



ECLAC

COVID-19  
RESPONSE

8 July 2021

# The recovery paradox in Latin America and the Caribbean

## Growth amid persisting structural problems: inequality, poverty and low investment and productivity

### I. The economic rebound does not ensure sustained growth<sup>1</sup>

#### A. Structural gaps have exacerbated the adverse effects of the pandemic

##### 1. The worst economic contraction in over a century

- As of 28 June 2021, more than 1.26 million people had died from coronavirus disease (COVID-19) in Latin American and Caribbean countries, in what is the most severe health crisis in the region's recent history. This figure represents 32% of all deaths worldwide—almost four times that of the region's global population share of 8.4%. Unequal access to vaccines and health services (between countries and among social groups), compounded by the emergence of new virus variants, heighten the uncertainty surrounding the future course of the pandemic and the subsequent opening and recovery of the countries' economies.
- Although unprecedented scientific and technological results have been achieved with the development of a range of vaccines, vaccination rates vary sharply between countries, and vaccine procurement is highly concentrated in the more developed ones. As of 4 July, 46.3% of the population of the United States and Canada had been fully vaccinated, compared with 34.9% in the European Union countries, 13.6% in Latin America and the Caribbean and 11.3% worldwide (*Our World in Data*). The situation is also extremely uneven between countries across the region (see figure 1).

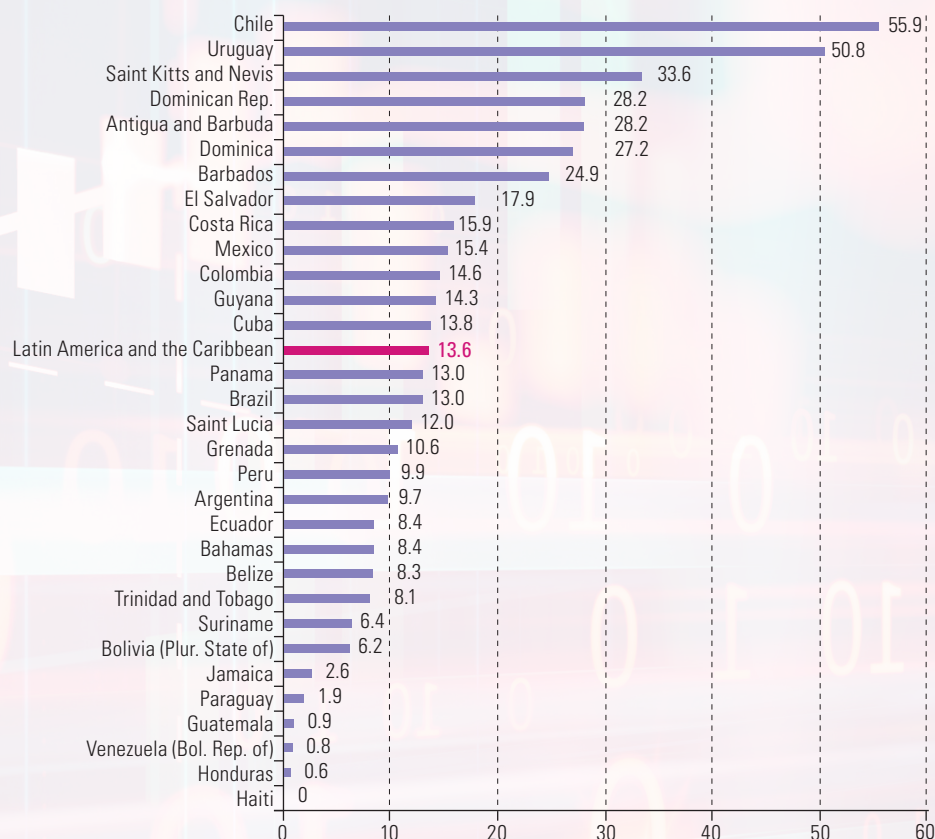


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<sup>1</sup> Unless otherwise indicated, the data used to produce this document are those that were available up to 6 July 2021.

**Figure 1 | Population fully vaccinated**  
(Percentages)

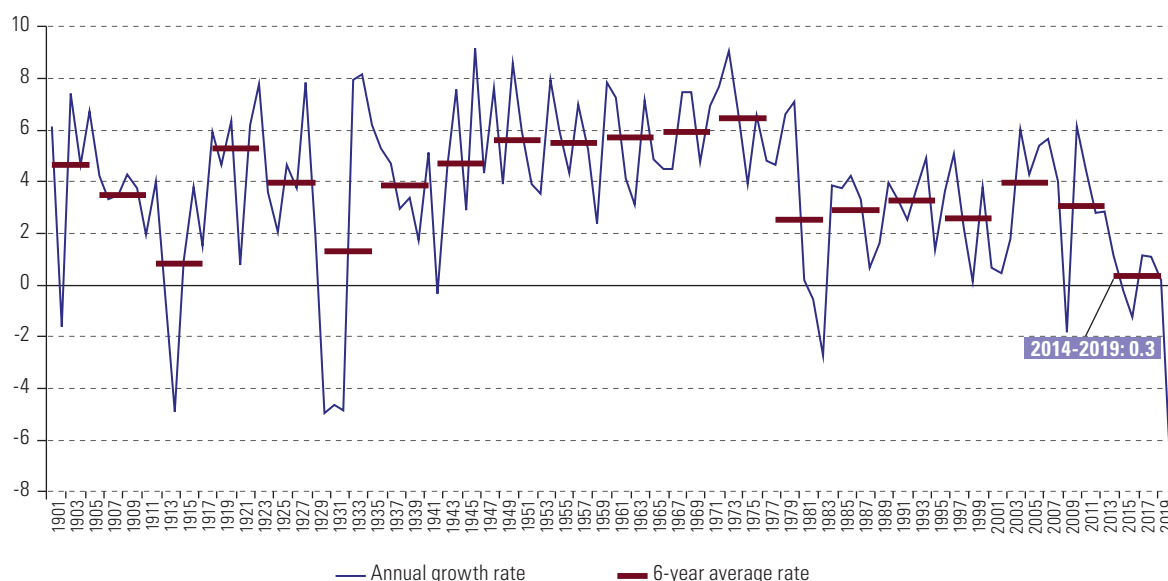


Source: *Our World in Data* [online] [www.ourworldindata.org](http://www.ourworldindata.org).

Note: Records for countries that report the breakdown of doses administered (first and second), as of 4 July 2021 or latest date available.

- In a global economy in which more than 140 million jobs were lost, global wealth grew by 7.4% in 2020, owing to burgeoning stock markets, rising real estate values, low interest rates and unplanned savings resulting from the lockdown periods. Wealth increased by the most in the United States and Canada (+12.4%), Europe (+9.2%) and China (+4.4%); in contrast, it declined by 4.4% in India and by 11.4%, in Latin America and the Caribbean—the latter resulting partly from adverse exchange rate movements. Replicating the historical pattern, the richest 1% of people owned nearly 50% of the world's total wealth (Credit Suisse Research Institute, 2021).
- In a global context of increasing economic, social and environmental asymmetries, the pandemic pushed the region into its sharpest GDP contraction since 1900 (6.8%), the most severe among developing regions.
- In the years leading up to the crisis, the regional economy had been virtually stagnant. In 2014–2019, growth averaged just 0.3%, and per capita growth was negative. This was one of the weakest six-year growth periods since records began, comparable only to those that spanned World War I and the Great Depression (see figure 2).
- Negligible growth prior to the crisis, coupled with the contraction of 2020, and the weakness of the welfare state and of health and social protection systems, resulted in unprecedented increases in unemployment, falling incomes and increases in poverty and inequality that further exacerbated the pre-existing structural problems. The 2020 contraction also led to many closures among micro, small and medium-sized enterprises (MSMEs) and the destruction of productive and human capacities. These phenomena affected women disproportionately and reinforced the structural nodes underlying gender inequalities.

