



State of the Region



REPORT SUMMARY

SUMMARY

Seventh State of the Region Report 2025

CONSEJO NACIONAL DE RECTORES DE COSTA RICA
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362
C755s

Consejo Nacional de Rectores (Costa Rica). Programa Estado de la Nación
Seventh state of the region report 2025 : summary / Programa Estado de la
Nación, traducido por Marcelo Madrigal Molina. -- San José, C.R. : PEN, 2025.
1 recurso en línea (38 páginas): archivos de texto PDF, 5 MB . -- (Informe
Estado de la Región ; 7 – 2024)
ISBN 978-9930-654-34-7

1.DESARROLLO HUMANO SOSTENIBLE. 2. DEMOCRACIA. 3.CRECIMIENTO
ECONÓMICO. 4. INVERSIÓN SOCIAL. 5. POBREZA. 6.SEGURIDAD CIUDADANA.
7. POLÍTICA PÚBLICA. 8. CAMBIOS CLIMÁTICOS. 9.AMÉRICA CENTRAL.
10. REPÚBLICA DOMINICANA. I. Madrigal Molina, Marcelo, traductor. II. Título.

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First edition: September, 2025.

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Cover illustration: Erick Valdelomar / Insignia | ng

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Contents

TEAM	3
CONTENTS	5
FOREWORD	7
PROLOGUE	9
An Instrument for Community Engagement	9
An Evolving Initiative	9
A Participatory Strategy for Research and Debate	9
Dissemination: A Key Component of the Process	11
Limitations and Final Comments	11
SYNOPSIS	15
General Assessment	15
First main idea.	
Development gaps within the region have deepened over the last three decades	17
The Central American peace process initiated an era of profound transformations	17
Economic disparities between countries have sharply increased	20
Recent regional history is characterized by slow and uneven social progress	20
Second main idea.	
Post-pandemic management is eroding capacities to promote sustainable human development and regional integration	23
The region returns to pre-pandemic patterns of exclusionary economic growth	23
Countries are cutting social investment despite high and persistent levels of poverty and inequality	24
Environmental improvements were merely a byproduct of the pandemic's economic shock	25
Regional integration is experiencing a serious and prolonged political-institutional crisis	25
Third main idea.	
The region is facing its worst and most dangerous political period since the era of military conflicts.	27
Diversity of political systems in the CADR region contributes to tensions between countries	27
Political autocratization receives support or acquiescence from significant segments of the population	28

Fourth main idea.

Escalating global geopolitical conflicts aggravate tensions within the region 31

Regional fragmentation limits maneuvering room against global powers 31

Recent disruption of U.S. foreign aid creates significant uncertainty 32

Fifth main idea.

The "internal diaspora" further diminishes capacity to address strategic challenges. 34

The aging of the population is a crucial challenge that remains overlooked 34

Regional democratic security policy shelved while organized crime actors deepen their footprint 35

Climate change adaptation requires urgent regional coordination, yet only fragmented small-scale initiatives exist 36

Conclusion 37

ACKNOWLEDGMENTS 38

BIBLIOGRAPHIC REFERENCES 39

Foreword

The *Seventh State of the Region Report* represents a new contribution from academic research to the understanding and deliberation of the current situation and challenges of sustainable human development in Central America and the Dominican Republic. This publication is the result of a collective effort spanning nearly four years, involving approximately seven hundred people from multiple and diverse sectors throughout the Isthmus.

The Report was developed through a participatory strategy that incorporated extensive and successive consultations throughout the various phases of the preparation process. This approach encompassed everything from defining the conceptual framework and developing the agenda, to providing information and deliberating on thematic research inputs, through to reviewing and discussing research progress, final research reports, and draft chapters of the Report. This participatory process enhanced both the quality and relevance of the Report, thereby making this initiative a truly regional effort—by the region and for the region.

The Report serves as a tool for Central American and Dominican societies to understand their reality by identifying and studying the shared dynamics of sustainable human development among the eight countries in the region—dynamics that currently present both challenges and opportunities for their societies. The

Report also aims to contribute to public debate and to the development of regional policies and actions.

In an era of profound and rapid change marked by widespread misinformation across social, political, economic, and cultural spheres, evidence-based knowledge serves as a powerful tool for analyzing reality and grounding positions. It also provides valuable input for effective participation by various social actors in developing shared initiatives.

The recent trajectory of Central America and the Dominican Republic reveals an extremely challenging landscape. Throughout this century, the region has achieved certain human development gains, but these have been highly specific and insufficient to overcome historical shortfalls. In addition to the persistent deficits, recent decline has emerged in critical domains, with political-institutional challenges and setbacks in regional integration standing out. Consequently, as the first quarter of the 21st century draws to a close, the region is experiencing its worst crisis in three decades.

To address this situation, this Report urges moving beyond short-term thinking, as countries face increasingly constrained maneuvering room when dealing with regional and global dynamics. These dynamics will shape the characteristics of their population, labor markets, growth possibilities, biodiversity, and the availability of natural resources in

the coming decades. Managing them requires building consensus among diverse social, economic, and political sectors, understanding that failure to do so could transform today's challenges into losses and opportunities into disappointments.

The *State of the Region* is a scholarly invitation for social and political dialogue. The National Council of Rectors of Costa Rica's public universities (CONARE) finds in this Report an ideal platform for strengthening its ties and exchanges with the rest of Central America and the Dominican Republic. The Council acknowledges the valuable financial contribution of the European Union through the EureCA Program

(European Union-Central American Partnership Facility) and the Rockefeller Brothers Fund.

It also extends appreciation to sponsors of specific research projects and research partners. This Report aims to call upon national, regional, and international organizations and institutions to help strengthen the *State of the Region* as a human development monitoring system for Central America and the Dominican Republic. Ultimately, it seeks to serve as an evidence-based foundation for political debate and public opinion formation that advances the wellbeing of people in this region.



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Prologue

An Instrument for Community Engagement

The *State of the Region Reports* are a monitoring system for Central America's performance on sustainable human development and the evolution of its regional integration. Since the Sixth Edition (2021), these reports include the Dominican Republic, which has been a full member of the Central American Integration System (SICA) since 2013.

Seven regional reports have been published since the inaugural edition in 1999, establishing a robust platform for information gathering, observation, monitoring, and advocacy of sustainable human development. This initiative now goes beyond preparing reports—it regularly produces various materials that are widely distributed. Moreover, it has successfully fostered a regional perspective through networks of academic institutions, universities, experts, and social and political leaders.

These Reports provide focused analysis of key trends rather than offering snapshots of reality, drawing from dozens of studies that seek to identify challenges and opportunities for joint action among the region's societies and governments.

Both the preparation and dissemination processes are sensitive to and respectful of the social, economic, political, ethnic, and cultural diversity of the Isthmus. This edition reaffirms that pluralism in analyzing the changes occurred between

2020 and 2024, a particularly difficult period for the region.

However, pluralism does not imply neutrality. In response to regional processes of political autocratization that have led to the establishment of dictatorships in at least two countries and heightened internal tensions, these Reports advocate for democracy and sustainable human development. As instruments developed from and for Central America and the Dominican Republic, they are designed to strengthen regional dialogue and cooperation, informed citizen participation and free deliberation on public affairs.

The added value of the State of the Region lies in its analysis of trends across Central America and the Dominican Republic, irrespective of borders and nationalities. While country-by-country comparisons are employed to emphasize specific points, for the most part priority is given to common findings and regional patterns.

The Report is neither an official government document nor anti-government document. It maintains analytical independence rather than focusing on criticism or defense of specific governments.

This balanced approach yields a creative synthesis of diverse perspectives. Unlike reports produced by individual countries, international organizations, or small expert groups, this Report draws from multiple sources and viewpoints across the region.

An Evolving Initiative

The *State of the Region Reports* employs a methodology grounded in three core principles: academic rigor, social legitimacy, and broad dissemination. The initiative utilizes a decentralized research strategy designed to foster participation from academic centers, universities, and information sources across each Central American nation. Nevertheless, challenging political situations in several countries of the region resulted in limited or no participation of some of them in this edition's research network—an unprecedented situation in the series' history.

The preparation of the current Report spanned over approximately 48 months, from the initial consultations for agenda-setting in 2022 through the Report's publication. However, the intervening period between the sixth and seventh reports was far from inactive. During this time, statistical series were annually updated and disseminated, enabling monitoring of nearly 180 indicators relevant to sustainable human development measurement. Academic networks were also established to generate information and research that served as inputs for this report. Furthermore, several foundational studies for this Report were released in advance.

This work was conducted within the institutional framework provided by the

State of the Nation Program. This initiative is sponsored by Costa Rica's public universities: Universidad de Costa Rica, Universidad Nacional, Instituto Tecnológico de Costa Rica, Universidad Estatal a Distancia, and Universidad Técnica Nacional, brought together under the National Council of Rectors (CONARE). CONARE serves as the main sponsor of the State of the Region initiative. The Program also benefits from the participation of Costa Rica's Defensoría de los Habitantes (Ombudsman's Office).

This seventh Report has been produced through financial support from the European Union via the EureCA Program (European Union-Central American Partnership Facility) and the Rockefeller Brothers Fund, together with additional specific contributions from international and regional organizations (Box P.1.). The State of the Nation Program's Technical Team is based in San José, Costa Rica.

A Participatory Strategy for Research and Debate

The Report's preparation is based on the premise that regional studies must go beyond simply compiling national reports. This approach reflects a distinctive conception of what constitutes a region, understood as an intricate net of relations linking societies, economies, and political systems above and beyond their respective borders. Consequently, the Report moves beyond compilation of comparative data on country-level developments and generates regional -added value through four strategic approaches:

- Developing a regional agenda through consultations with approximately 500 individuals from all countries of the region between September 2022 and January 2023.
- Adopting a regional analytical perspective. While cross-country comparisons remain necessary for identifying relevant trends, they are neither the exclusive nor the predominant analytical approach.

Box 1

Sponsors and Network of Collaborators of the *Seventh State of the Region*

The *State of the Region Report 2025* was co-sponsored by the European Union through the EureCA Program (European Union-Central American Partnership Facility) and the Rockefeller Brothers Fund.

Support was provided by the Central American Bank for Economic Integration (CABEI) and the Swiss Agency for Development and Cooperation (SDC) during the initial phase of the preparation cycle. CABEI's contribution enabled the consultation process, statistical series and database updates, and the start of the research process throughout 2023 and early 2024. SDC support facilitated the execution of the research project "Technical and Vocational Education and Training, Future of Work, and Action Priorities" during 2023.

Additional organizations made valuable contributions in areas where their interests align with the regional perspective of this publication. These initiatives included:

- The NAP Global Network of the International Institute for Sustainable Development (IISD) provided technical and financial support for research on international adaptation to climate change experiences.

- The Subregional Office in Mexico of the Economic Commission for Latin America (ECLAC) developed the energy overview of Central America and the Dominican Republic as input for the Regional Overview chapter of this Report.

- The Central American Climate Change Science Network (RC4) provided technical support for designing and implementing the research strategy for the adaptation to climate change chapter.

Updates to the State of the Region's proprietary databases (collective actions, public institutions, and judicial statistics) were conducted within a regional internship program involving participants from:

- The [Belize] National Institute of Culture and History and the University of Belize.
- University of Costa Rica.
- University José Simeón Cañas of El Salvador.
- University Institute for Democracy, Peace and Security (IUDPAS) and Institute for Social Research, National Autonomous University of Honduras (UNAH).
- Autonomous University of Santo Domingo (UASD).

- Collaborating with information sources and research partners across most countries to develop studies.
- Facilitating meetings and critical reviews of research progress, final reports, and chapter drafts. This feedback enhanced the quality and relevance of the texts.

Around 700 people from the region, Spain, and the United States participated directly in different stages of developing this Report. Among them, 108 participated in study discussions.

The Report's Advisory Council provides the main technical and social guidance for the research process. The Council was formed before the project began and included 36 leading figures from all countries in the region. Its role was to lead the initiative by selecting topics and approaches, taking part in consultation workshops, and commenting on research findings and final chapters.

This document is the third and final volume of this multi-volume Report. The first volume, "Educational Profile and Competencies for Development Promotion" was published in August 2024 and looked at technical and vocational education and training. The second volume was released in March 2025 and focused on "Implications of Living in Democracy: Regimes and Political Systems". It examined authoritarianism and democracy in the region from a long-term perspective. This third volume provides a synopsis and regional overview of social, economic, environmental, political, and regional integration trends since the last Report in 2021. It also includes a special chapter on adaptation to climate change.

Collaborative interinstitutional agreements and *ad hoc* research networks were established for study implementation and information gathering. In total, 27 researchers produced 24 specialized papers and technical notes. Additionally, 73 individuals contributed to the information collection process, including faculty, students, and support staff from research institutes and university academic units, as well as independent consultants.

Table 1 lists the expert contribu-

tors who participated in preparing the research conducted for this Report. It should be noted that all cases involved additional collaborations or integrated teams of multiple assistants supporting individual study leaders, reflecting the complexity of the task undertaken. These individuals are gratefully acknowledged for their contributions, as are those who provided information or conducted critical reviews, all of whom are recognized in the acknowledgments section of each chapter.

Dissemination: A Key Component of the Process

The challenge of a publication like this is promoting a regional perspective that addresses limited transparency and accountability regarding Central America's current state and future aspirations. Some of the countries produce large amounts of data that often do not allow for comparison, in others, data is difficult to access, poorly controlled for quality, and outdated. Such data is rarely available in timely, open, and public formats.

Sharing the *State of the Region* findings promotes analysis and discussion of Report content among groups that can adopt and use them as inputs for decision-making and designing strategies or public policies. The approach includes creating and publishing new materials (videos, digital animations, and electronic documents) along with other tools like virtual conferences, *email marketing*, and social media (Facebook, Twitter, and YouTube) to share content in appealing formats for different audiences.

