



El Salvador recently made history after being the first country in the world to implement bitcoin as a legal tender; however, the situation doesn't seem as flattering as initially thought by president Bukele. It is relevant to remember the initial motives that drove Bukele towards the implementation of bitcoin as a legal tender: firstly, El Salvador's great dependency of remittances, accounting for almost one-quarter of the country's GDP. Secondly, this project is Bukele's attempt to bring Salvadoreans closer to financial inclusion, given that most of the population doesn't have a bank account.

During the implementation day, several inhabitants were unable to download "Chivo", the e-wallet developed by the government through which Salvadoreans were supposed to be able to perform payments, to the point that it had to be taken down from service after experiencing technical glitches.

Some weeks after the implementation, the road ahead still looks bumpy. On the one hand, the volatility of the cryptocurrency – which sometimes seems to be its trademark – has remained, while the slack implementation of bitcoin has been met with protests that grow by the day: some businesses are refusing to accept bitcoin as a means of payment – even some government offices are not taking the cryptocurrency –, shielding themselves in their lack of technological support to implement it. Furthermore, the means through which the population has access to bitcoin are getting more challenging, given that the bitcoin ATMs installed around the country have either been vandalized by the protestors or do not work properly.

Moreover, the Central American country is incurring additional costs to deploy bitcoin implementation, and the population does not seem too happy about that. According to several statements from those who took to the streets to protest, the resources utilized by the government for this project are coming from taxes. In a highly indebted country like El Salvador, where inequality abounds, both implementation and adoption, especially from those least favored who don't have access to a stable internet connection, remain

challenging. Moreover, it is important to remember that supranational institutions like the IMF and the World Bank opposed President Bukele's plan to implement bitcoin, even if he considered it a means of bringing investment into El Salvador.

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Meanwhile, the main argument against bitcoin implementation stems from those who argue that it may fuel illicit transactions and financial instability. The fact that the IMF did not approve the adoption does not help the country's cause considering it has open USD 1 billion Article IV discussions with the organization. Similarly, the World Bank also stated that it would not be able to help El Salvador in its bitcoin adoption process, citing environmental and transparency shortcomings.

This is still a developing story, and there is much on the table in terms of future learnings and developments. The full world will be watching – especially those countries whose economies are also dollarized, such as Ecuador and Argentina. If the experiment goes well, it would not be surprising to see other economies adopting the same path, despite the recommendations against it.



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