**Figure 2 | Latin America and the Caribbean:<sup>a</sup> annual GDP growth rate and six-year averages, 1901–2019**  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Maddison Project Database 2020; J. Bolt and J. L. van Zanden, “Maddison style estimates of the evolution of the world economy: a new 2020 update”, *Maddison-Project Working Paper*, No. WP-15, 2020; and official figures.

<sup>a</sup> Includes the 20 countries of Latin America, Cuba, Haiti and the Dominican Republic.

■ The Economic Commission for Latin America and the Caribbean (ECLAC) is forecasting growth of 5.2% for the region in 2021, which will not be sufficient to regain the level of output recorded in 2019 (see table 1). The dynamics and persistence of growth from 2021 onwards are subject to uncertainties arising from uneven progress in vaccination processes, and the ability of the different countries to reverse the structural problems underlying the slow growth path they were on prior to the pandemic.

**Table 1 | Latin America and the Caribbean (33 countries): GDP growth rate in 2020 and projections for 2021 and 2022**  
(Percentages)

	2020	2021	2022
<b>Latin America and the Caribbean</b>	<b>-6.8</b>	<b>5.2</b>	<b>2.9</b>
Argentina	-9.9	6.3	2.7
Bolivia (Plurinational State of)	-8.0	5.1	3.5
Brazil	-4.1	4.5	2.3
Chile	-5.8	8.0	3.2
Colombia	-6.8	5.4	3.8
Ecuador	-7.8	3.0	2.6
Paraguay	-0.6	3.8	4.0
Peru	-11.1	9.5	4.4
Uruguay	-5.9	4.1	3.2
Venezuela (Bolivarian Republic of)	-30.0	-4.0	1.0
<b>South America</b>	<b>-6.3</b>	<b>5.1</b>	<b>2.7</b>
Costa Rica	-4.1	3.2	3.5
Cuba	-8.3	2.2	4.1
Dominican Republic	-6.7	7.1	5.5
El Salvador	-7.9	5.0	3.0
Guatemala	-1.5	4.6	4.0
Haiti	-3.3	0.1	1.1

**Table 1 (concluded)**

	2020	2021	2022
Honduras	-9.0	5.0	3.6
Mexico	-8.3	5.8	3.2
Nicaragua	-2.0	2.0	1.8
Panama	-17.9	12.0	8.2
<b>Central America and Mexico</b>	<b>-8.1</b>	<b>5.6</b>	<b>3.5</b>
<b>Central America</b>	<b>-7.3</b>	<b>5.1</b>	<b>4.5</b>
<b>Latin America</b>	<b>-6.8</b>	<b>5.2</b>	<b>2.9</b>
Antigua and Barbuda	-16.0	1.0	2.9
Bahamas	-14.5	2.3	8.5
Barbados	-17.6	3.0	7.5
Belize	-14.3	2.7	6.4
Dominica	-16.7	4.3	3.6
Grenada	-11.2	4.7	4.3
Guyana	43.5	16.0	32.0
Jamaica	-9.9	4.0	5.7
Saint Kitts and Nevis	-10.7	3.3	3.3
Saint Lucia	-23.8	3.6	11.9
Saint Vincent and the Grenadines	-2.7	3.0	3.2
Suriname	-14.5	-1.0	0.1
Trinidad and Tobago	-6.8	2.5	1.9
<b>The Caribbean</b>	<b>-7.5</b>	<b>4.1</b>	<b>7.8</b>

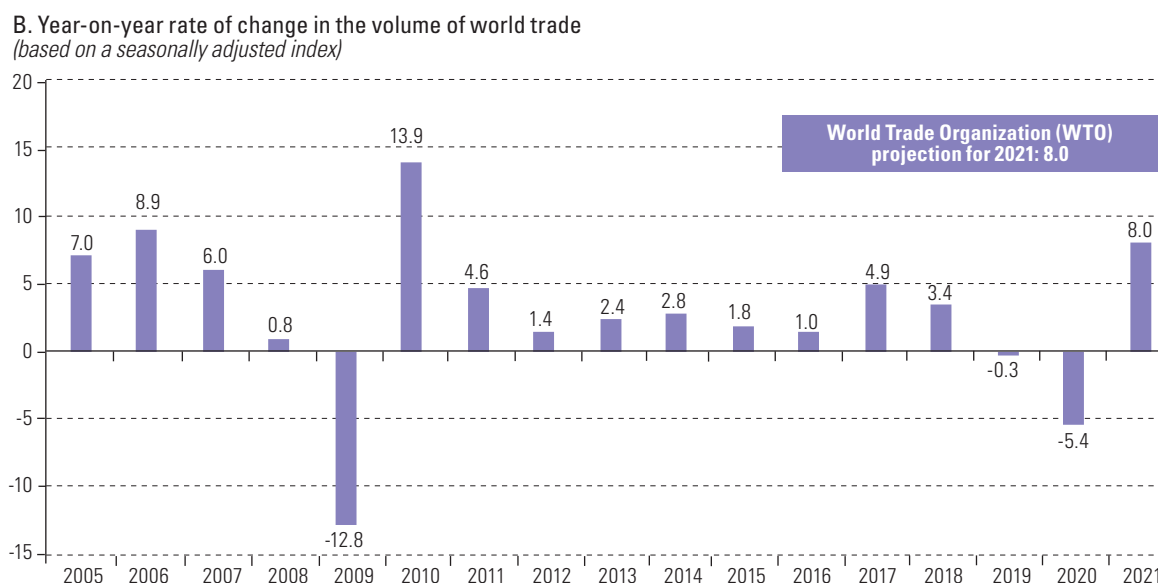
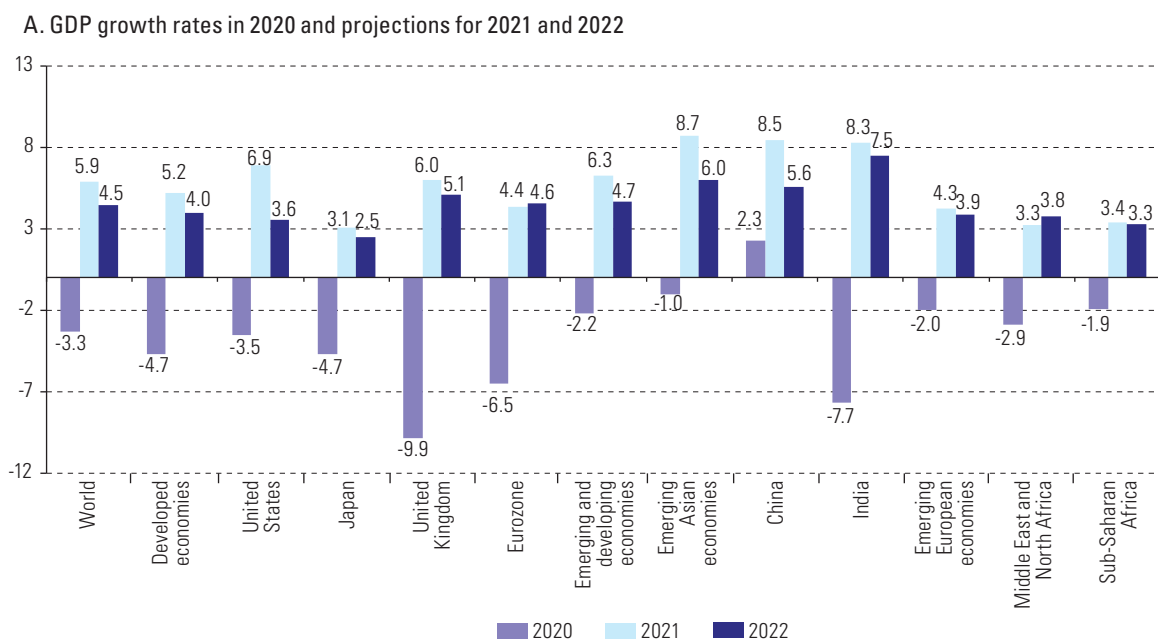
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: For the purposes of this analysis, Central America includes Cuba, Haiti and the Dominican Republic.