The target audiences are diverse: decision-makers in public and private sectors, regional institutions, media, civil society, and academia, so different approaches were designed to meet each sector's information needs.

This strategy was applied to the 2021 Report; 3,000 copies of the document and 6,000 copies of the summary were printed. Distribution relied on a network of collection points at universities, research centers, and NGOs in each country. Copies were also delivered directly to government officials, regional institu-

tions, diplomatic missions, civil society leaders, international organizations, and universities across Central America, the United States, and Europe.

Between July 2021 and March 2025, approximately 5,900 people participated in 102 virtual, in-person, and hybrid events related to the Report.

Media outreach included press kits and press releases, along with interviews and working sessions with journalists from across the region. This allowed technical team members and researchers to appear on many television and radio programs.

These efforts resulted in 412 pieces of media coverage on the Report's findings in the month after the launch (July 21–August 24, 2021). The coverage or Publicity had an estimated economic value of \$1,335,724. From then, through March 2025, approximately 180 additional pieces of media coverage were documented.

Limitations and Final Comments

This Report acknowledges several limitations. First, regional analysis is uneven across different areas due to limited information, particularly from Belize, El Salvador, and especially Nicaragua. In the last two cases, restricted data access resulted from increasing authoritarianism in their political systems.

Second, most research draws on secondary sources—compiling, verifying, and comparing existing statistics and academic studies. Time and resource constraints made primary research impossible for most topics, with only a few exceptions.

Third, the Covid-19 pandemic in 2021-2022 forced changes to the consultation process. Few in-person workshops and meetings could be held to discuss working documents, so these were replaced with critical document reviews and virtual sessions.

Lastly, not all topics received equal analytical depth due to limited information, resource constraints, and because of some issues had already been covered extensively in previous editions.

The Technical Team coordinated research strategies and community engagement for the Report. Despite extensive collaboration, which is acknowledged throughout the relevant sections, any

errors in this publication are the sole responsibility of the Technical Team. The views expressed in the Report do not necessarily reflect those of the sponsoring institutions.



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State of the Region Report

Table 1

Seventh State of the Region Report: Research Network

Researcher	Country	Research Title/Contribution Type
RESEARCH		
Knut Walter Franklin	El Salvador	Armed Forces and Democracy in Central America and the Dominican Republic
Andreas Feldmann Pietsch and Anthony James Sturino	United States of America	International Migration in Central America and the Dominican Republic: Flows, Dynamics, and Public Policy Responses
Carlos Humberto Cascante Segura	Costa Rica	Equilibrium and Diversity: Central America and the Dominican Republic's Positioning Among Global Actors (2020-2024)
Mario Cortés Vásquez	Costa Rica	Analysis of the State of Democracy in Central America and the Dominican Republic
Rocío Echeverría Vargas and Diego Fernández Montero	Costa Rica	Technical Note: Environmental Footprint. Environmental Sustainability in Central America and the Dominican Republic
Rocío Echeverría Vargas and Diego Fernández Montero	Costa Rica	Technical Note: Threatened Biodiversity in Central America and the Dominican Republic. Red List of Endangered Species
Rocío Echeverría Vargas and Diego Fernández Montero	Costa Rica	Technical Note: Structure and Composition of Households in Central America and the Dominican Republic
Rocío Echeverría Vargas and Diego Fernández Montero	Costa Rica	Technical Note: Poverty and Income Distribution in Central America and the Dominican Republic
Mónica Castillo Gonzalo	Costa Rica	Adaptation to Climate Change Measures Implemented in Central American Countries and the Dominican Republic
Alonso Brenes Torres	Costa Rica	Mapping Key Stakeholder Positions in Central America and the Dominican Republic Regarding Adaptation to Climate Change
Alonso Brenes Torres	Costa Rica	Main Risk Factors Associated with Climate Change in Central America and the Dominican Republic
Alonso Brenes Torres	Costa Rica	Public Policy Priorities and Regional Action for Adaptation to Climate Change in Central America and the Dominican Republic
Central American Institute of Public Administration (ICAP)	Costa Rica	Adaptation to Climate Change Priorities for Central America and the Dominican Republic. An Approach Based on Scientific Evidence, Geographic Information, and Available Scenarios for the Region.
Paula M. Pérez-Briceño, Adolfo Quesada y Pascal Giro, UCR Department of Geography	Costa Rica	Territorial Climate Change Indicators Across Central America and the Dominican Republic
Marco Hidalgo and Ronald Alfaro Redondo	Costa Rica	The Identities Test: Democratic Perspectives among Citizens of Central America and the Dominican Republic
Javier Johanning Solís, Sophia Roldán, Sergio Guzmán Hernández, and Alexa Guzmán Hernández	Costa Rica	Regional Integration beyond Institutions: Recent Developments in Central America and the Dominican Republic
Carmen Rosa de León and Leonardo Martínez	Guatemala	Public Security Challenges and Public Policies in Central America and the Dominican Republic
Andrés Fernández Araúz	Costa Rica	Global Labor Market Trends and Their Implications for Central America and the Dominican Republic
Andrés Fernández Araúz	Costa Rica	Profile of the Economically Active Population, Job Creation, and Labor Demand in Central America and the Dominican Republic
Energy and Natural Resources Unit, ECLAC Mexico Subregional Office	Mexico	Energy Landscape in Central America and the Dominican Republic
Álvaro Ramírez Bogantes	Costa Rica	Opportunities and Challenges for Regional Technical and Vocational Education Systems in Responding to Labor Market Trends
Álvaro Ramírez Bogantes	Costa Rica	Technical and Vocational Education and Training: Current Offerings and Short to Medium-Term Priorities for Updating and Enhancing Relevance
Andrés Fernández Araúz	Costa Rica	Perceptions of Technical and Vocational Education and Training in the Central American Shared Understanding
Andrés Fernández Araúz	Costa Rica	Technical and Vocational Education and Training Results in the PISA 2022 Assessment

Table 1

Seventh State of the Region Report: Research Network

DATABASES AND INFORMATION COLLECTION		
FLACSO	El Salvador	Development of the database of Salvadoran public institutions 1821-2000
Mary Clara Galán Hirujo	Dominican Republic	Collection of georeferenced information on public infrastructure and adaptation to climate change cases in each country
Jorge Eduardo Rodríguez Campos	Costa Rica	
Carlos Escudero Nuñez	Panama	
Lucía Irene Vijil Saybe	Honduras	
Joaquín Castro Montoya	El Salvador	
Jackeline Darlene Brincker Palomo	Guatemala	Database updates on public entities, collective actions, and judicial statistics for each country
Anantonia Reyes Prado	Guatemala	
Universidad José Simeón Cañas ^{a/}	El Salvador	
Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia Paz y Seguridad (Iudpas)	Honduras	
Instituto de Investigaciones Sociales (IIS) ^{b/}		
State of the Nation Program Interns and Research Assistants ^{c/}	Costa Rica and Panama	
Universidad Autónoma de Santo Domingo ^{d/}	Dominican Republic	
The National Institute of Culture and History and the University of Belize ^{e/}	Belize	

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Synopsis

SUMMARY	General assesment
General assessment	15
First main idea. Development gaps within the region have deepened over the last three decades	17
Second main idea. Post-pandemic management is eroding capacities to promote sustainable human development and regional integration	23
Third main idea. The region is facing its worst and most dangerous political period since the era of military conflicts.	27
Fourth main idea. Escalating global geopolitical conflicts aggravate tensions within the region	31
Fifth main idea. The “internal diaspora” further diminishes capacity to address strategic challenges.	34
Conclusion	37
Acknowledgments	38

Over the last 29 years, the State of the Nation Program has produced seven editions of the *State of the Region Report*, tracking sustainable human development across Central America and, more recently, the Dominican Republic.

This edition stands in sharp contrast to the optimism that characterized our inaugural 1999 Report. Back then, we highlighted the region's first positive decade in thirty years—a period that had moved beyond authoritarianism and armed conflict toward political, social, and economic stability. However, this edition, covering the 2018-2023 period, reveals substantial regional regression, particularly in governance and political institutions.

As the first quarter of the 21st century draws to a close, the CADR region faces its worst and most dangerous conditions since emerging from the political-military conflicts of the late 1980s. From an historical perspective, the region's democratization process remained incomplete. While undeniably expanded freedoms and rights to unprecedented levels and established elections as the legitimate mechanism for power transitions, these advances came without proportional strengthening of democratic institutions or capabilities to address historical development gaps.

This partial democratization failed to meet the evolving needs and expectations of rapidly transforming societies. Currently, large segments of the popu-

lation, disillusioned with development outcomes, harbor ambivalence toward democracy and show increasing receptiveness to authoritarian leadership. Dominant power elites in several countries exploit this civic discontent to advance populist or authoritarian governance models. The result is a regionwide drift toward political autocratization.

This democratic backsliding occurs against a backdrop not of economic stagnation, but of moderate growth. Over the last three decades, most CADR countries have successfully diversified their economies and strengthened global market integration through expanding trade, tourism, remittances, and foreign direct investment. This led to moderate but still above-average economic growth compared to Latin America and the Caribbean.

However, this economic expansion—driven by country-specific development strategies—suffers from two critical shortcomings. First, it remains environmentally unsustainable, as documented by increasing resource consumption, rising pollution levels, expanding ecological footprints, and deteriorating natural assets across the CADR region. It is also socially exclusionary, as it has fostered deeply inequitable distribution of benefits and opportunities. Persistent high-income concentration, inadequate tax structures, and educational deficits have prevented substantial population segments from accessing quality employment with living wages. Despite some

poverty reduction, more than half of households in Honduras, Guatemala, and Nicaragua remain impoverished.

The region's challenging transition is further complicated by exposure to a turbulent global environment shaped by intensifying geopolitical rivalries and trade disputes. This convergence of factors has constrained the policy space available to Central American countries for taking actions that enable them to capitalize on opportunities and mitigate risks.

Faced with these challenges, Central American and Dominican societies find themselves confronting two fundamental dilemmas. The first involves choosing between strengthening democratic systems to forge agreements that enhance citizen wellbeing or accelerating political autocratization by concentrating power in strong individual leaders—potentially undermining the rule of law and fundamental civil liberties.

The second dilemma centers on whether to revitalize the regional integration process in order to amplify this small region's voice within the international community and create larger-scale opportunities for sustainable human development, or to create an "internal diaspora" that would completely fragment the region and leave individual countries to

engage bilaterally with major powers in a world where geopolitical competition has intensified exponentially.

Based on these considerations, this edition of the Report presents five main ideas, each developed in a section of this chapter. It is important to note that these messages weave together central conclusions from more than 20 studies and research initiatives. However, they are not intended to synthesize the specific findings and analyses of the three thematic chapters included in this edition.

- Development gaps within the region have deepened over the last three decades.
- Post-pandemic management is eroding capacities to promote sustainable human development and regional integration.
- The region is facing its worst and most dangerous political period since the era of military conflicts.
- Escalating global geopolitical conflicts aggravate tensions within the region.
- The "internal diaspora" further diminishes capacity to address strategic challenges.

1st Main idea

Development gaps within the region have deepened over the last three decades

The *First State of the Region Report* (1999) noted that, for the first time in thirty years, Central America experienced a positive decade, leaving behind a lengthy period of authoritarianism and armed conflicts, and moving forward to political, social, and economic stability.

Nearly three decades later, the region shows economic and social achievements in key areas of sustainable human development, but these stem from deeply lagging starting points, with progress occurring at an uneven pace across countries. The lack of sufficient opportunities arising from this performance has turned the region into a net source of emigration, particularly to the United States.

This performance has created a growing asymmetry between Costa Rica, Panama, and the Dominican Republic—the more economically dynamic and politically stable countries—and the north-central part of the region, which lags further behind and experiences greater instability.

The Central American peace process initiated an era of profound transformations

Over the past three decades, the Central America and Dominican Republic (CADR) countries have undergone profound transformations that have reshaped their societies, economies,

natural heritage, and political systems. The State of the Region Report (2008) noted that the region experienced multiple transitions in addition to its political transformation: demographic and economic shifts, along with accelerated urbanization.

Currently, the region has approximately 65 million inhabitants, 28 million more than in 1990. Due to the demographic transition experienced across countries, the proportion of working-age population (15 to 64 years of age) has increased, while the percentage of children under 14 has decreased. While in 1990 the first group represented, on average, about half of the region's population, by 2025 it increased to nearly two-thirds of the total. In contrast, the proportion

Table 2

CADR Region

Long-term demographic and economic indicators, by country

Indicator/Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic
Total population (thousands of people)								
1990	183	3,122	5,4	9,025	4,981	4,163	2,456	7,151
2000	241	3,938	5,943	11,698	6,578	5,023	3,01	8,584
2025	423	5,153	6,366	18,688	11,006	7,008	4,571	11,521
Rural population (percent)								
1990	53.0	50.0	51.0	66.0	60.0	47.0	46.0	45.0
2000	55.0	41.0	43.0	57.0	55.0	45.0	38.0	38.0
2025	53.0	16.0	25	37.0	41.0	41.0	31.0	15.0
Population under 14 years (percent)								
1990	44.0	36.0	42.0	45.0	46.0	46.0	36.0	39.0
2000	40.0	31.0	37.0	44.0	43.0	40.0	32.0	35.0
2025	26.0	18.0	24.0	31.0	30.0	28.0	25.0	26.0
Population aged 15-64 (percent)								
1990	52.0	60.0	55.0	51.0	51.0	51.0	60.0	57.0
2000	56.0	63.0	58.0	52.0	54.0	56.0	63.0	60.0
2025	69.0	69.0	67.0	64.0	65.0	66.0	66.0	66.0

Continues >>

Table 2 (continuation)

CADR Region

Long-term demographic and economic indicators, by country

Indicator/Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic
Gross domestic product (GDP) total at constant prices (millions of dollars)								
1990	792	18,719	13,11	26,474	8,637	5,087	13,931	19,391
2000	1,435	30,22	18,22	39,627	11,935	7,1	22,827	34,947
2023	2,786	72,613	29,235	87,302	27,279	14,876	79,027	101,003
Agricultural sector (percent of GDP)								
1990	14.9	15.8	17	25.9	24.2		8.3	14.7
2000	11.7	10.2	7.7	22.8	15.2	20.3	6.6	7.4
2023	9.6	4.1	5.2	10.5	12.6	17.2	2.5	6.8
Services sector (percent of GDP)								
1990	58.9	58.5	58.2	54.3	44.3		71.6	52.2
2000	63.1	61.7	63.2	57.4	53.7	56.7	74.4	57.6
2023	73.6	73.7	66.9	65.7	60.1	52.1	69	59.9

Source: Authors' elaboration based on CepalStat data.

of people under 14 years of age fell from 41% to 26% (Table 2).

