involves: (a) more thorough diagnoses of the key barriers to the country's development, with special emphasis on tackling structural challenges in fiscal and productive areas; (b) continuing to identify, together with the country, which cooperation partners will contribute to addressing each barrier, defining ex-ante how the IDB Group can contribute by virtue of its comparative advantages and reinforcing its role as an honest broker among the country's various development stakeholders; (c) envisaging the use of non-refundable instruments, such as the technical cooperation to support clients, for deepening diagnostics, building consensus and planning the roadmap to address the key barriers to development that the IDB Group will assume, ensuring continuity of support for the country's reform agenda, even in the face of pauses in loan support.
2. **Strengthen risk management for risks that may affect the program's contribution to the objectives set in the CS and anticipate general response guidelines in case they occur.** This involves: (a) identifying in the future CS the main risks that may affect the contribution of the program, including different scenarios of progress in fiscal consolidation, and establishing criteria agreed with the country to adapt the support of the IDB Group in the event that risks materialize; (b) using annual programming to monitor the occurrence of expected and unforeseen risks, and fine-tune the implementation of planned actions to avoid setbacks in the contribution toward the long-term objectives identified in CS, even when responding to crises; and (c) compiling for the benefit of the subsequent CS the lessons learned about the mechanisms that were most effective in balancing the potential tension between maintaining a long-term focus and responding to emerging needs.
3. **Continue to strengthen the coordination between the IDB Group's windows and the mobilization of third-party capital in support of the CS objectives that require investment volumes beyond the country's fiscal possibilities.** This implies: (a) defining in the future CS the mechanisms to monitor the coordination between IDB, IDB Invest, and IDB Lab towards those objectives where the need for private sector support in El Salvador is foreseen, especially in the productivity area; (b) using the annual programming to complement the support for these objectives with private sector development instruments (for example, advisory services to strengthen value chains or the sequencing of operations that promote innovation and market development); and (c) using the CS and annual programming to continue strengthening the mobilization of capital from third parties, particularly in the productive and social areas, where these third parties and the private sector can contribute to reducing funding and implementation capacity gaps.

4. **Continue to proactively address execution challenges, seeking to anticipate them in the early stages of program implementation.** This implies: (a) envisaging in the CS the use of technical cooperation for operational support to continue to promote the execution of the investment portfolio, potentially of an increasing size and complexity; (b) moving forward in the formalization of new portfolio management measures to promote learning, economies of scale, and the training of specialized human resources; and (c) strengthening support during the pre-investment phase, in order to anticipate possible bottlenecks in procurement (for example, anticipating the procurement of land, the pre-drafting of tender documents before projects reach eligibility, or enhancing the capacities of potential contractors).
5. **Promote the sustainability of results through improvements in the design of operations, the early identification of benefits with demonstration effects, and the strengthening of institutional capacities.** This involves: (a) establishing clear sustainability requirements as part of the design of all new operations (such as post-intervention continuity plans, knowledge transfer, and medium-term budgetary requirements); (b) given that obtaining results involves a long-term effort, seeking opportunities to develop scalable lines of work that allow obtaining progressively evaluable results and that motivate their continuation through their demonstration effect; and (c) strengthening key institutional capacities for investment sustainability, including strategic planning, inter-institutional coordination, and execution.

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