

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

EL SALVADOR

America Central

Dialogue | Trust | Partnership

office@lordwaverley.com

www.lordwaverley.com

WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
San Salvador (capital)	Seat of government, banking and the headquarters of most export and services FDI	Financial services, government-linked services, corporate headquarters
La Libertad / Surf City corridor	Flagship tourism brand hosting international surfing events and a fast-growing beachfront real estate market	Tourism, hospitality, coastal real estate
San Miguel (eastern region)	Emerging nearshoring and free-zone growth corridor targeted for new industrial-park incentives	Nearshoring manufacturing, free-zone industrial development
San Bartolo / Ilopango free-zone corridor	Established garment and textile manufacturing base at the core of the free-trade-zone economy	Textile and apparel manufacturing, light assembly
Santa Ana (western region)	Secondary industrial and agro-export corridor anchored by coffee and light manufacturing	Agro-export, light industry, logistics
Puerto de La Unión / Golfo de Fonseca	Underused deep-water port positioned as a logistics gateway to the Pacific and neighboring Honduras/Nicaragua	Port logistics, regional trade infrastructure
Conchagua / "Bitcoin City" zone (La Unión)	Bukele government's long-announced geothermal-powered bitcoin-mining and tax-free city project, still largely undeveloped	Bitcoin mining, speculative special-economic-zone development

INVESTOR ENTRY ROUTES

- Incorporation under the free-trade-zone (zona franca) regime, which already contributes 10.6% of GDP and over 54,000 direct jobs, led by textile and apparel manufacturing
- Nearshoring and light-assembly manufacturing investment riding sharply improved US relations and a 60.5% year-on-year jump in US FDI in Q2 2026
- Surf City/La Libertad tourism and coastal real estate development, backed by a 22% year-on-year rise in international visitors through August 2026
- Participation in the dollarized economy with voluntary bitcoin acceptance - USD remains the functional base currency, with BTC optional for private-sector transactions since 2025 reforms
- Investment anchored by the IMF's 40-month, \$1.4 billion Extended Fund Facility (with total multilateral support estimated near \$3.5 billion), which underpins current macroeconomic and fiscal stability
- Construction and infrastructure investment riding an industry-projected \$4 billion pipeline for 2026

MARKET-ENTRY OBSERVATION

El Salvador presents one of the sharpest security and tourism turnarounds in this series. The homicide rate fell to roughly 0.90 per 100,000 in 2026 - the lowest in the country's modern history, down from 6,656 murders in 2015 to just 82 in all of 2025 - and international arrivals topped 3.2 million through August 2026, up 22% year-on-year, generating \$2.88 billion in tourism revenue. US investment is following: net US FDI rose 60.5% year-on-year in Q2 2026 to \$144.41 million, its highest level since late 2018, and the

free-trade-zone regime now contributes 10.6% of GDP (second-highest share in Latin America after Costa Rica) and over 54,000 direct jobs, concentrated in textile and apparel manufacturing.