The transition from rural to urban societies represents another significant transformation the region has undergone. In 1990, approximately half the population (52%) lived in rural areas. By 2025, most of the population (68%) is projected to reside in capital cities and other urban centers. Furthermore, between 1975 and 2014, metropolitan areas formed by capital cities and their peripheries experienced rapid and unplanned growth.

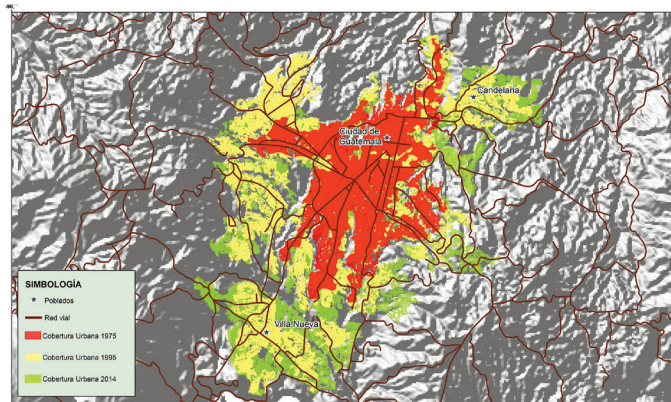
According to research from the *Fifth State of the Region Report* based on Landsat image analysis, the capital cities of Belize and Panama experienced the most significant growth. Between 1975 and 2014, the metropolitan area of Belmopan expanded 3.2 times. In the case of Panama City, the area increased 2.4 times during the same period (Map 1.) In El Salvador, Guatemala, Costa Rica, and Nicaragua, the expansion of metropolitan areas was less pronounced but still substantial, ranging between 1.5 and 2 times their original size. Tegucigalpa was the capital with the least growth during this period (its area increased 0.9 times between 1975 and 2014) (PEN, 2016).

Map 1

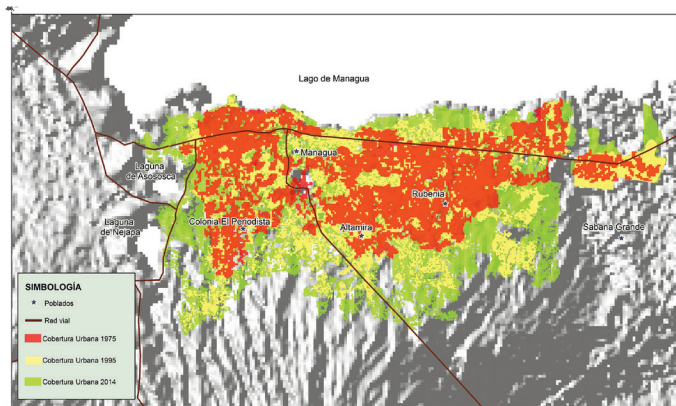
Central America

Metropolitan areas by country. 1975, 1995, 2014

a) Guatemala City, Guatemala



b) Managua, Nicaragua

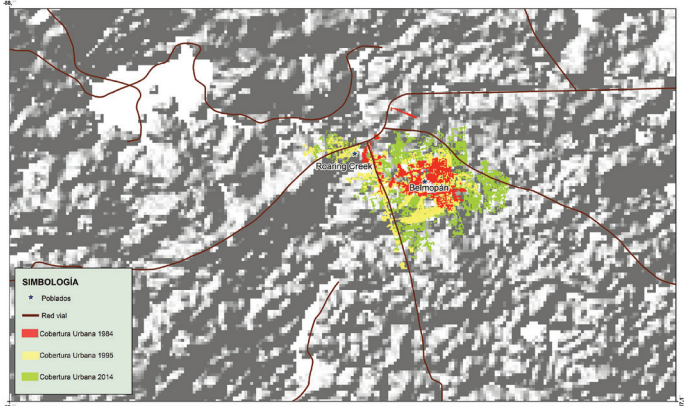


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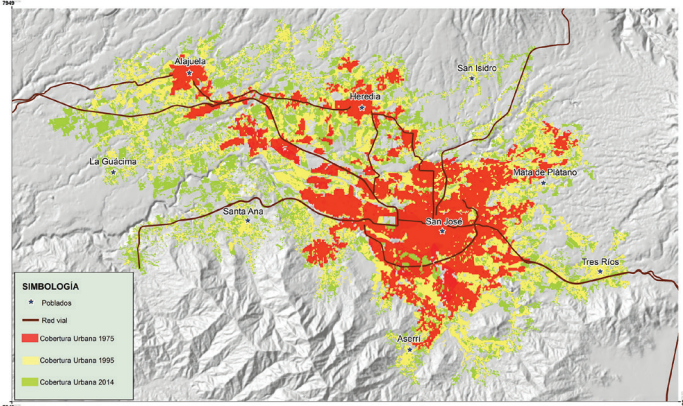
Map 1 (continuation)

Central America
Metropolitan areas by country. 1975, 1995, 2014

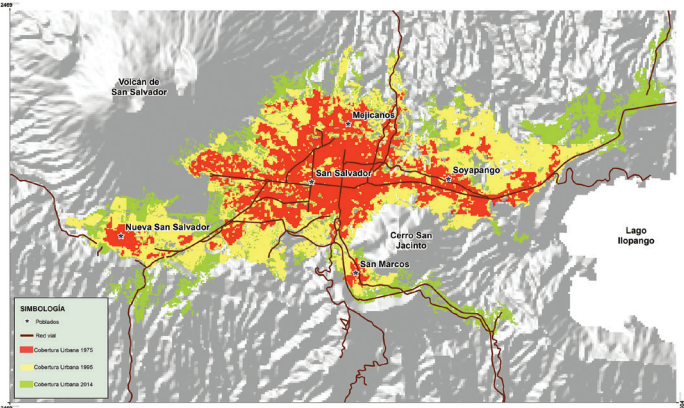
c) Belmopan, Belize



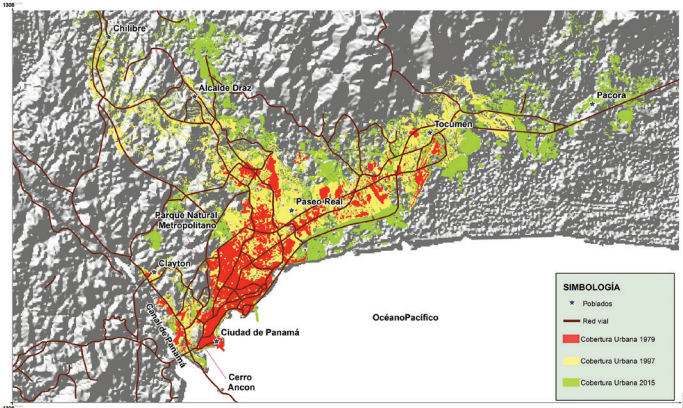
d) San Jose, Costa Rica



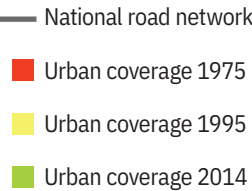
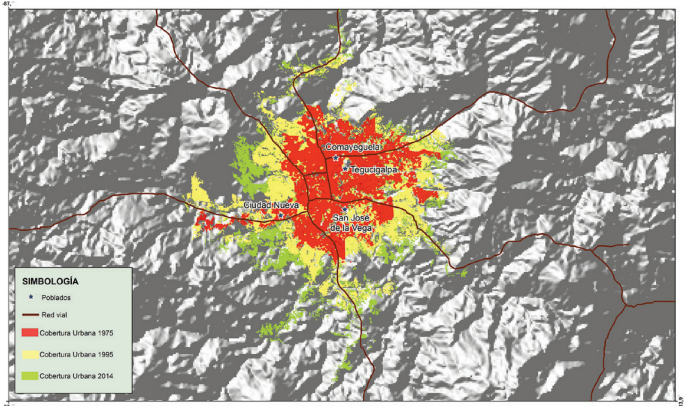
e) San Salvador, El Salvador



f) Panama City, Panama



g) Tegucigalpa, Honduras



Source: Orozco et al., 2015.

CADR economies underwent profound transformations after replacing the import substitution strategy that dominated during the third quarter of the 20th century with a strategy promoting exports and attracting foreign direct investment, tourism, and remittances.

For three and a half decades, the services sector and, to a lesser extent, industry gradually displaced the agricultural sector. In 2023, nearly two-thirds of the region's GDP was associated with service activities, and during the 1990-2023 period, this sector increased its relative weight in the economy of most countries in the region by between 7.7 and 15.8 percentage points (Table 2).

Economic disparities between countries have sharply increased

All countries in the CADR region have promoted the opening of their economies to international trade and finance to generate economic growth and social progress since the end of the last century. As a result, in 2025, economies are much more diversified than in 1990 and have stronger links to international markets.

One of the region's main achievements is that, in recent decades, its economic growth has been high compared to average levels in Latin America and the Caribbean. However, this performance has been associated with incorporating an increasing number of people into the labor market, not with improvements in labor productivity. Thus, in 2023, the average output per worker in the CADR region (\$36,688) was 16% lower than the Latin American average. It also represented just 33% of the European Union average and 24% of the U.S. level.

In a few decades, when the region no longer has the large working-age population (15 to 64 years) it currently enjoys, its growth potential will depend on the productivity of those remaining in this age group. The low educational levels prevalent across the CADR region constrain the competitiveness and productivity of this population.

Countries followed distinct economic strategies in their efforts to liberalize

Table 3
CADR Region
Prototypical strategic models of insertion into the international economy

Insertion model	Economic and Social Results	
	Low	Intermediate
Agricultural exports with light industrial assembly and migration ^{a/}	Guatemala, Honduras, Nicaragua, El Salvador	
Light industrial assembly and tourism		Dominican Republic
Agricultural exports with medium and high-tech manufacturing, specialized services and tourism		Costa Rica
International logistics hub and tourism		Panama

a/ These are countries of origin for migration flows.
Source: Authors' elaboration based on PEN, 2008.

and integrate into the international economy. While Panama, Costa Rica, and the Dominican Republic substantially expanded their export offerings and the complexity of their goods and services, the other countries primarily trade within the region with products that tend to be more labor and raw material intensive. Additionally, El Salvador, Honduras, Nicaragua, and Guatemala have become exporters of working-age population.

Generally, four distinct productive approaches can be identified across the region. The most common approach, adopted by the northern Central American countries, combined an economic opening based on agricultural exports, light industrial assembly, and exporting people (migration), with varying degrees of tourism sector development. The second approach, taken by the Dominican Republic, was particularly successful in developing industrial assembly operations and tourism. Costa Rica adopted a different strategy where a modernized agricultural export sector combined with medium and high-technology manufacturing, specialized high-value services, and tourism. Panama followed a very different path, establishing itself as an international logistics hub (Table 3).

The outcomes of these productive strategies varied dramatically and, over

decades, created greater intraregional asymmetries. Today, the economic gap between the more dynamic countries (Costa Rica, Panama, and the Dominican Republic) and the lagging ones is much wider than thirty years ago. While the first group managed to increase their GDP per capita between 2.4 and 3.3 times during the 1990-2023 period, the increase for the second group ranged between 1.5 and 1.9 times.

The difference in average GDP per capita between these two groups grew from \$2,601 in 1990 to \$8,302 in 2023. This gap becomes clear when comparing Nicaragua's indicator with the other countries during these years. For the group of better performance countries, the difference widened from 1990 due to their faster economic growth in subsequent decades, except for Belize. In contrast, the gap between Nicaragua and the other countries remained relatively similar (Graph 1). This explains the characterization of economic and social results in Table 3.

Recent regional history is characterized by slow and uneven social progress

Economic growth in the CADR region has enabled long-term improvements in social conditions. By 2024, life expectancy at birth ranged between 72

and 81 years, representing a gain of 4 to 13 years compared to 1990. Infant mortality rates decreased significantly across all countries, a key indicator of this social improvement. Finally, the percentage of literate population increased to just over 80% in Nicaragua and Guatemala, and it approaches or exceeds 90% in the rest of the region, an improvement of between 20 and 30 percentage points compared to 1990 (Table 4).