- The growth forecast for 2021 reflects the low base of comparison resulting from the 2020 slump and the positive effects of stronger growth worldwide. The latter has boosted external demand, particularly from the United States and China, which, in conjunction with rising commodity prices, economic reopening and the easing of physical distancing measures, has fuelled recovery.
- An average growth rate of 2.9% is projected for Latin America and the Caribbean in 2022, which represents a slowdown from the previous year's rebound.
- There is nothing to suggest that the weak growth dynamics prior to the crisis will change. The structural problems that weighed on the region's growth before the pandemic have worsened; and they will hamper the recovery of economic activity and labour markets beyond the growth rebound in 2021 and 2022. In terms of per capita income, the region remains on course for a lost decade.
- Having shrunk by 3.3% in 2020, the worst generalized slump in decades, the world economy is expected to grow in 2021, albeit unevenly, at an average rate of nearly 6%, driven primarily by the United States, China and India (see figure 3). World trade, having faltered in 2020, is also expected to recover in 2021 by about 8% in volume, driven by a revival of demand in the United States, the European Union and China, with the consequent positive effects on growth (albeit varying from country to country).



**Figure 3 | Selected regions and countries: GDP growth rate in 2020 and projections for 2021 and 2022, and year-on-year rate of variation in the volume of world trade (Percentages)**



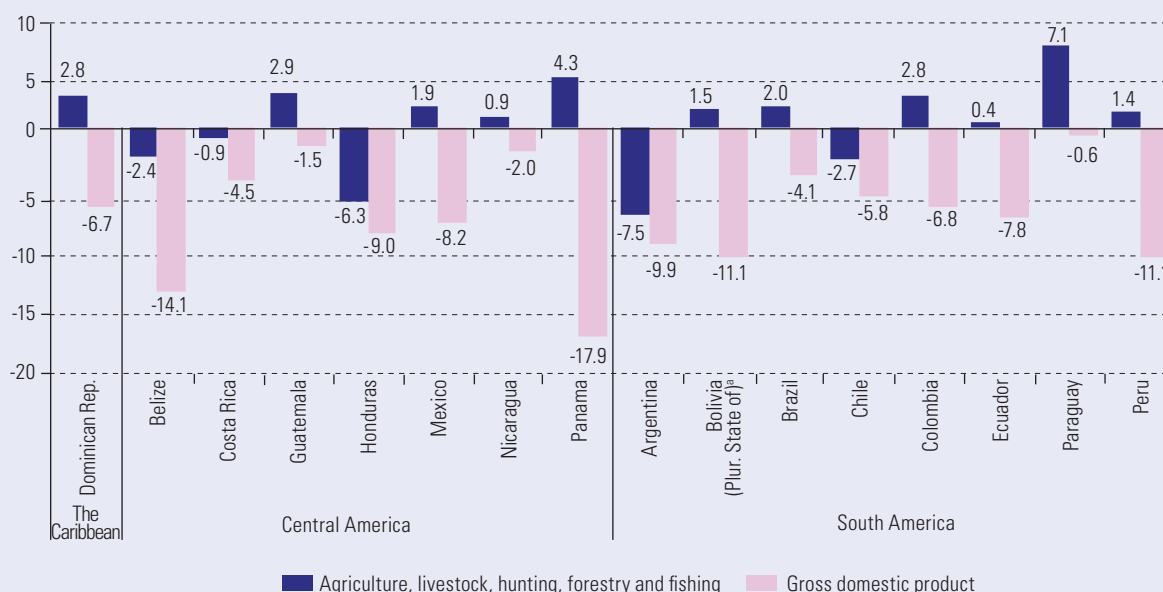
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook Database, April 2021*; World Bank, *Global Economic Prospects, June 2021*; Organization for Economic Cooperation and Development (OECD), *OECD Economic Outlook, May 2021*; European Central Bank, *Economic Projections June 2021*; and data from Netherlands Bureau of Economic Policy Analysis (CPB) and World Trade Organization (WTO).

## 2. Sectoral dynamics

- During the pandemic, sectoral performances have depended heavily on the individual characteristics of each sector. While some, such as agriculture, have proven extremely resilient, others, such as manufacturing, recovered quickly from the downturns, and others, such as digital platforms, experienced a genuine boom. In contrast, as will be seen when analysing the dynamics of foreign trade, tourism plummeted, along with passenger air transport and other tourism-related services.

- The resilience of the agriculture sector is evidenced by the fact that in 11 of the 16 countries included in figure 4, production expanded in 2020; and in those where it contracted, it did so by less than GDP as a whole. The robust performance of this sector may explain why food supply for domestic consumption and for exports was maintained, except in isolated cases, even in the worst months of the pandemic.