Two qualifications temper that picture. First, the headline FDI numbers are volatile and currently misleading on their own: total net FDI collapsed 92% year-on-year in Q2 2026 to just \$9.77 million, driven by a large, unexplained net outflow tied to Panama and the transport sector that more than offset genuine US and Spanish inflows - a reminder to read bilateral and sectoral data rather than the aggregate headline. Second, and more structurally, the security gains sit alongside a state of exception now in its fifth year (suspending normal due-process protections, with more than 90,000 people imprisoned and over 500 deaths in custody reported by rights groups) and a July 2025 constitutional reform eliminating term limits, extending the presidential term to six years, and clearing President Bukele's path to a third consecutive term in the February 2027 election - changes widely condemned by legal scholars and human rights organizations as a consolidation of executive power.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Volatile, partly unexplained headline FDI data	Net FDI swung from +\$486.92M (H1 2025) to +\$226.03M (H1 2026), with Q2 2026 alone collapsing 92% y/y on unexplained Panama- and transport-linked outflows, complicating trend-reading	Rely on bilateral (US, Spain) and sector-level data rather than the aggregate quarterly headline
State of exception now in its fifth year	Suspended due-process rights, warrantless detention and surveillance, and over 90,000 imprisonments create real human-rights and operational due-diligence exposure	Apply enhanced HR due diligence on local hiring and any government-linked counterparty; monitor Cristosal and PDDH reporting
Constitutional concentration of power (July 2025 reform)	Indefinite re-election, a six-year term, and a restructured judiciary raise long-term institutional and rule-of-law uncertainty relevant to contract enforcement	Structure material contracts with international arbitration clauses and monitor judicial-independence developments
IMF-Bitcoin policy friction	The IMF's \$1.4B Extended Fund Facility requires the government to cap bitcoin-related activity, while President Bukele has publicly vowed to keep buying - a risk to program continuity and disbursement timing	Track IMF review dates and Bitcoin Office purchase disclosures before large FX-sensitive commitments
Heavy reliance on the US political relationship	Much of the recent FDI and trade-policy momentum rests on improved bilateral ties with Washington, which could shift with a change in US policy priorities	Diversify market access through CAFTA-DR and broader export channels rather than bilateral favor alone
Small domestic consumer market	Limited local demand scale favors export-oriented investment over domestic-market plays	Target free-trade-zone and CAFTA-DR export channels rather than the small internal market
Seismic and hurricane exposure	Location on the Pacific "Ring of Fire" and within the hurricane belt carries standing natural-disaster risk	Build resilient design standards and adequate insurance into project underwriting

INVESTOR RISK NOTE

Waverley views El Salvador as a genuine security and tourism turnaround story with an increasingly credible nearshoring and free-trade-zone proposition, operating under an IMF-anchored fiscal program. The headline FDI volatility is largely a data-reading issue rather than a fundamentals problem, but the deepening state of exception and the constitutional changes consolidating executive power are structural governance risks that investors should price into contract design and due diligence rather than treat as background noise.

MARKET ACCESS

El Salvador has used the US dollar as its official currency since 2001, removing currency risk for North American investors, and since 2025 reforms has made bitcoin acceptance voluntary rather than mandatory for private businesses. As a CAFTA-DR member, it offers preferential access to the US market for qualifying exports, and its free-trade-zone regime provides duty and tax incentives for export-oriented manufacturing.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
PROESA (Export and Investment Promotion Agency)	El Salvador's primary vehicle for attracting and facilitating FDI, including free-trade-zone incentive administration	First point of contact for incorporation, incentive registration and sector introductions
Ministry of Economy	Oversees the free-trade-zone law, trade policy and CAFTA-DR implementation	Engage for regulatory and trade-policy matters
Ministry of Tourism / CORSATUR	Drives the Surf City brand and broader tourism development strategy behind the 2026 visitor boom	Coordinate on hospitality and coastal real estate development
Central Reserve Bank of El Salvador (BCR)	Publishes FDI and macroeconomic data and oversees monetary/FX policy under the dollarized regime	Primary source for verifying bilateral and sectoral investment data
National Bitcoin Office (ONBTC)	Manages the government's bitcoin reserve and purchase activity amid active IMF program tension	Monitor for policy-risk signals relevant to any FX- or crypto-exposed structuring
Legislative Assembly (Nuevas Ideas supermajority)	Enacted the July 2025 constitutional reforms eliminating term limits and extending the presidential term	Monitor for further constitutional or legislative shifts affecting the investment and governance climate
Cristosal / Human Rights Ombudsman (PDDH)	Independent monitors documenting state-of-exception detentions, prison deaths and due-process concerns	Reference for ESG and human-rights due diligence on the operating environment

CURRENT INTERNATIONAL BUSINESS CHANNELS

Most inbound capital flows through PROESA-facilitated free-trade-zone incorporation, direct engagement with industrial park operators in San Bartolo, Ilopango and San Miguel, and CORSATUR-coordinated tourism and real estate development along the Surf City corridor. Bitcoin- and fintech-linked ventures engage directly with the National Bitcoin Office and the Comisión Nacional de Activos Digitales.