Two significant achievements during the 1990-2023 period were a regional decline in poverty and income concentration. By 2023, in almost all countries, the percentage of households living in poverty was between 2 (Costa Rica) and 32 (Dominican Republic) percentage points lower than in 1990. The most up-to-date data available for Nicaragua corresponds to 2020. In that year, that country had the highest level of poverty incidence in the region (76% of households), higher than 68% reported in 1990. On the other hand, Honduras (the country with the highest poverty rate in 1990) reduced the incidence from 75% in 1990 to 64% in 2023 (Graph 2a). Meanwhile, the ratio between the average income of the highest-earning fifth of households (quintile 5) and the lowest-earning fifth (quintile

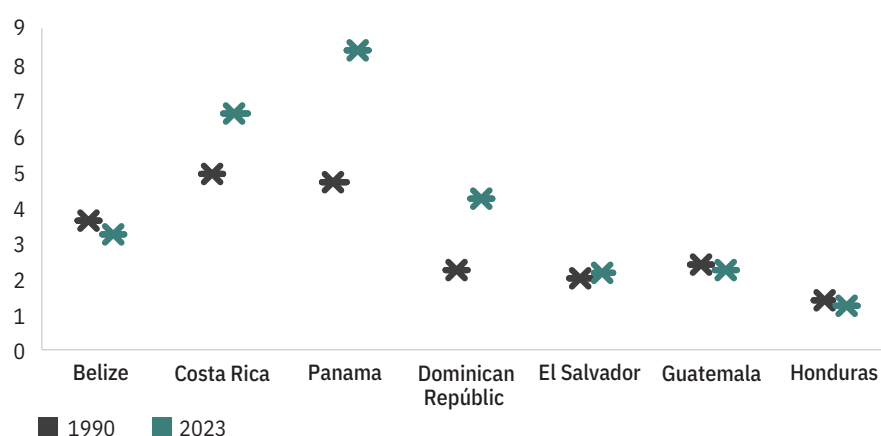
1) decreased in all countries for which information is available. Guatemala experienced the largest reduction: from 46 in 2000 to 20 in 2023. In contrast, Costa Rica saw the smallest decrease in inequality (Graph 2b).

Nonetheless, the reduction in poverty and income inequality in most countries of the region has been insufficient. Several countries continue to rank among those with the highest poverty rates in Latin America and

Graph 1

CADR Region

Ratio between GDP per capita of each country and that of Nicaragua^{a/}



a/ Nicaragua's GDP per capita in constant 2018 US dollars was \$1,203 in 1990 and \$2,111 in 2023. Source: Authors' elaboration based on CepalStat data.

Table 4

CADR Region

Long-term social indicators

Indicator/Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic
Life expectancy at birth (years)								
1990	69.6	76.1	62	61.8	65.2	62.5	71.3	67.7
2000	68.9	77.3	67.7	67.1	68.3	66.4	73.4	70.4
2024	73.7	81.0	72.3	72.7	73.0	75.1	79.8	73.9
Infant mortality rate (per 1,000 live births)								
1990	32.0	14.7	54.0	61.5	45.7	58.2	23.6	55.1
2000	20.5	11.2	27.1	41.3	30.2	31.3	19.7	38.2
2024	8.7	6.4	9.3	17.2	12.6	10.9	10.3	25.3
Literacy rate of population over 15 years old								
1990	70.0	94.0	69.0	53.0	69.0	64.0	89.0	73.0
2000	81.0	95.0	84.0	69.0	80.0	77.0	92.0	87.0
2022	91.0	98.0	90.0	84.0	89.0	83.0	96.0	96.0

Source: Authors' elaboration based on CepalStat and Flacso data, 2002.

the Caribbean, with more than half of households still living in poverty and income concentration persisting at levels above the averages for the rest of the Western Hemisphere. This inadequate social progress reveals the difficulty of translating economic growth benefits into greater opportunities and well-being for large population segments. Because of limited opportunities, a significant contingent of working-age people has emigrated from the region, primarily to the United States and Mexico. Currently, about 11% of the CADR population lives outside their countries of origin, mainly in the United States.

MORE INFORMATION ABOUT DEMOGRAPHIC OVERVIEW

in section in Chapter 1 of this *Report*
Feldmann and Sturino, 2024, at
www.estadonacion.or.cr

As documented by research prepared for this Report, Central America has recently experienced changes in migration patterns. Beyond sending out its own population, the region has become the hemisphere's primary migration corridor, with thousands of people from South America and the Caribbean, as well as other continents (Asia and Africa), transiting through on their way to the United States.

Social progress has been uneven across countries. Consistent with economic performance, the greatest deficits are concentrated in Honduras, Guatemala, and Nicaragua, where more than half of households remain in poverty. The educational level of the working-age population (15 to 64 years of age) also reveals significant intraregional gaps. The extreme cases are Honduras and Guatemala, where nearly half of the population in this age group has not even completed primary education (see details in Economic Overview).

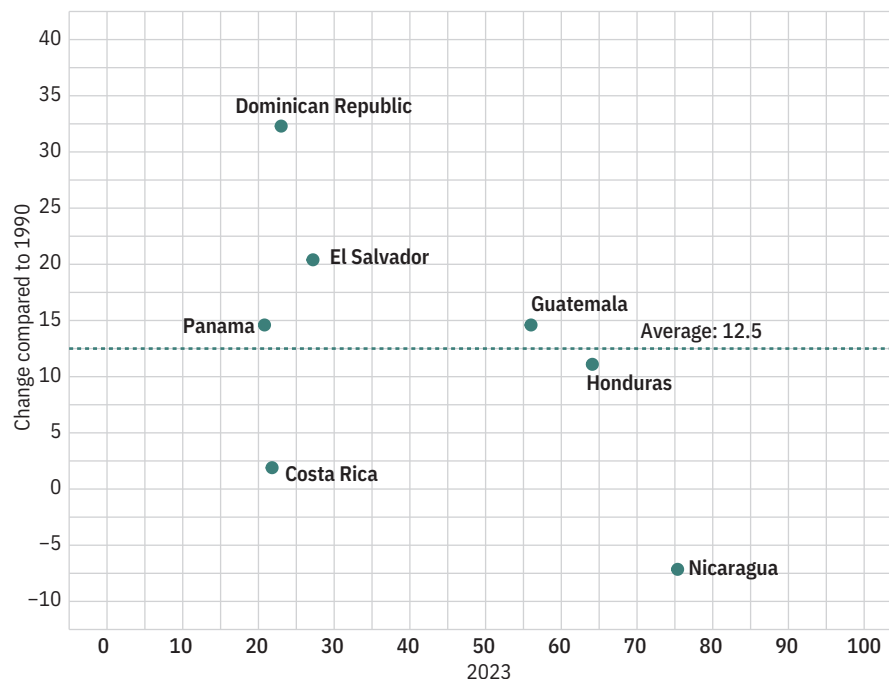
The lag in Guatemala, Honduras, Nicaragua, and to a lesser extent,

Graph 2

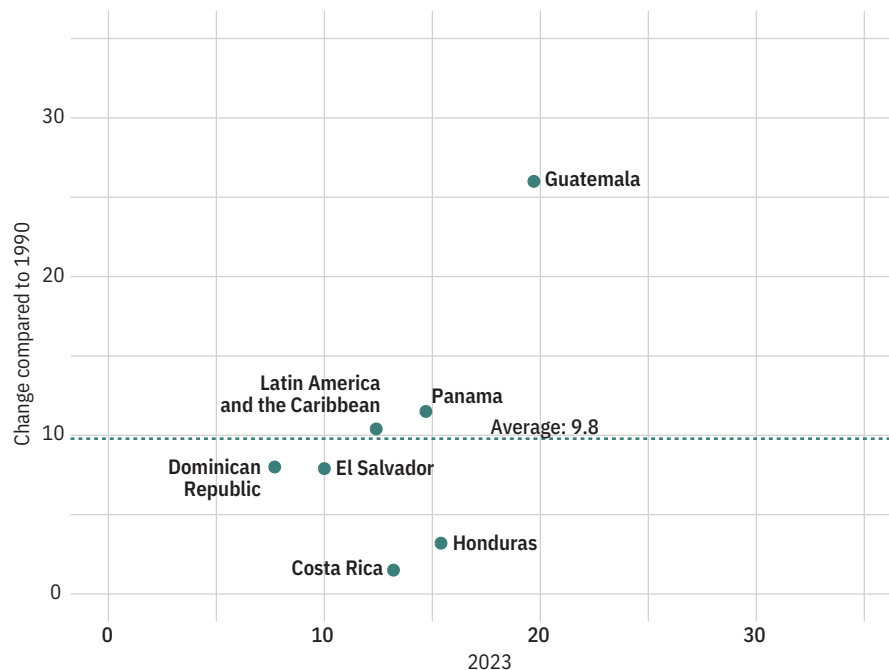
CARD Region

Poverty and income inequality in the CADR region^{a/}

a) Long-term change in the percentage of poor households^{b/}



b) Long-term change in the ratio between average household income of quintile 5 and quintile 1



a/ Data was not available for Belize.

b/ Most recent data for Nicaragua is from 2020.

Source: Authors' elaboration based on Flasco, 2002 and CepalStat data.

El Salvador corresponds with the low levels of social investment these countries have maintained over recent decades. The difference in average per capita annual investment between Belize, Costa Rica, Panama, and the Dominican Republic compared to the others increased from \$337 in 2000 to \$718 in 2023.

From a long-term perspective, social advances in the region are insufficient, especially considering the demographic transition countries currently experience, as analyzed in more detail in Chapter 2 of this Report and in the previous edition (2021). In this context, the region needs to advance rapidly to

modernize economies by incorporating higher value-added and productivity activities, transform energy matrices to reduce dependence on imported fossil fuels and increase participation of renewable and local sources, as well as improve the coverage and quality of social services in health and education.

2nd Main idea

Post-pandemic management is eroding capacities to promote sustainable human development and regional integration

The previous State of the Region Report, published in July 2021 when the world was still experiencing the effects of the Covid-19 pandemic, documented the profound economic and social shock it caused. This edition analyzes changes in the region after the pandemic. Overall, evidence shows that all countries experienced economic recovery and certain social improvements compared to the challenges faced by the CADR region and the world during the pandemic.

However, according to the main indicators available for the 2018-2023 period, the post-pandemic recovery was short-lived. After the "rebound effect", the pace of economic growth has been weak to moderate, depending on the country examined, and, because of fiscal challenges facing governments, social investment in most nations has been anchored at thresholds lower than those of the previous decade.

The region returns to pre-pandemic patterns of exclusionary economic growth

In 2021, countries in the region experienced strong economic recovery due to the reactivation of the tourism sector and increased flows of remittances and investment. The average regional

growth was 11%, almost doubling that of Latin America and the Caribbean (6.5%). However, during the following years (2022 and 2023), growth markedly slowed, returning to previous decade levels.

Post-pandemic economic growth allowed all countries to reduce unemployment levels and improve labor market productivity compared to 2020. Thus, in 2023, the unemployment rate returned to levels like those of 2018. Likewise, the informal sector, severely affected during the pandemic, resumed its leading role as a precarious source of employment and income for most of the regional population, consistent with the pre-pandemic period.

The labor market continues to exhibit weaknesses that prevent economic growth from translating into greater opportunities and well-being for broad sectors of the population. First, women face barriers to accessing employment, with labor participation rates between 22 and 40 percentage points lower than men's and unemployment levels up to twice as high (Graph 3). These barriers are linked to the heavy burden of unpaid care and domestic work that women carry. Furthermore, those who manage to secure employment often receive lower wages than men (see the Economic Overview in Chapter 1). The second gap

affects young people (20 to 24 years old), as the percentage who manage to enter the labor market is between 11 and 23 percentage points lower than for people aged 30 to 49.

It should be noted that the most dynamic sectors of the region's economies have low participation in GDP and employment, while the slower-growing sectors have greater productive and employment linkages (PEN, 2021). This structural asymmetry makes it difficult for economic growth to translate into greater employment and income opportunities for most of the working-age population, whose labor certifications do not match the labor demand of these dynamic sectors.

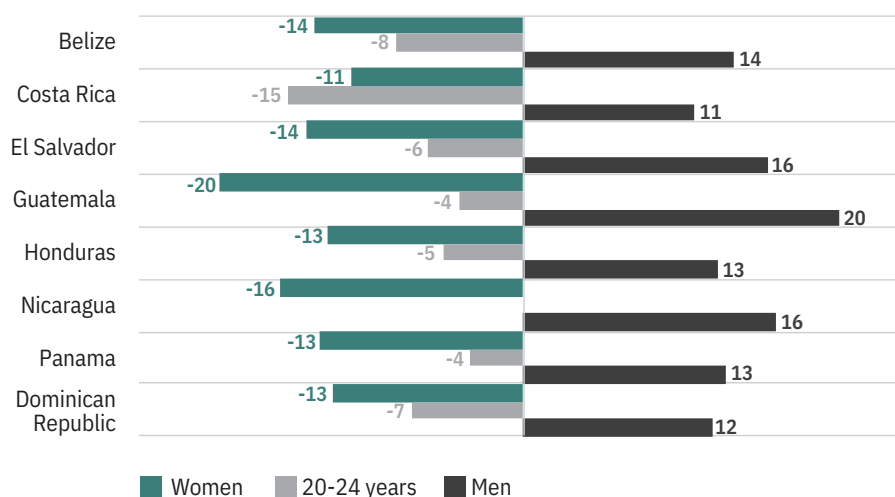
The economic slowdown of the last three years converges with the persistent fragility of public finances in the CADR region, a situation that poses risks to economic stability and solvency. Countries continue to register large fiscal deficits and high public debt because of their spending levels and low tax burdens. It should be noted that all CADR countries have tax burdens equal to or less than 20% of GDP, a level below the Latin American and Caribbean average (22%) and even lower compared to the average level of OECD countries (34%).