**Figure 4 | Annual growth rates of agriculture-sector and total GDP, 2020**  
(Percentages)

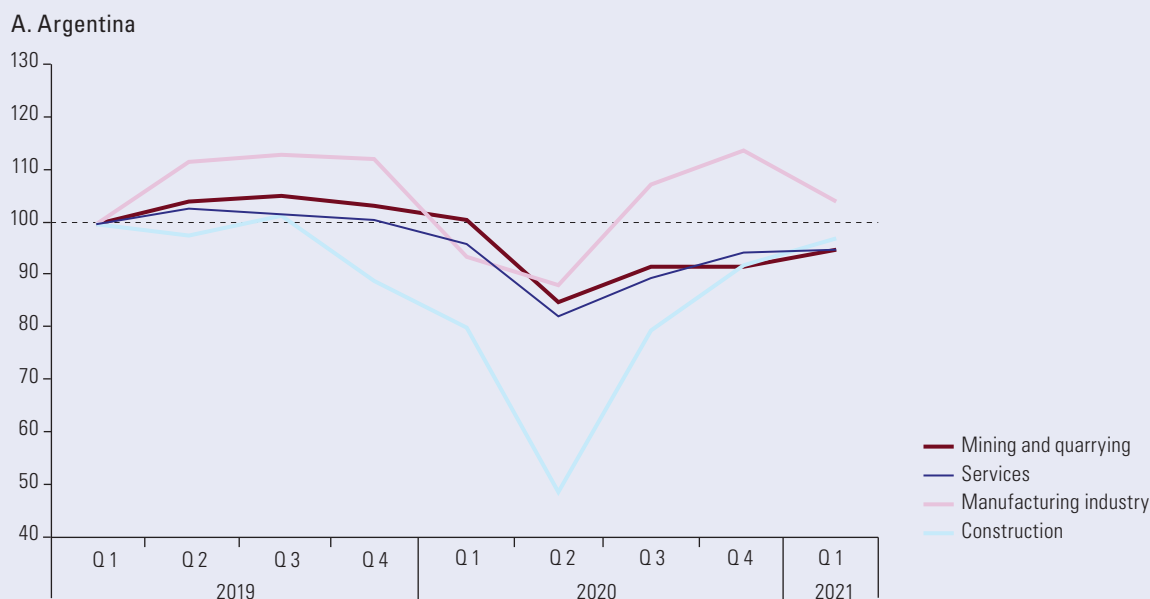


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> The data for the Plurinational State of Bolivia refer to the first two quarters of the year relative to the year-earlier period.

- The data for mining, manufacturing, construction and services in Argentina, Brazil, Colombia and Mexico show that the 2019 production levels had generally been regained by April 2021, or were very close to those levels. The exceptions were construction in Mexico and both construction and mining in Colombia (see figure 5).

**Figure 5 | Trend of gross value added by economic activity, first quarter of 2019–first quarter of 2021**  
(Index: first quarter of 2019=100)

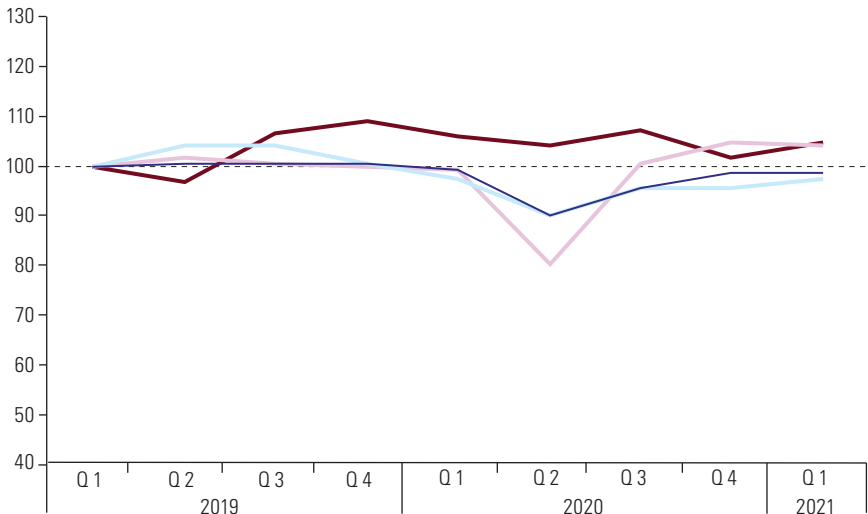


Source: National Institute of Statistics and Censuses (INDEC).

Note: Calculations based on value added in millions of Argentine pesos at constant prices (not seasonally adjusted).

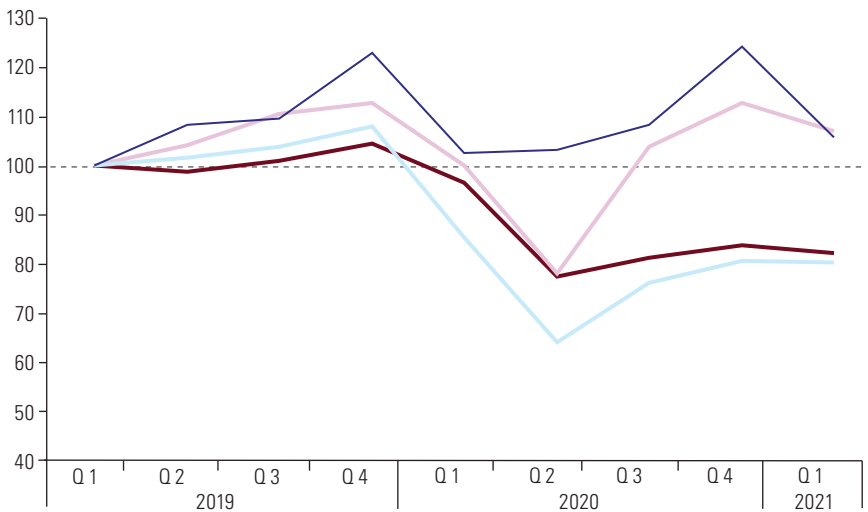
Figure 5 (concluded)

B. Brazil



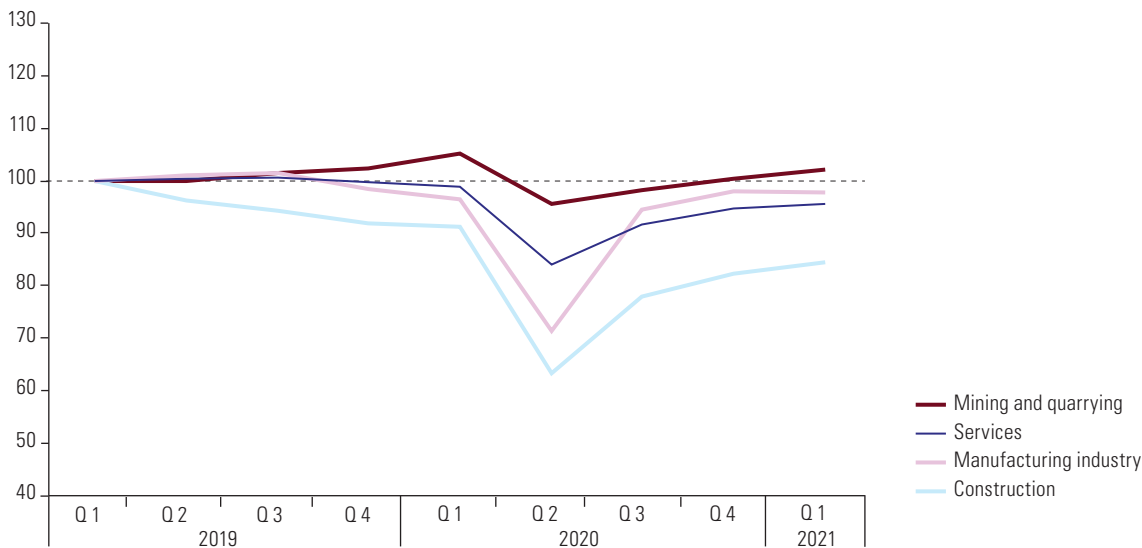
Source: Brazilian Institute of Geography and Statistics (IBGE).  
 Note: Calculations based on value added in chained 1995 prices (seasonally adjusted).