INVESTOR PROFILE BEST SUITED

Best suited to nearshoring and light-assembly manufacturers (textile, apparel, electronics-adjacent) targeting the free-trade-zone regime; tourism and real estate developers pursuing the Surf City/La Libertad growth story; and investors with the risk tolerance and legal structuring sophistication to operate under a consolidating, IMF-monitored governance environment.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Confirm sector fit

Decide between free-trade-zone manufacturing, Surf City tourism/real estate, or services, and select a location corridor accordingly.

STEP 2: Engage PROESA for incentive registration

Confirm free-trade-zone eligibility, incentive packages and registration requirements before committing capital.

STEP 3: Structure for institutional risk

Build international arbitration clauses and enhanced counterparty due diligence into material contracts given the current constitutional and judicial environment.

STEP 4: Assess IMF-Bitcoin policy exposure

For any FX- or crypto-sensitive structuring, track IMF Extended Fund Facility review dates and National Bitcoin Office activity.

STEP 5: Build in human-rights due diligence

Apply enhanced due diligence on local hiring and government-linked counterparties, referencing independent Cristosal/PDDH reporting.

WAVERLEY'S ROLE

- Track the IMF Extended Fund Facility review calendar and National Bitcoin Office purchase activity for policy-risk signals
- Monitor Cristosal and PDDH state-of-exception reporting for material governance and human-rights developments
- Coordinate introductions to PROESA, CORSATUR and free-trade-zone park operators for sector-specific entry
- Screen nearshoring manufacturing and Surf City tourism-real estate opportunities against current incentive and pricing data

INVESTOR CALL TO ACTION

Waverley Gateway positions investors to capture El Salvador's genuine security turnaround, tourism boom and nearshoring momentum while explicitly structuring around its deepening governance-concentration and IMF-Bitcoin policy risks - engage now to sequence entry around these developments.

Sector screening -> Governance and policy-risk due diligence -> Institutional introductions -> Structured entry

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Near-term opportunities concentrate in free-trade-zone nearshoring manufacturing (textiles, apparel, light assembly) across San Bartolo, Ilopango and the emerging San Miguel corridor, Surf City/La Libertad tourism and coastal real estate development, and the broader construction sector riding an industry-projected \$4 billion 2026 investment pipeline.

POSITIONING

El Salvador offers one of the most dramatic security and tourism turnarounds in this series, paired with a genuine and growing free-trade-zone manufacturing franchise and accelerating US investment interest, all anchored by an IMF-backed fiscal program.

That momentum sits alongside a state of exception now in its fifth year and a July 2025 constitutional reform consolidating executive power through indefinite re-election - real governance risks that sit apart from, and should not be confused with, the country's economic fundamentals. Waverley frames El Salvador as a high-momentum nearshoring and tourism market best entered with deliberate governance-risk structuring rather than either uncritical enthusiasm or blanket avoidance.

SELECTED SOURCES

- Rio Times Online, "El Salvador Net FDI Plunges 92 Percent in Q2 2026," 2026
- Diario El Mundo (El Salvador), "La inversión de EEUU en El Salvador crece 60.5% y llega a su saldo más alto desde finales de 2018," 2026
- The Block, "IMF to 'Ensure' That El Salvador Does Not Buy Any More Bitcoin," 2026
- El Salvador in English, "El Salvador Records Lowest Homicide Rate in Its Modern History, Down to 0.90 per 100,000 in 2026," July 17, 2026
- WTOP/Associated Press, "El Salvador's Ruling Party Clears the Way for Bukele's 3rd Term," July 2026