During the pandemic years, deficits increased because of pandemic-related

Graph 3

CADR Region

Differences between the national average labor market participation rate and those disaggregated by gender and age group. 2022

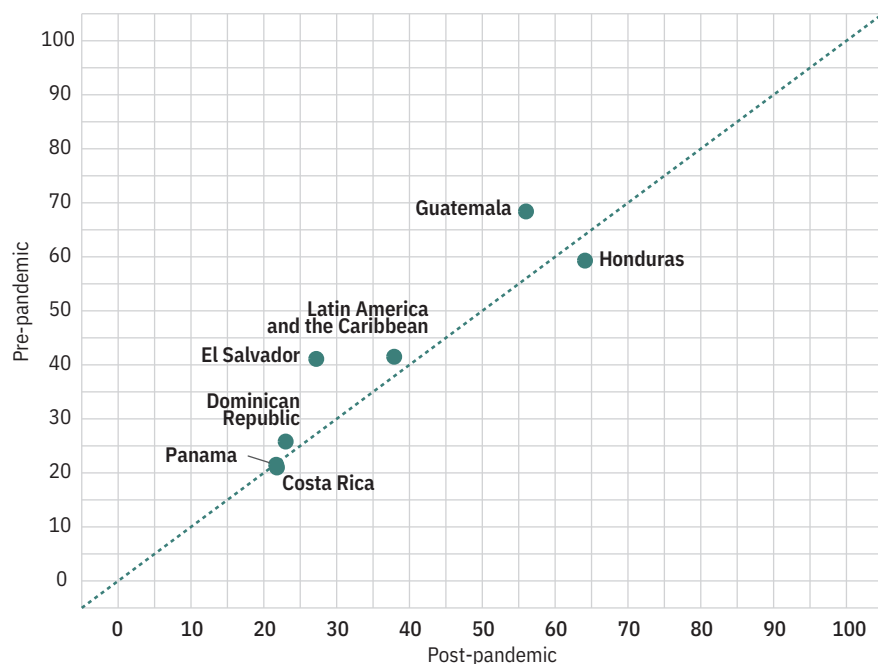


Source Hidalgo, 2025 with data from World Bank, 2024 and Fernández, 2025.

Graph 4

CADR Region ^{a/}

Change in percentage of households' poverty rate by country, pre- and post-pandemic^{b/}



^{a/} Comparable data was not available for Belize.

^{b/} The pre-pandemic year corresponds to 2019, except in Guatemala which refers to 2014. The post-pandemic year is 2023, except for Panama and the Dominican Republic, which correspond to 2022. Source: Echeverría and Fernández, 2025b, based on household, employment, income, and living standards surveys from each country.

expenditures and subsequently due to high debt servicing costs. In 2022 and 2023, indebtedness decreased, but the debt-to-GDP ratio remains higher than before 2020 in all countries except Belize. These tensions between public spending levels, debt, and fiscal deficits create a perverse cycle that constrains the investments the region needs to drive sustainable human development.

Countries are cutting social investment despite high and persistent levels of poverty and inequality

After the pandemic, countries managed to reduce poverty levels compared to the worst year of the health emergency. However, low levels of public social investment, high economic inequality, and declining coverage and quality of basic services, such as education, have prevented this improvement from surpassing the pre-pandemic reality. Overall, social indicators reached the levels of the previous decade with several years of delay.

After the pandemic, the incidence of poverty changed very slightly in almost all countries. El Salvador and Guatemala achieved very significant reductions: 14 and 12 percentage points, respectively, placing them well above the diagonal in Graph 4. These results are noteworthy because during this period, neither country experienced high rates of economic growth or significant expansion in social investment. Other countries are very close to the diagonal, indicating minimal changes. Meanwhile, in 2023, the Gini index fell across all countries of the region compared to 2010. However, current levels remain higher than the Latin American average, a region categorized as the second most unequal in the world (UNDP, 2019)¹.

During the pandemic, countries increased their levels of social investment, especially in social protection and health. However, once the emergency subsided, investment in these areas decreased considerably. There was also a drop in educational investment, although it was less pronounced than the reduction in health. Overall, investment

stabilized at similar levels, and in some countries lower than those existing prior to the pandemic.

In 2023, average social investment per capita in Latin America was 1.6 times higher than in the CADR region; Uruguay's was 4.8 times higher, Argentina's 2.3 times, Mexico's 1.6 times, and Colombia's 1.5 times higher.

In health, the low level of public investment contrasts with changes in the region's epidemiological profile, now dominated by preventable chronic-degenerative diseases such as cardiovascular disease, diabetes, and cancer, which are costly to treat. In 2023, health investment per capita was less than \$100 per year per person in Nicaragua, Honduras, and Guatemala, between \$125 and \$173 in Belize, the Dominican Republic, and El Salvador, and \$378 in Panama.

For sure, public investment levels in education are higher than in health. However, in 2023 several countries had not yet reached pre-pandemic levels. In most of them, educational coverage in 2023 remained below 2019 levels, even in primary education, where the greatest achievements had been made in the past decades (Graph 5). Additionally, the results of the PISA 2022 tests reveal serious educational quality issues in five of the eight countries of the region.

Environmental improvements were merely a byproduct of the pandemic's economic shock

Because of measures implemented to contain contagion during the Covid-19 pandemic, in 2020 natural resource consumption slowed, and greenhouse gas emissions decreased, which caused a reduction in the ecological footprint in most of the CADR region and, in general, throughout almost the entire planet.

However, after health restrictions were lifted and economic reactivation resumed, countries continued deepening the environmentally unsustainable patterns of previous decades.

It is true that there has been regional progress in renewable energy generation. Nevertheless, energy consumption continues to be concentrated on fossil fuels. This, along with changes in land use, are the main factors explaining the ever-increasing ecological footprint. In 2022, the region's ecological deficit was high, requiring 43% additional territory to support natural resource consumption patterns and the pollution generated. Of the region's eight countries, five were in a deficit situation, four of them with an especially high magnitude, exceeding the regional average (Graph 6).

Regional integration is experiencing a serious and prolonged political-institutional crisis

The pandemic response presented an opportunity for CADR governments to leverage regional integration institutions to develop joint and coherent actions. In retrospect, it can be stated that coordination and exchange mechanisms within this institutional framework were indeed activated, including the convening of an extraordinary meeting of heads of state and the issuance of a Regional Contingency Plan in 2020. However, in practice, governments relegated regional institutions to a secondary role in addressing the health emergency.

As noted in the Sixth State of the Region Report (2021), most actions by regional institutions were limited to coordination efforts between regional bodies and information exchange. Fundamentally, governments addressed

the effects of the pandemic with minimal regional coordination and cooperation, despite the existence of formal political dialogue spaces and mechanisms such as joint medicine procurement, which could have been used to acquire vaccines.

In the years following the pandemic, the weakening of integration institutions deepened. An examination of events between 2021 and 2024 confirms that the lack of political support from governments for the system intensified to the point that it is currently experiencing its most critical period since the creation of SICA in 1991.

Presidential meetings, the highest authority in the political leadership of the integration system, have decreased dramatically. These summits declined from four annually during the 2000-2010 period to less than one in recent years. Moreover, an unprecedented situation arose: a prolonged vacancy in the leadership of the SICA General Secretariat. In 27 of the 48 months from January 2021 to December 2024, the position remained vacant (56% of the total time). This vacancy continues to this day because of disagreements among member states. This situation has coincided with setbacks in transparency and accountability. The outdated Regional Cooperation System (Sicor) and the absence of institutional performance reports are cases in point.

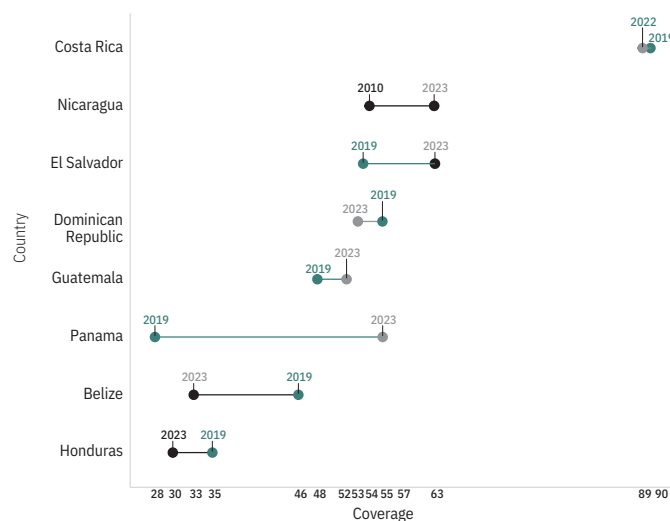
The political abandonment of the process by national governments has intensified the regional integration's structural problems reported in previous editions of this Report. These include member countries' arrears in quota payments, asymmetries in country participation within regional integration institutions and bodies, dependence on resources provided by international cooperation, and weak mechanisms for intersectoral coordination.

Graph 5

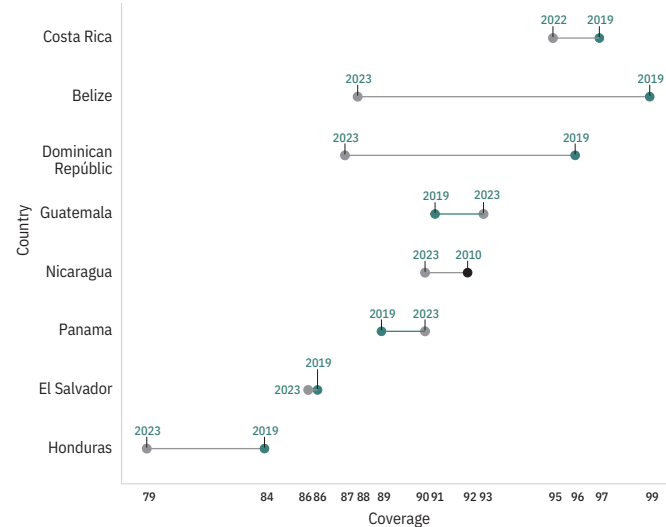
CADR Region

Net education coverage rates

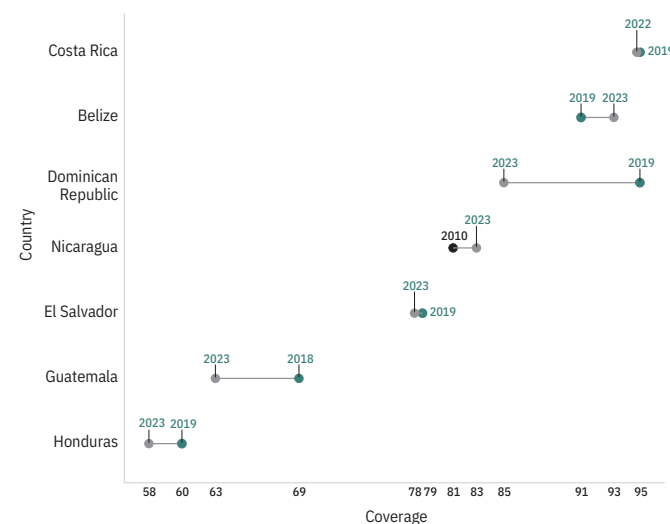
a) Pre-school



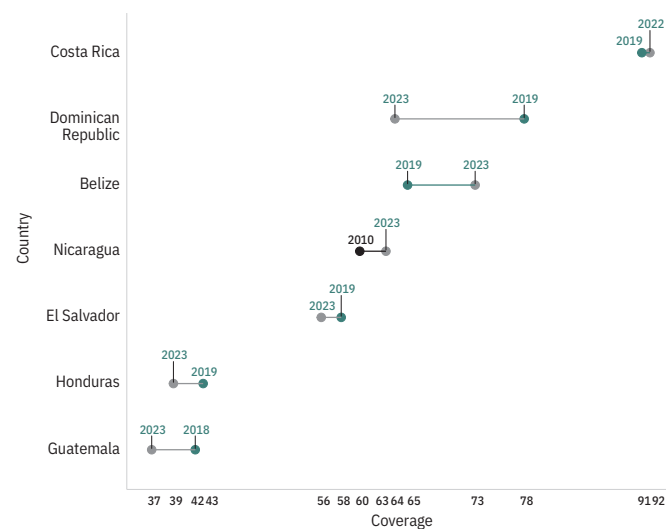
b) Primary school



c) Junior high school



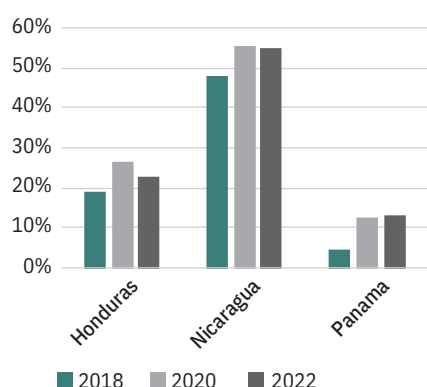
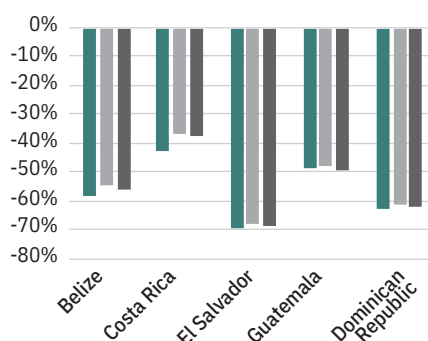
d) Senior high school



Source: Segura, 2025 with data from UNESCO.

Graph 6

CADR Region

Environmental balance^{a/} by country**a) Surplus****a) Deficit**

a/ Environmental deficit or surplus defined by the difference between ecological footprint and biocapacity. Source: Segura, 2025 based on Echeverría and Fernández, 2025a with data from the Global Footprint Network.

MORE INFORMATION ABOUT REGIONAL INTEGRATION

in the Regional Integration Overview section of this *Report* and Johanning et al., 2025 at www.estadonacion.or.cr

3rd Main idea

The region is facing its worst and most dangerous political period since the era of military conflicts.

Twenty-five years into the 21st century, the CADR region confronts a situation of severity and risk. In recent years, countries experienced political and institutional setbacks that, in some cases, have eroded or completely nullified freedoms, rights, and guarantees as well as the stability and legal environment required by businesses and for the functioning of the economy.

This situation coincides with a turbulent and unpredictable international context that poses risks for societies with open economies like those of CADR, and environmental and demographic dynamics that reduce space to maneuver for public action.