C. Colombia



Source: National Administrative Department of Statistics (DANE).  
 Note: Calculations based on value added in millions of Colombian pesos (not seasonally adjusted).

D. Mexico



Source: National Institute of Statistics and Geography (INEGI).  
 Note: Calculations based on value added in millions of Mexican pesos at 2013 prices (seasonally adjusted).

- Classifying industrial sectors by their predominant factor of production, the worst performers in the 12 months to March 2021 were in labour-intensive sectors, while those intensive in natural resources showed greater resilience (see table 2). This result is consistent with the considerations on employment dynamics at the country level to be discussed below.

**Table 2 | Growth of industrial production, by type of sector, 12 months to March 2021**  
(Percentages)

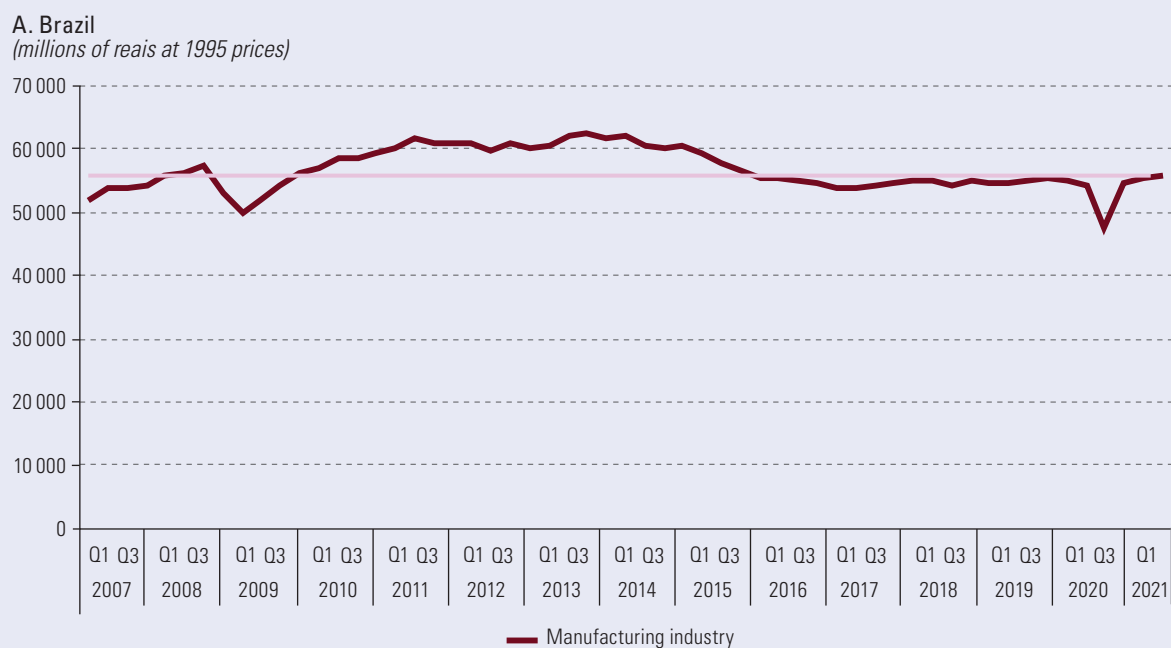
	Labour-intensive	Natural-resource-intensive	Technology-intensive
Argentina	-12.4	-2.5	-3.4
Colombia <sup>a</sup>	-4.3	0.2	0.4
Mexico	-16.8	-4.3	-14.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> The figures for Colombia refer to the 12 months to April 2021.

- Data spanning a longer period show that the relatively rapid recoveries in Brazil and Mexico returned industrial activities to a level of virtual stagnation, as had been the case since late 2015 in Brazil and early 2018 in Mexico (see figure 6).
- Forced by the pandemic to put their hitherto face-to-face activities online, firms hastened their deployment of digital solutions and technologies (see figure 7). This generated an increase in the number of firms with an online presence, and also a change in the type of presence —from passive informational websites to active transactional ones. This could imply greater productive segmentation between firms with different capabilities.

**Figure 6 | Quarterly industrial value added, first quarter of 2007–first quarter of 2021**



Source: Brazilian Institute of Geography and Statistics (IBGE).

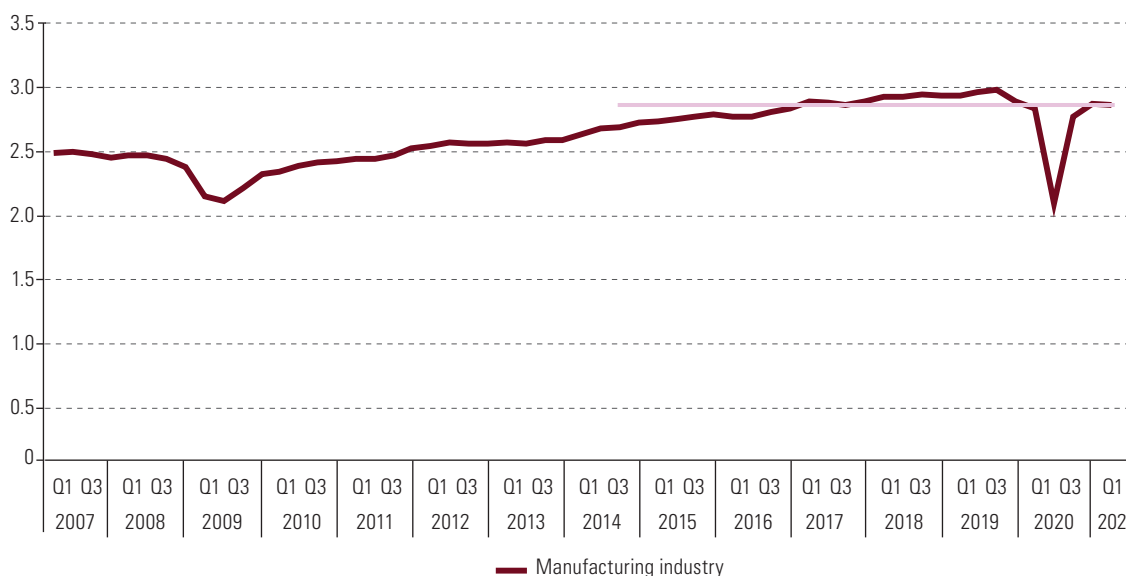
Note: Value added in chained values at 1995 prices (seasonally adjusted).



