



PAVING THE WAY TO SUSTAINED GROWTH AND PROSPERITY

in Central America, Panama,
and the Dominican Republic

EDITORS

Kimberly Beaton, Lorenzo Figliuoli, and Roberto Garcia-Saltos

Paving the Way to Sustained Growth and Prosperity in Central America, Panama, and the Dominican Republic

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*Kimberly Beaton, Lorenzo Figliuoli, and
Roberto Garcia-Saltos*

I N T E R N A T I O N A L M O N E T A R Y F U N D

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Cover design: IMF CSF Creative Solutions Division
Composition: AGS, An RR Donnelley Company

Cataloging-in-Publication Data
IMF Library

Names: Beaton, Kimberly, editor. | Figliuoli, Lorenzo, editor. | Garcia-Saltos, Roberto, editor. | International Monetary Fund, publisher.
Title: Paving the way to sustained growth and prosperity in Central America, Panama, and the Dominican Republic / editors: Kimberly Beaton, Lorenzo Figliuoli, Roberto Garcia-Saltos.
Description: Washington, DC : International Monetary Fund, 2019. | Includes bibliographical references.
Identifiers: ISBN 9781484353844 (paper)
Subjects: LCSH: Economic development—Central America. | Economic development—Panama. | Economic development—Dominican Republic. | Fiscal policy—Central America. | Fiscal policy—Panama. | Fiscal policy—Dominican Republic.
Classification: LCC HC141.P38 2019

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ISBN: 978-1-48435-384-4 (Paper)
978-1-48436-874-9 (web PDF)
978-1-48437-028-5 (ePub)

ACKNOWLEDGMENTS: The volume editors appreciate the editorial support provided by Joseph Procopio and his team in the Editorial and Publications Division of the IMF Communications Department.

Please send orders to:

International Monetary Fund, Publication Services
P.O. Box 92780, Washington, D.C. 20090, U.S.A.
Tel.: (202) 623-7430 Fax: (202) 623-7201
E-mail: publications@imf.org
Internet: www.elibrary.imf.org
www.bookstore.imf.org

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NOTE
The research in this volume was drafted in 2017–18 and based on ongoing work at that time.

Foreword

Over the past three decades, countries in Central America, Panama, and the Dominican Republic have experienced sustained economic transformation. The region has moved away from its rural and agricultural societies of the past to modern urban ones and has made significant progress integrating its economies regionally and with the rest of the world. Yet, relative to other regions, growth performance overall has been subpar, with much of the weakness concentrated in the Northern Triangle countries—El Salvador, Guatemala, and Honduras—as well as in Nicaragua, while Costa Rica, the Dominican Republic, and Panama have outperformed their CAPDR peers. In part, the divergent growth performances may be attributed to differences in the structural challenges faced across the region. To varying degrees, the region broadly shares structural impediments from infrastructure and education gaps and large informal sectors as well as limited fiscal space and low financial intermediation and inclusion. Nevertheless, disproportionately high crime in the Northern Triangle countries has contributed to outward migration and undermined these countries' growth prospects relative to the rest of the region.

It is my pleasure to be part of this effort to disseminate the analytical work on Central America, Panama, and the Dominican Republic conducted by the IMF's Western Hemisphere Department to assess how the region can overcome its obstacles and achieve higher and more inclusive growth. This book is timely and important in many respects. With a primary focus on how to achieve higher and more inclusive growth, it provides a rich analysis of key structural, fiscal, and financial impediments to growth. The chapters synthesize a substantial amount of analytical work on highly topical issues, with the conclusions providing important insight into the divergent growth outcomes of countries in the region and informing their respective priorities to strengthen the foundations of growth and improve social outcomes.

This book is an important platform to further our close engagement and policy dialogue with our members in the region. I hope that it will foster a productive policy dialogue on the region's unique economic challenges and stimulate further research to pave the way to sustained growth and prosperity.

Mitsuhiro Furusawa
Deputy Managing Director
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