In this context, inaction or "more of the same" will mean failing to capitalize on benefits (and maximizing threats) associated with processes that are now a reality in the region, such as demographic transition, productive changes linked to the Fourth Industrial Revolution,

the emergence of artificial intelligence, and adaptation to climate change. In all cases, the nature of these dynamics implies transcending short-term visions and recognizing the need to act today while looking toward the future, requiring efforts that are sustainable and cumulative over time.

Diversity of political systems in the CADR region contributes to tensions between countries

The CADR region encompasses a wide diversity of political regimes, ranging from liberal democracy to autocracies, semi-democracies, and hybrid regimes—systems that combine democratic features with authoritarian ones (Levitsky and Way, 2004). This is a remarkable fact for a small geographical area connected by dense historical, economic, social, environmental, cultural, and political ties (Map 2).

Political diversity can present challenges for coordination and management of shared development dynamics, as evidenced by the weakening of the Central American integration process. Academic research demonstrates that democracies tend to have stable relationships with each other, while interactions between dictatorships and democracies are often conflictive, and hybrid regimes are more prone to political instability compared to democratic systems.

This variety of political systems results from processes of democratic regression or autocratization in several CADR countries. In two of them (Nicaragua and El Salvador), international assessments agree that they now experience situations similar to, or worse than, the moments of greatest social and political instability in the 20th century. In Guatemala and Honduras, results are mixed and, in any case, volatile.

Map 2

CADR Region^{a/}
Political regimes

a/ Data was not available for Belize.

Source: Barquero, 2025 with data from *The Economist* and *V-Dem*.

Two indicators of this regression are the concentration of power in the presidency and restrictions on freedom of speech. Attacks on judicial independence represent one of the main manifestations of this deterioration, with actions ranging from threats to the physical integrity of officials or their irregular dismissal to budget restrictions limiting the proper functioning of institutions—issues highlighted by various reports from international organizations such as Cejil, FDPL, and Fecajud.

Comparative analysis of presidential power concentration provides insight into institutional deterioration, particularly in Nicaragua and El Salvador—the two countries experiencing the most significant democratic regression. In these cases, executive dominance has been remarkable both during periods of greatest political instability in the 20th century and in recent times. In fact, current levels of presidential power concentration in both countries now exceed historical precedents (Graph 7).

Press freedom restrictions in the region stem from four main sources, which are present to varying degrees across all countries. The first lies in defective and weak legal protection frameworks that facilitate the criminalization of journalists. The second involves human rights violations against media professionals, including intimidation, property and physical attacks, death threats, and even murders, followed by ongoing executive branch attacks on media outlets critical of government. Finally, political and partisan polarization complicates independent media operations.

When comparing democracy indicators in the CADR region with other world regions, these trends appear to be part of a global process. In the 21st century, other regions have also experienced democratic backsliding from their peak performance levels, but this deterioration is less severe and occurs from higher baseline achievements than those of CADR (Graph 8). Therefore, the political outlook is bleak, with significant risks of further deterioration.

Political autocratization receives support or acquiescence from significant segments of the population

Current political autocratization processes in CADR coincide with citizenries expressing varied and conflicting opinions about democracy. Throughout this century, public attitudes favoring anti-democratic practices have increased. Even those who express some degree of support for the political system would, under certain circumstances, yield to attitudes contrary to democratic principles.

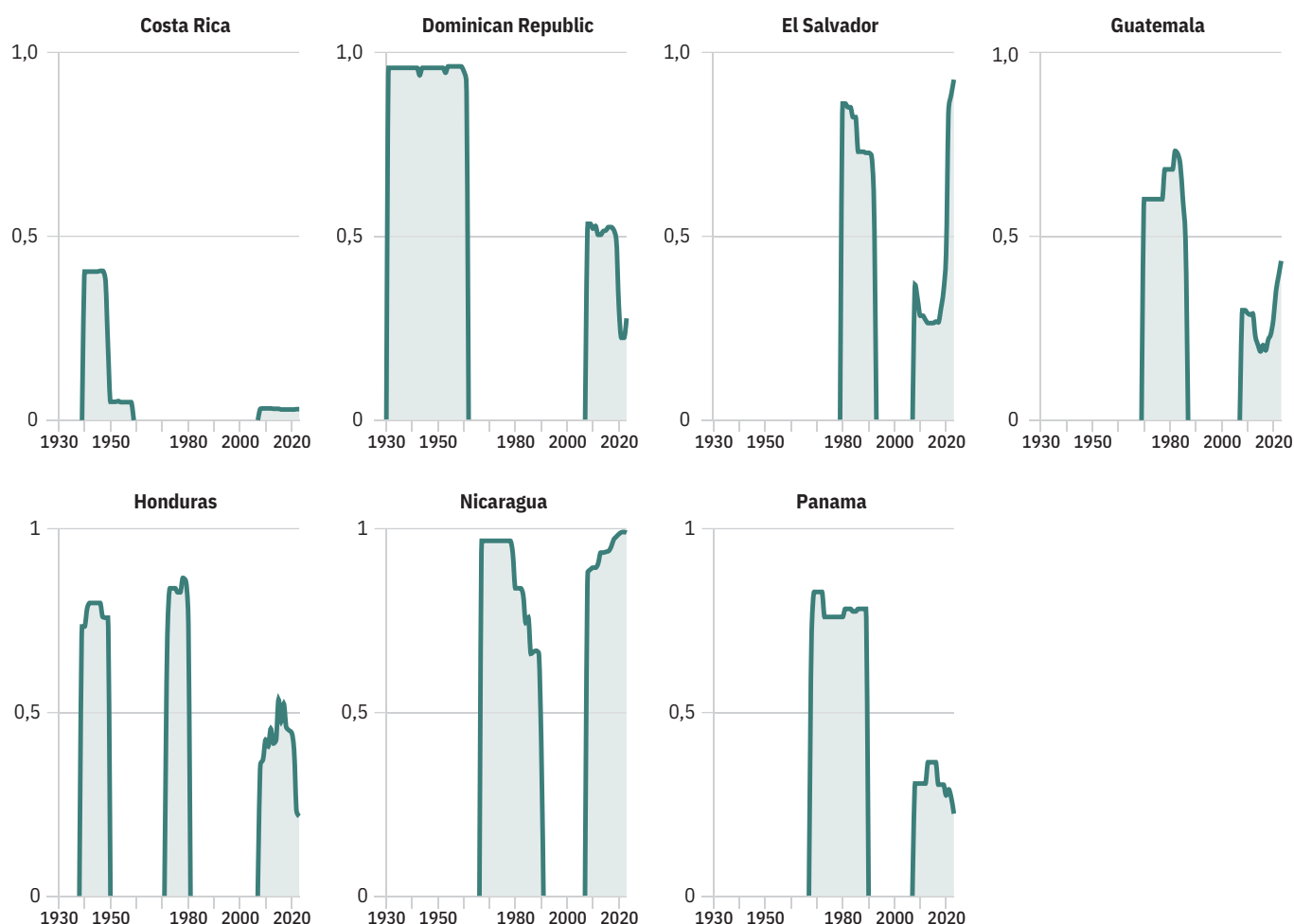
Although people who openly endorse authoritarian positions remain a minority, prevailing skepticism and ambivalence pose legitimacy risks for democratic institutions and currently constitute an open battleground between forces supporting liberal democracy in the region and those seeking to dismantle it.

A fundamental premise of democracy is its promise to improve quality of life. This issue is not trivial, given that democracy implies government of the people, by the people, and for the people, according to Abraham Lincoln's dictum. Therefore, it is important to understand the extent to which the democratization of political systems in the region achieved substantial improvements in living conditions for its citizens. Thirty years after the Central American peace process, it is evident that the outcomes of democratization have clearly fallen short in improving people's wellbeing.

MORE INFORMATION ABOUT THE POLITICAL AUTOCRATIZATION PROCESS IN CENTRAL AMERICA

see the Political Overview Section in Chapter 1 of this Report and Cortés, 2025; Chacón, 2022 and PEN, 2025 (volume II) at www.estadonacion.or.cr

Graph 7

CADR Region^{a/}Presidential Power Concentration Index^{b/}

a/ Data was not available for Belize.

b/ Measures the extent to which regional regimes are characterized by dominant presidentialism. Evaluates the degree to which each president operates free from constraints by other institutions or actors. Lower scores (equal or close to 0) indicate a better situation.

Source: Alfaro Redondo, 2025 with data from Varieties of Democracy.

According to the analysis of profiles supporting democracy and authoritarianism prepared for this *Report* (PEN, 2025), in most CADR countries, the largest population groups are the so-called "populists": people who claim to support democracy as the best form of government but would agree to back power concentration in a strong leader who solves problems, even if they don't fully comply with democratic rules. In El Salvador, this group represents 60% of the total population; in the Dominican Republic and Nicaragua,

around 42%; and in Costa Rica and Panama, between 37% and 39%. In Guatemala and Honduras, the percentage is much lower.

In all countries, "democrats"—people who express support for democracy as the best form of government and oppose ceding institutional control to an unconstrained strong leader—is larger than the group of openly authoritarian individuals. Those with authoritarian positions represent proportions close to or less than 20% of the population in all countries, except in Costa Rica where

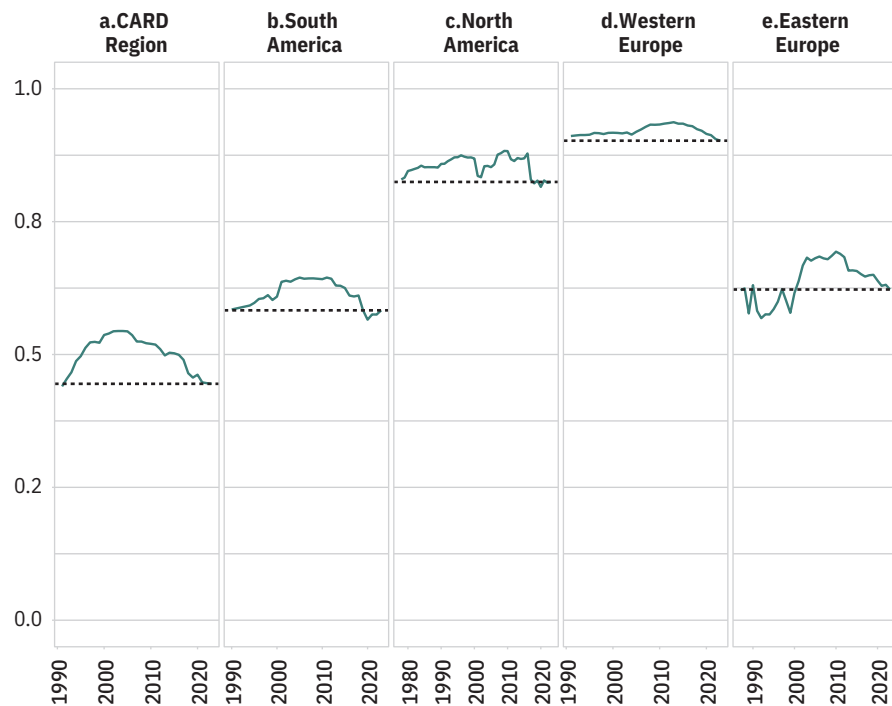
it is 11% (Graph 9). El Salvador is the only country where the percentage of the population belonging to the "authoritarian" group (20%) exceeds that of democrats (13%).

During the pandemic, restrictions were applied to prevent contagion, but in some countries, governments leveraged these measures to curtail citizens' rights and freedoms. The decline has been most apparent in the consolidation of executive power and the weakening of checks and balances, especially through attacks and measures designed to restrict

Graph 8

CADR Region and other selected regions

Multidimensional Democracy Index^{a/}



a/ Represents the regional average of five indicators for each country by region per year: liberal democracy, electoral democracy, deliberative democracy, participatory democracy, and egalitarian democracy. Higher values indicate better democratic conditions. The black dotted line represents the current indicator value.

Source: Cortés, 2025 based on Coppedge et al., 2024, with data from V-Dem.

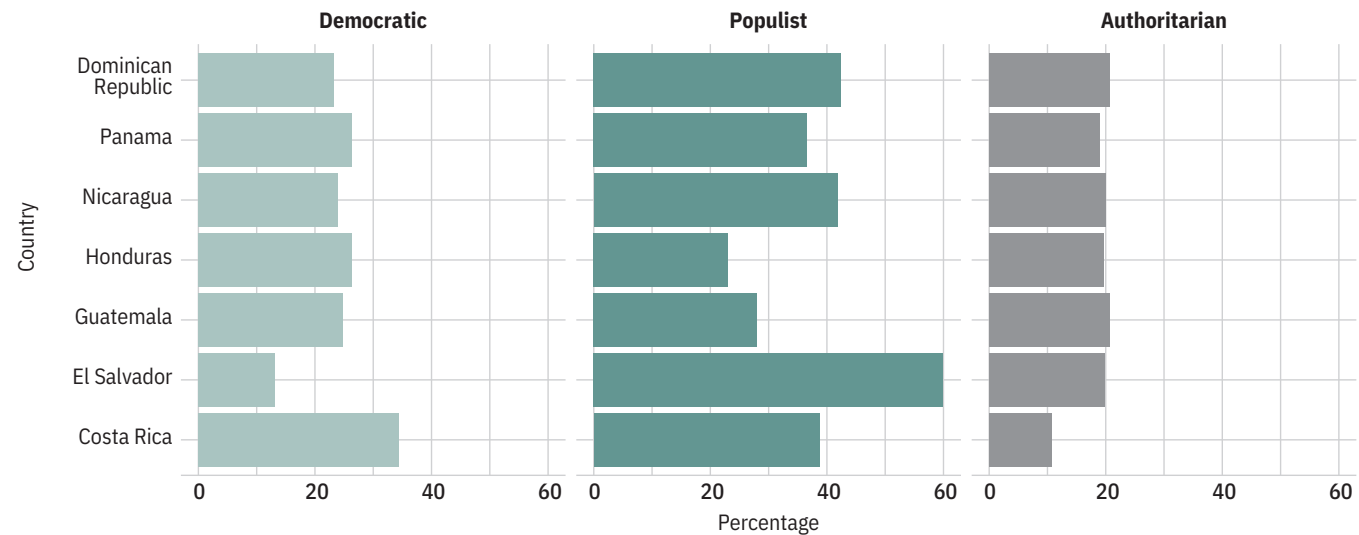
judicial independence and control institutions. Except for Costa Rica, CADR region countries experienced significant setbacks in this area, especially El Salvador and Nicaragua, according to V-Dem's checks and balances index.