Figure 6 (concluded)

B. Mexico

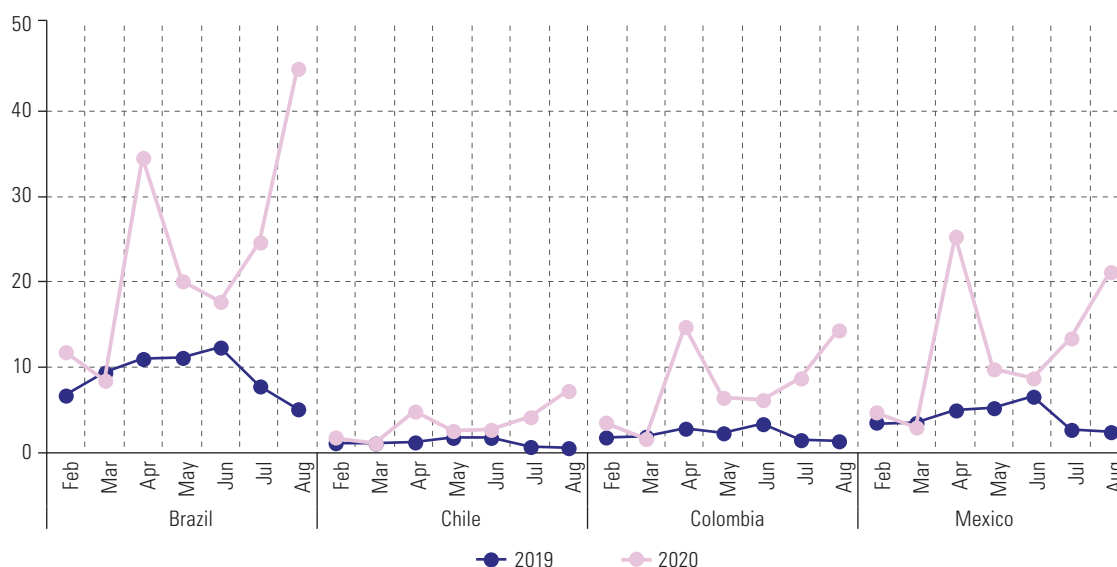
(trillions of Mexican pesos at 2013 prices)



Source: National Institute of Statistics and Geography (INEGI)  
 Note: Value added in Mexican pesos at 2013 prices (seasonally adjusted).

Figure 7 | New business websites per month

(Number in thousands)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Midiendo la economía de Internet en América Latina: un análisis de Big Data para Colombia, México, Brasil y Chile", project "Big data for measuring and fostering the digital economy in Latin America and the Caribbean", 2021, forthcoming.

- Presence on e-commerce platforms has multiplied. Data published by *Mercado Libre* (a platform that offers marketing solutions to MSMEs) show an explosion in the number of new registered vendors. In countries where this platform is more developed, the number of new vendors quadrupled, while in those where it is less developed, the number grew sixfold.
- The product catalogues of MSMEs using Shopify as an e-commerce platform show that half of the products being offered online by these firms in Brazil, Chile, Colombia and Mexico as of October 2020 had been published since April 2020 (ECLAC, 2021c).

- With broadband penetration among the region's firms at around 90%, irrespective of their size, rapid digitalization occurred mainly in the sales, marketing and supplier relationship links of the value chain, but not in the production process.
- Digitalization mostly involved the use of mature technologies, such as broadband, rather than advanced technologies, such as big data analytics, artificial intelligence, machine learning or the Internet of Things.
- Meanwhile, the region's publicly traded digital firms expanded vigorously (see table 3). The growth in market value (a variable closely related to expected profits) of service and e-commerce platforms far outstripped even that of large mining firms and high-tech activities such as those related to renewable energies, biotechnology and pharmaceuticals, and technology-intensive manufacturing industries. Although the firms whose value grew the most are not in sectors that typically create large numbers of direct jobs, they can nonetheless foster the creation of many indirect jobs.

**Table 3 | Latin America: variation in the market capitalization of firms by sector, 1 March 2019–31 March 2021**  
(Percentages)

Mining and quarrying	81
Oil and gas	-20
Renewable energies	-7
Biotechnology and pharmaceuticals	-27
Manufacturing industries	13
Natural-resource-intensive	13
Technology-intensive	28
Labour-intensive	-9
Digital firms	19
E-commerce platforms	113
Internet service platforms and software	461
IT Services	48
Software	-11
Telecommunications	-26
Hotels and cruises	-30

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from Bloomberg.

- In short, sectoral dynamics do not display significant changes in the production structure, except for the continued rapid growth of activities associated with digital platforms and their increasing use by firms of all sizes. Without investment in new production activities, there is no reason to expect behaviour to diverge from the pre-crisis stagnation.

### 3. Foreign trade

- After plummeting by 10% in 2020, the region's exports are set to increase by 22% in 2021, driven by a 16% rise in prices and a 6% expansion in volume. Imports, which fell by 16% in 2020, are expected to recover by 18% (10% in prices and 8% in volume).
- The Asia region, particularly China, is likely to be the main destination for increased shipments from the region. This was the only market for which regional exports increased in 2020; and already in the first four months of 2021 exports were up by between 35% and 45% in value terms.
- In January–April 2021, the value of intraregional trade expanded by 19% relative to the same period in 2020, which would bring it back to around 2019 levels. This reflects the economic recovery that is currently under way: imports of capital goods and intermediate inputs needed for production expanded at above-average rates of between 30% and 40%. The recovery of intraregional trade is highly positive for MSMEs, which depend crucially on the region's markets.

- In the subregions, goods exports are performing unevenly. On average, countries whose export baskets are heavy on energy products can expect to see increases of 40% in export value. In those whose exports are mineral-intensive, the increase is likely to be 27%, while the crop and livestock exporting countries of the Southern Cone should see increases of 20%. For Mexico and Central America, export value is set to increase by 11% (see table 4).

**Table 4 | Latin America and the Caribbean (selected subregions and countries): variation in merchandise exports and imports projected for 2021**

(Percentages)

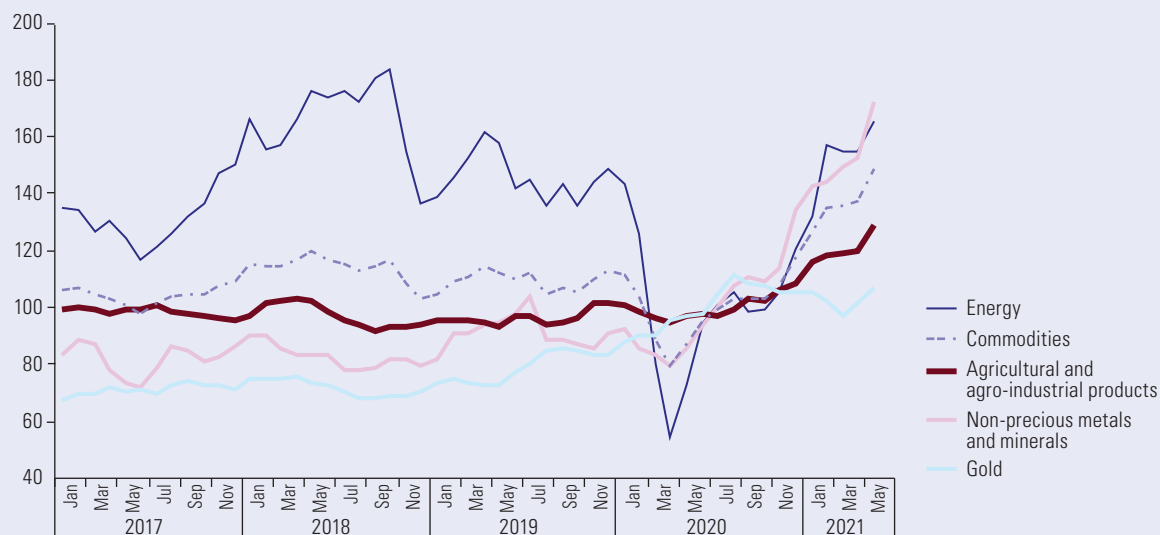
Region/subregion/country	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
<b>Latin America and the Caribbean</b>	<b>16</b>	<b>6</b>	<b>22</b>	<b>10</b>	<b>8</b>	<b>18</b>
Oil exporters	36	4	40	12	5	16
Mineral exporters	23	4	27	13	5	18
Exporters of agribusiness products	15	5	20	10	7	16
<b>South America</b>	<b>26</b>	<b>5</b>	<b>30</b>	<b>12</b>	<b>6</b>	<b>17</b>
Brazil	26	6	32	12	6	18
Mexico	5	7	11	7	12	19
<b>Central America</b>	<b>7</b>	<b>4</b>	<b>11</b>	<b>13</b>	<b>8</b>	<b>22</b>
<b>The Caribbean</b>	<b>19</b>	<b>5</b>	<b>24</b>	<b>13</b>	<b>6</b>	<b>19</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: The following growth rates are assumed for 2021: 5.9% (world), 6.9% (United States), 3.1% (Japan), 4.4% (European Union), 8.5% (China) and 5.2% (Latin America and the Caribbean), along with an average increase of 35% in the prices of the region's commodity exports.