These actions have found some public support. A growing proportion of citizens favor imposing restrictions on the opposition's right to publicly scrutinize government actions and present alternative visions. Although these groups represent less than half the total population in most countries, they increased significantly during the 2012-2023 period—a clear sign of autocratization of the political culture (Graph 10).

Graph 9

CADR Region^{a/}

Population distribution according to their degree of support for authoritarianism and democracy. 2021 (percent)



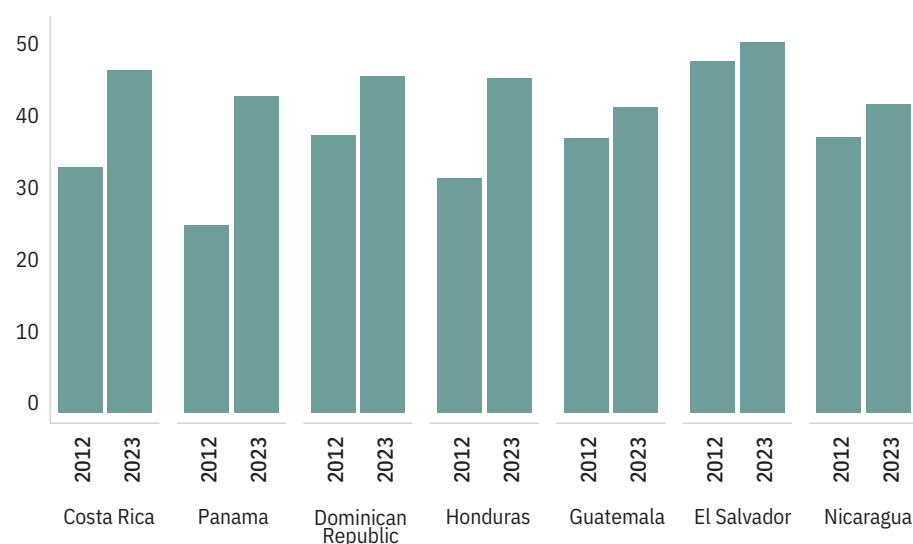
a/ Data was not available for Belize.

Source: Segura, 2025 with data from the Americas Barometer, Lapop.

Graph 10

CADR Region^{a/}

Public support for presidential limits on the voice of opposition political parties (percent)



a/ Data was not available for Belize.

Source: Cortés, 2025 with data from the Americas Barometer, Lapop.

4th Main idea

Escalating global geopolitical conflicts aggravate tensions within the region

In recent years, tensions between China and the United States have intensified, as have armed conflicts in various regions. These events coincided with shifting priorities among geopolitical powers, whether due to changes in government, responses to emerging issues gaining prominence on the public agenda or shifts in foreign policy objectives.

The U.S. military presence in Asia has been balanced by the growing expansion of Chinese interests in Europe, Africa, and Latin America. In these regions, China has significantly increased investments in goods and services, trade, as well as in natural resource extraction. For certain sectors, China has become a tangible threat to U.S. hegemony in what was previously considered its sphere of influence (Cascante Segura, 2024).

For small countries like those in the CADR region, this uncertain and volatile context has profound implications for commercial and diplomatic dynamics and for the possibilities of continuing to attract greater investment, cooperation, and tourism from these countries and regions.

Regional fragmentation limits maneuvering room against global powers

CADR countries' difficulty in adopting joint positions stems from both external and internal factors. Externally, global powers have distinct agendas regarding the region, which have evolved over recent decades. What remains constant, however, is the activation or intensification of bilateral relationships

when geopolitical rivalry between powers increases, as has recently occurred between the United States and China.

Internally, the inability to identify common interests and develop joint strategies has prevented regional countries from overcoming the additional vulnerability of managing relations with major powers on a strictly bilateral basis. Without a common approach, increasing global rivalries have prompted scattered responses from CADR countries, ultimately undermining dialogue spaces between them—both bilateral and regional—and generating diplomatic, commercial, and migration management tensions (Cascante Segura, 2024).

Changes in diplomatic relations across the region reflect this fragmentation. Belize, Guatemala, Costa Rica, Panama, and the Dominican Republic have cho-

sen to strengthen ties with the United States, taking actions that distance them from Chinese projects. After moving away from the United States El Salvador, relying on Chinese financing for projects of interest, recently it has performed a sharp U-turn. In contrast, Honduras has faced difficulties with the United States and has also sought relations with China. Finally, Nicaragua has maintained its political and security connections with Russia while seeking economic solutions in Chinese projects announced in late 2023, without changing the structural conditions for investment and trade.

Voting data from the UN General Assembly reflects sharp differences in regional countries' positions on key issues such as Russia's aggression against Ukraine (Table 5). On one hand, in the 2022-2024 period Belize, Guatemala, Costa Rica, and Panama have shown solid support for condemnations against Russia. The Dominican Republic initially maintained an abstention position regarding events since 2014 (during the Medina Sánchez administration). However, after the Russian advance on Kyiv (during the Abinader Corona government), it began regularly voting in favor of resolutions. Conversely, Honduras, which had voted in favor of these condemnations, changed its voting pattern when Xiomara Castro came to power in January 2022. At the other end of the spectrum are Nicaragua, which has voted against all resolutions, and El Salvador which, despite the govern-

ment change from the Farabundo Martí National Liberation Front to Nayib Bukele's administration, has maintained its abstention position on condemning Russia in this forum (Cascante Segura, 2024).

A few years ago, Costa Rica, Panama, and the Dominican Republic joined to form the Alliance for Development in Democracy, to counterbalance the more authoritarian governments in the northern part of the region. However, at the time of this publication, this effort appears sidelined from these three countries' agenda. One factor associated with this situation is the recent decline in importance of democracy and human rights promotion in U.S. foreign policy. In practice, the attempt to create a sub-regional alliance supporting democracy has been replaced by bilateral initiatives between each Central American country and the United States.

Recent disruption of U.S. foreign aid creates significant uncertainty

Throughout their history, CADR countries have applied different strategies to build their trade, investment, and cooperation relationships with global actors. During much of the 20th century, the region's geopolitical interest was linked to its geographic location and the prominence of the Panama Canal. In the 21st century, without losing that appeal, the focus broadened to include

FOR MORE INFORMATION ON
CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC IN RELATION
TO GLOBAL ACTORS

see Cascante Segura, 2024
at www.estadonacion.or.cr

telecommunications and other logistical infrastructure such as ports and airports (Cascante Segura, 2024).

U.S. presence continues to be significant in the region, encompassing issues such as counter-narcotics efforts and migration that directly affect U.S. domestic and security policy. In recent years, U.S. geopolitical interests have come to view China as a central threat to its closest sphere of influence, especially due to investments in infrastructure considered critical, such as ports, airports, and telecommunications.

These geopolitical considerations have led U.S. authorities to define specific profiles for CADR countries: while Guatemala, Honduras, and El Salvador are linked to migration issues, Nicaragua is considered a security risk factor due to the Russian presence (though at much lower intensity than China). Costa Rica and Panama, meanwhile, constitute partners for microprocessor production, a central component in contemporary technological conflicts. However, recent actions by the new U.S. administration

Table 5

CADR Region
Percentage of voting concordance^{a/} on Ukraine conflict resolutions in the United Nations General Assembly. 2014-2023

	Belize	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama	Dominican Republic
Atlanticist Bloc	82.4	94.1	76.5	11.8	0.0	94.1	94.1	52.9
China	0.0	0.0	0.0	64.7	70.6	0.0	0.0	0.0
Russia	0.0	0.0	11.8	23.5	100	0.0	0.0	5.9

a/Concordance refers to instances where two actors vote identically on a resolution, whether both vote in favor, against, abstain, or are absent.
Source: Cascante Segura, 2024 with data from the Central America and Dominican Republic voting database, from PEN.

indicate the country is shifting away from this regional strategy, either in part or entirely.

China has maintained a much narrower and less variable agenda toward CADR than the United States. In recent decades, it has focused its efforts on displacing the diplomatic ties between regional countries and the Republic of China (Taiwan), working on public infrastructure projects, and expanding the presence of its telecommunications companies in Central America and the Dominican Republic. Regarding the first objective, Beijing has been remarkably successful—only Guatemala and Belize maintain diplomatic relations with the island. However, infrastructure projects have faced implementation challenges, either due to relationship management issues with current governments or U.S. pressure, which has intensified in recent years to prevent Chinese influence in strategic or dual-use infrastructure.

European countries represent important cooperation partners and have maintained a presence in CADR over recent decades. They still have substantial investment interests in the region but have not managed to achieve the objectives established a decade ago when negotiating the Association Agreement (ADA). Moreover, although European development assistance—both bilateral and multilateral—has been key to SICA's functioning, its overall magnitude is secondary when compared to aid programs from the United States.

Global actors also play a crucial role in development assistance, which in several countries is essential for social service delivery and enabling investments that states cannot finance independently. In this area, the United States serves as the primary source of aid to the CADR region, particularly for Guatemala, Honduras, El Salvador, and Panama.

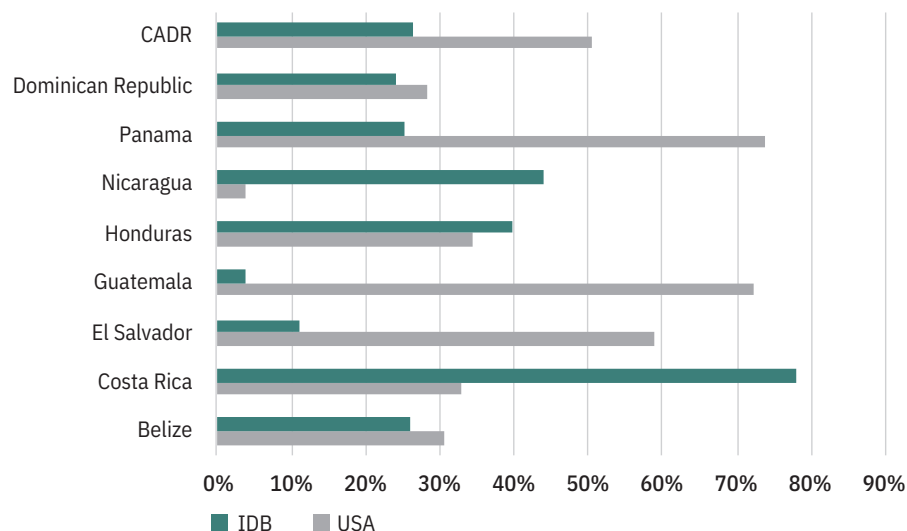
The U.S. accounted for half of all development funding received by the region during 2013-2022. The Inter-American Development Bank, whose principal contributor is the United States, ranks as the second most important source. European countries constitute the third, while supranational organizations such

as the European Union and the UN play a less significant role. Against this backdrop, the new U.S. administration's shift regarding foreign assistance poses a serious threat to the continuity and sustainability of U.S.-supported initiatives in the region (Graph 11).

In the coming five years, Central American stakeholders will face challenging decisions amid pressures from the United States, its allies, and China. In this difficult process, institutional weaknesses in internationally-oriented services across all countries—such as diplomacy, intelligence, and security—along with endemic corruption within public institutions and limited capacity to address geopolitical shifts, significantly diminish Central America's prospects for anticipating or responding in a coordinated manner (Cascante Segura, 2024).

Graph 11

CADR Region
IDB and United States share in total net international development assistance, by country. 2013-2022



Source: Authors' elaboration based on Cascante Segura, 2024.

5th Main idea

The “internal diaspora” further diminishes capacity to address strategic challenges.

The main consequence of the region's current adverse situation and outlook is that space to maneuver to undertake joint actions among nations and societies to promote sustainable human development is even more constrained than before.

CADR, a small region with strong internal asymmetries, has always had limited capacity to leverage its integration efforts to manage national weaknesses and address pressing situations or act preventively to face emerging international challenges. Moreover, due to its strategic geographic position, the region has historically been exposed to global geopolitical shifts. Internal divisions have consistently made the region even more vulnerable to these changes.

Added to these structural limitations today is the existence of a genuine “internal diaspora” or dispersion of political will to build more robust regional cooperation ties that would enable the region to confront—as a unified entity rather than as isolated countries—the challenge of revitalizing sustainable human development, the great deferred debt of the peace and democratization processes from a generation ago.

Important precedents demonstrate the value of intraregional cooperation. In the 1970s, Central American integration played a significant role in the industrialization process and promotion of regional trade. Twenty years later, joint actions between governments of different ideological orientations helped end military conflicts in the region.

Currently, CADR societies and nations could pool their scarce national resources and capabilities to address common challenges. This final section of the chapter focuses on three such challenges:

- Aging population.
- Organized crime infiltration.
- Geopolitical competition between China and the United States and the global climate crisis.

These challenges require acting today to achieve gradual and cumulative results in the medium and long term. Nonetheless, this necessitates opening spaces for intraregional cooperation that are currently unavailable.

The aging of the population is a crucial challenge that remains overlooked

By 2041, the CADR region will have the highest proportion of working-age population in its history (67.5%). However, if the educational profile remains as low as it is today, the region will be anchored to a path of low labor productivity in the long term. Beginning in 2041, the population between 15 and 64 years will tend to decrease, and the regional aggregate will move rapidly toward aging, a process that currently only affects Costa Rica and Panama (Graph 12). Although differences exist between countries, depending on their phase in the demographic transition process, failure to adopt public policies that modify the current negative trends in regional human development places long-term economic growth prospects at serious risk.

The low and insufficient coverage of retirement systems in the region leaves most elderly people without economic independence, relying on family income to support their care and health requirements. In 2023, in five of the seven

countries with available information (Honduras, Guatemala, El Salvador, the Dominican Republic, and Nicaragua), more than three-quarters of the older adult population received inadequate pensions.

This situation will tend to worsen due to the increase in the retirement-age population. In 2000, the proportion of people over 65 years represented less than 6% of the population in all countries, but by 2050 it will rise to 25% in Costa Rica, 19% in Panama, and between 10% and 15% in the other countries of the region (Graph 12).

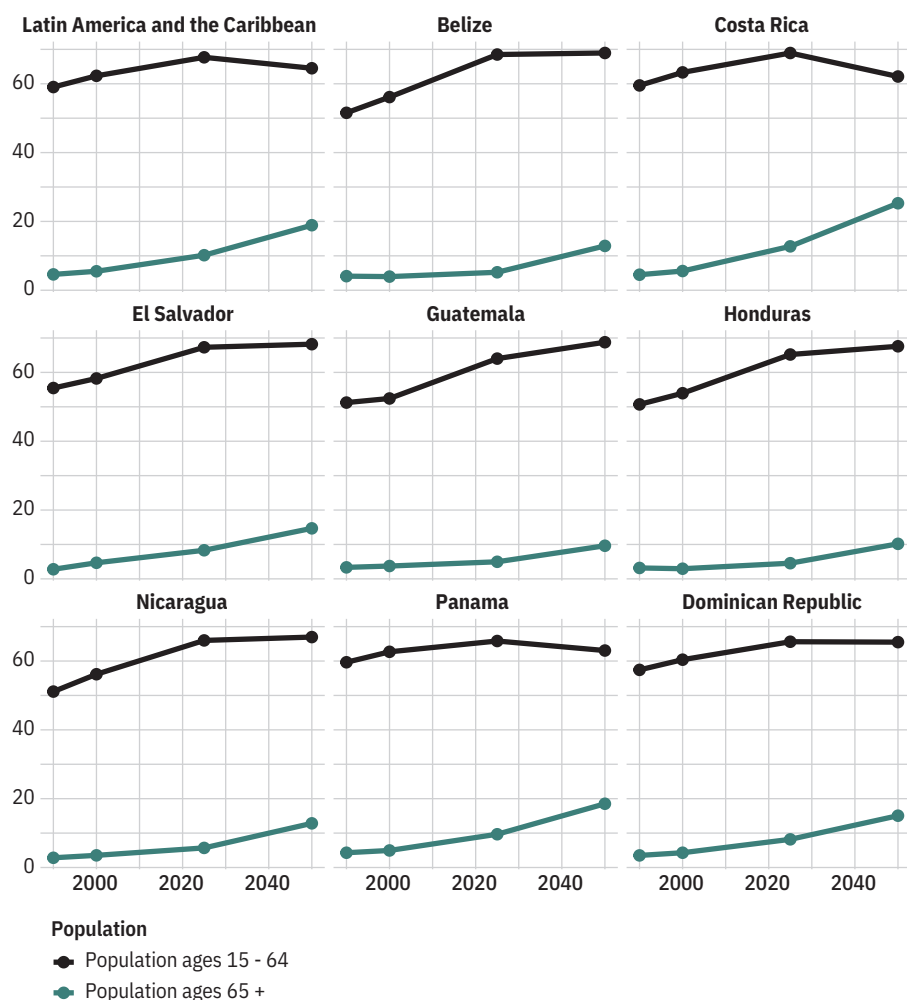
A strategy to rapidly increase the educational level of the young population and boost labor productivity is to strengthen technical and vocational education and training (TVET). Both the previous Report and this edition conducted in-depth examinations of the current state of this educational modality and proposed concrete recommendations to expand its coverage and relevance.

FOR MORE INFORMATION ON TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING

See PEN, 2024 (volume I) and Fernández, 2025,
at www.estadonacion.or.cr

Graph 12

CADR Region, Latin America and the Caribbean Population by age groups



Source: Segura, 2025 with data from CepalStat.

Regional democratic security policy shelved while organized crime actors deepen their footprint

Organized crime encompasses a diverse set of manifestations ranging from drug trafficking, arms trade, and extortion, to human trafficking, cybercrimes, and flora and fauna trafficking. All criminal actors and phenomena are interconnected,

transnational, and present to varying degrees in CADR countries.

According to the 2023 Global Organized Crime Index, nearly 83% of the world's population lives in countries with high criminality, a higher proportion than in 2021 (79%). The American continent ranks third in criminality levels (only after Asia and Africa), and within it, Central America has the highest average criminality score (6.28),

followed by South America (5.94). Honduras and Panama rank among the countries with the highest criminality levels (positions 5 and 6 out of 35 nations evaluated in the continent), only surpassed by Colombia, Mexico, Paraguay, and Ecuador. The other countries in the region occupy lower positions, between 9th (Guatemala) and 20th (Dominican Republic) (Giatoc, 2024).

According to De León and Martínez (2025), the growing presence of organized crime across the CADR region has fueled violence and, in some cases, led to state loss of control in territories where criminal groups operate. Evidence also points to infiltration of these actors into state institutions and electoral campaign financing (Carrión Mena, 2024; Mazariegos Rodas, 2024). Guatemala and Honduras exhibit the widest spectrum of organized criminal activities: drug production laboratories, human trafficking, money laundering, and criminal facilitation of migration. In other countries, primary activities include drug exports to Europe, money laundering, and to a lesser extent, human and wildlife trafficking. Panama stands out as a central hub for money laundering, while the Dominican Republic features prominently in Caribbean human trafficking routes to North America.

The Global Organized Crime Index emphasizes the importance of international cooperation and assesses countries' resilience in confronting criminal actors and markets. In this area, Belize, El Salvador, and Nicaragua rank among the continent's bottom six positions regarding their capacity to counter such criminal activity (Giatoc, 2024).

In 1995, CADR countries established the Democratic Security Framework Treaty and have since developed collaborative initiatives for intelligence sharing and coordinated responses to organized crime and other offenses. However, in recent years, security issues have been deprioritized on the regional integration agenda, evident both in the mandates emerging from presidential summits and in the funding allocations for SICA's regional security programs (Johanning et al., 2025).

Climate change adaptation requires urgent regional coordination, yet only fragmented small-scale initiatives exist

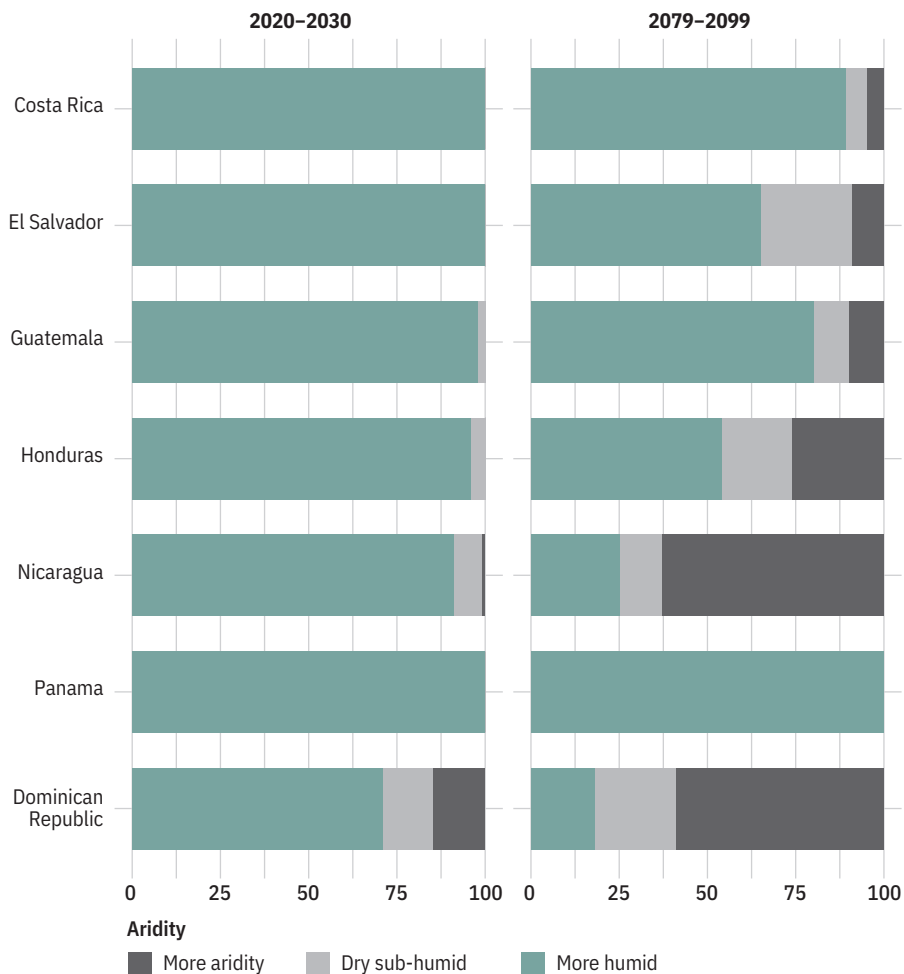
Climate experts widely agree that the CADR region ranks among the world's most vulnerable to climate crisis impacts. According to the most pessimistic scenario (SSP5-8.5), by the end of this century, temperature increases across the region will become significant, ranging between 2°C and 4°C.

As a result, the proportion of hyper-arid, arid, and semi-arid municipalities will increase from 15% in the Dominican Republic and 0% in other countries during 2020-2030, to 63% in Nicaragua, 59% in the Dominican Republic, and 26% in Honduras by 2079-2099. Without adaptation measures, hydroelectric power generation and agricultural production in many of these territories will face serious risk, among other social and economic activities, which will also impact ecosystems and their rich biodiversity. In contrast, municipalities with higher humidity levels (sub-humid, humid, and very humid) will decrease across most of the region, except in Panama (Graph 13).

Another consequence of climate change will be rising sea levels and cyclones along coastlines in a region historically exposed to these events. The Caribbean coast, Belize, Honduras, and Panama are particularly vulnerable due to their extensive shorelines, geological configuration, and low elevation. Population displacements have already been documented in some of these territories.

An inventory of climate change adaptation initiatives implemented in the region identified well-conceived experiences, but with common shortcomings. These include lack of coordination between countries, low priority of actions in budgets and public policies, dependence on international funding, and the absence of a multisectoral approach—required because climate

Graph 13
CADR Region^{a/}
Municipalities by country, according to aridity index classification (percent)



a/ Data for Belize was available at district level.
Source: Segura, 2025 with data from ICAP-UCR, 2025.

change adaptation involves issues of productive policy, food security, care for internal and external displaced persons, social security, and environmental and disaster risk management. This represents an area of common interest where countries could leverage regional integration institutions as platforms for coordination and collective action.

FOR MORE INFORMATION ON
**THE CURRENT STATE AND OUTLOOK
OF CLIMATE ADAPTATION POLICIES**
see Chapter 3 of this Report and
and Castillo, 2024 at
www.estadonacion.or.cr

Conclusion

Central America and the Dominican Republic are experiencing one of the most precarious conditions since the end of political-military conflicts thirty years ago. Whereas the peace process once fostered hope for sustainable human development and democracy, much of that hope has now faded. The concept of the region as a space for political identity and collective action is also at its weakest point since the revitalization of regional integration through the 1991 Tegucigalpa Protocol. In these circumstances of genuine "internal diaspora," the region remains vulnerable and with limited maneuvering capacity against mounting geopolitical tensions and the global climate crisis. The evidence

gathered by this Report clearly demonstrates this reality.

The states and societies of the CADR region face an uncertain landscape. Should the economic, social, environmental, and political trends that have prevailed over the last decade persist, a likely scenario includes widening development gaps and heightened conflicts and tensions both within and between nation-states. This scenario is neither desirable nor inevitable. Nevertheless, it is important to understand that the consequences of inaction, or of taking the wrong course, not only gravely endanger the gains made over recent decades but also threaten the material underpinnings of the region's future sustainable human development.

The time to act is now. Effective response requires simultaneous efforts from diverse social, economic, and political sectors that transcend national boundaries to pursue collective approaches to common challenges. Advancing along the path of sustainable human development requires leadership and social agreements to ensure that institutional capabilities align with defined objectives and goals. Effective monitoring and evaluation mechanisms are also necessary. To move forward in a process of this nature, it is essential to reaffirm the principles upon which democracy is based and to strengthen it in pursuit of the common good.

Footnotes

¹ In 2023, across countries in the CADR region, the wealthiest 20% of households held between 42% and 54% of total income; by contrast, the poorest 20% of households accounted for only 2.3% to 5.5% of total income (Echeverría and Fernández, 2025b).

ACKNOWLEDGMENTS

Chapter Draft:

Alberto Mora Román.

Technical Editing:

Alberto Mora Román & Jorge Vargas Cullell.

Critical Readers: We gratefully acknowledge the comments and suggestions provided by Ronald Alfaro, Leonardo Merino, Isabel Román, and Evelyn Villarreal on a preliminary version in Spanish of this document.

Data Verification and Correction:

Katherine Araya, Marco Hidalgo, and Aaron Barquero.

Review of Tables and Figures:

Rafael Segura.

Style Correction and Text Editing in Spanish:

Gabriela Fonseca Argüello.

English Translation:

Marcelo Madrigal Producciones

Critical Readers of English Version:

We gratefully acknowledge the comments and suggestions provided by Angel Cal, Rolando Cocom, Andreas Feldmann, Thomas Hare, Giovanni Pinelo, Sophia Shroyer and Elaine White.

Design and Layout:

Erick Valdelomar / Insignia | ng.

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