- In South America, an increase in commodity prices on average implies a positive terms-of-trade shock. In Central America, the effects vary from country to country; in the English-speaking Caribbean countries, most of which are net importers of commodities, the impact will be negative, with the exception of Guyana, Suriname and Trinidad and Tobago, which are net commodity exporters.
- The trade expansion is explained by three interrelated factors: (i) the rise in raw material prices; (ii) the recovery of demand in China, and in the United States and the European Union; and (iii) the recovery of economic activity in the region itself. The fact that trade growth is being driven more by the price component than volumes intensifies the lock-in effect in the export structure.
- On the import side, the greatest volume expansion is expected in Mexico, owing to its linkage with the manufacturing industry in the United States. The growth in the value of imports in Central America and the Caribbean is also explained by the increase in the energy bill and purchases of consumer goods, mainly agribusiness products. The recovery of imports in South America is most strongly related to capital goods (especially machinery and equipment for the mining industry, agriculture and construction) and also fuels. A common element in the expansion of import volumes in the region is the increase in purchases of electrical and electronic products and equipment, together with medical equipment and pharmaceuticals.
- International commodity prices have recovered strongly since April 2020 (see figure 8). While this uptrend in the overall commodity price index is likely to persist in 2021, its duration is uncertain.
- In contrast, manufacturing prices are less buoyant, only rising by an estimated 1%. Projections for the whole of 2021 envisage few products with price increases (medical items, plastic products, pharmaceuticals, chemicals and textiles, and, to a lesser extent, spare parts and components, data processing machines and automobiles).
- Among the service exporting sectors, tourism has been the hardest hit, with exports plummeting by between 80% and 90% during the second and third quarters of 2020, and by nearly 70% in the fourth quarter. By the last quarter of 2020, Mexico was the only country in which international tourist arrivals had regained 50% of their pre-crisis level. Owing to their heavy reliance on tourism, the Caribbean countries have been the hardest hit, with GDP falling by nearly 8% in 2020.

**Figure 8 | International commodity price indices, January 2017–May 2021**  
(Index: January–December 2020=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), index and estimates constructed from price set representative of the commodity export basket of Latin American and Caribbean countries. Individual prices were obtained from: the World Bank, the Energy Information Administration (EIA), the Chilean Copper Commission (COCHILCO), the Office of Agricultural Studies and Policies (ODEPA), the Rosario Stock Exchange and other sources.

- Conversely, exports of modern services that can be delivered online were more resilient and declined by between 10% and 15%.
- In 2020, regional exports of transportation services declined by around 30% in the second and third quarters, and by more than 20% in the fourth quarter. Container traffic, measured in 20-foot equivalent container units (TEUs), shrank by 0.9% globally and by 4.0% in the region. Despite this, from March to December 2020 freight rates rose by 153% globally relative to their 2019 levels, possibly owing to the increasing concentration in the sector.

#### 4. Financing

- Latin America and the Caribbean is the region with the largest external debt relative to GDP (56.3%) and the highest external debt service relative to exports of goods and services (59%) (IMF, 2021a). These debt levels reduce fiscal space and jeopardize the recovery and future growth.
- There have been no significant changes in the institutional framework for development financing to respond to the economic and social impact of the pandemic; and international financial institutions have channelled less funding to the international community than in the global financial crisis.
- The International Monetary Fund has lent the equivalent of US\$ 113 billion to developing economies. Excluding flexible credit lines, its total financing stands at US\$ 67 billion. This amount is less than its financing commitments during the 2008–2009 global financial crisis, which amounted to US\$ 75 billion between January and September 2009 (IMF, 2021c).
- The increase in funds committed by the World Bank to cope with the pandemic in 2020 represented less than half of the additional funds provided to combat the global financial crisis—US\$ 13 billion and US\$ 28 billion, respectively. Sixty-five per cent of the additional funding went to low-income economies (World Bank 2010 and 2020).
- International financial institutions, including IMF and multilateral development banks, have responded inadequately to the funding requirements of middle-income countries, such as those of the region. On average, the credit lines granted by IMF covered only between 23.1% and 32.3% of the financial needs of the region's countries in 2020.

- Of the eight countries in the region that qualify for the Debt Service Suspension Initiative (DSSI) of the Group of 20 (G20) and the Paris Club—which does not include the private sector or multilateral institutions—only four Caribbean countries (Dominica, Grenada, Saint Lucia and Saint Vincent and the Grenadines) are participating in the initiative.
- Government financial vulnerability is exacerbated by the sovereign ratings awarded by the three major credit rating agencies. In the region, 21 out of a sample of 27 economies are considered substantial risk or speculative grade; and these economies experienced the most downgrades in 2020. The most vulnerable economies are more susceptible to negative credit ratings and downgrades; and they suffer most from them in terms of higher borrowing costs.
- Given the weak response of international cooperation, emerging countries have financed themselves largely in private capital markets. The region's countries have had significant access to international debt markets, particularly sovereign bond issues (see table 5). Moreover, a high level of global liquidity has been maintained, with the central banks of the main developed economies keeping their rates at historically low levels and continuing their asset purchase programmes, thus expanding their balance sheets.

**Table 5 | Latin America: total debt issuance on international markets, by issuer, 2020 and January–April 2021**  
(Millions of dollars)

	Banks	Private	Quasi-sovereign	Sovereign	Supranational	Total
Total 2020	12 417	37 369	25 438	65 109	4 953	<b>145 286</b>
January–April 2021	3 454	25 400	2 300	31 038	2 998	<b>65 190</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

- With short-term interest rates still at historically low levels, higher inflation expectations in the United States have pushed up long-term sovereign bond rates. This could have adverse effects on the appetite for risk and financial flows to emerging economies, including those in Latin America and the Caribbean. Such a situation would find these economies in a more vulnerable state, owing to higher levels of accumulated debt, which could become unmanageable for some firms and even certain governments.
- Remittances performed positively in 2020 (up by 8%);<sup>2</sup> and in early 2021 they have increased by 21%.<sup>3</sup>
- Mexico received US\$ 40.6 billion in family remittances in 2020, equivalent to 3.8% of its GDP in that year, and 11.4% more than in 2019 in dollar terms. These remittances represented 9.7% of total exports and were equivalent to 1.5 times the foreign direct investment (FDI) received by Mexico in 2020.<sup>4</sup>
- In the Central American countries and the Dominican Republic, remittances represented 10.1% of GDP in 2020, compared to 8.7% in 2019. Relative to GDP, remittances were largest in El Salvador (24.1%), followed by Honduras (23.6%), Nicaragua (14.7%) and Guatemala (14.6%). In these four countries, remittances represented 10 times the amount received in FDI. Remittances play a very important role in the economies of these countries—even more so in 2020 given the reduction in GDP.<sup>5</sup>

## 5. Labour markets

- The crisis had major effects on the labour market in 2020: employment and labour participation rates both fell, while the unemployment rate rose by much more than in previous crises (see figure 9).

<sup>2</sup> Total for Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia.

<sup>3</sup> Total for January–March in the cases of Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, and Paraguay; January–February in the case of Nicaragua; and January in the cases of Jamaica and the Plurinational State of Bolivia (compared with the year-earlier periods).

<sup>4</sup> ECLAC data based on Banco de México, “Sistema de Información Económica” [online] [www.banxico.org.mx/SielInternet/](http://www.banxico.org.mx/SielInternet/) [accessed on June 29, 2021].

<sup>5</sup> ECLAC data, based on official information from the respective countries.

**Figure 9 | Latin America and the Caribbean (17 countries):<sup>a</sup> labour participation, unemployment and employment rates, 2019 and 2020**  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Jamaica, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

- The crisis had a disproportionate impact on female, youth and informal employment. Between 2019 and 2020, the number of persons employed decreased by 24,827,000, nearly 13 million of whom were women. This translated into a female unemployment rate of 11.9%. The female participation rate also dropped, from 51.4% in 2019 to 46.9% in 2020 (similar to its 2002 level), while the male participation rate slipped from 74.7% to 69.6% (see figure 10).
- In seven out of eight countries in the region, young people were the group hit hardest by the reduction in employment during the pandemic. In addition, in seven Latin American countries, the share of informal workers in total job losses in the April–June quarter of 2020, relative to the year-earlier period, ranged from 48.8% in Chile to 76.8% in Brazil (ECLAC, 2021a).
- In 2020, the largest job losses occurred in employment in private households (20.9%), where between 11 million and 13 million women were working in 2019. In Chile, Colombia and Costa Rica, for example, the fall in employment in this sector left four out of every 10 female domestic workers without a job (ECLAC, 2021e).

**Figure 10 | Latin America and the Caribbean:<sup>a</sup> employment, participation and unemployment, 2019–2020**

**A. Year-on-year change in the number of employed persons, overall participation rate and unemployment rate, 2019–2020**  
(percentages and percentage points)

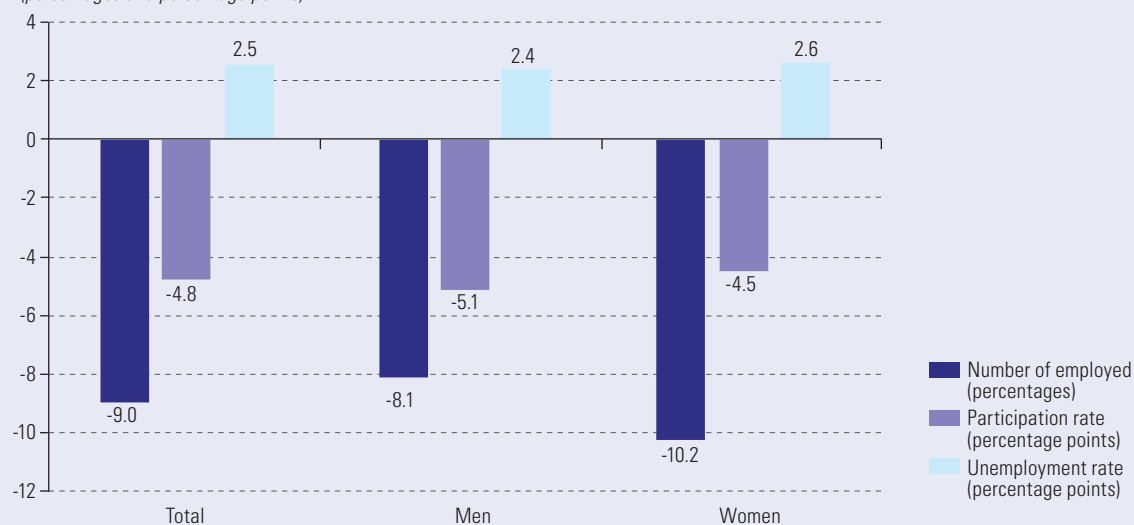
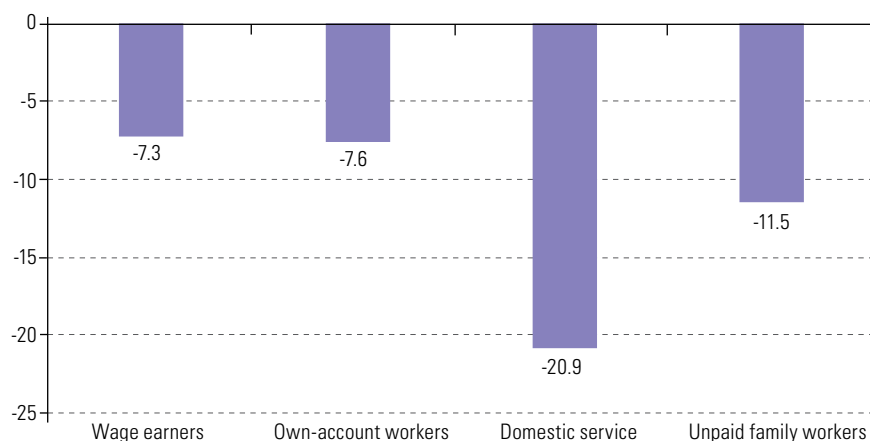




Figure 10 (concluded)

**B. Year-on-year change in the number of employed persons, by occupational category, 2019–2020**  
(percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> The countries included in figure 10A are: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Jamaica, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia, and Uruguay; the countries included in figure 10B are: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Paraguay, Peru and Plurinational State of Bolivia.

- The contraction of employment, concentrated in the most precarious, informal and low-wage jobs, resulted in a significant drop in the total wage bill. Average labour incomes generally fell, although some countries reported an increase owing to the dynamics of the crisis: as lower-paid jobs disappear, the average wage may rise because of a “composition effect”.
- In Brazil, average labour income increased by 5% in 2020, but an 8% drop in employment meant that the wage bill shrank by 4%. In Chile, a slight increase in average income, combined with a sharp fall in employment, reduced the annual wage bill by more than 10%. In the other countries for which information is available, the drop in average labour income, combined with shrinking employment, reduced the total wage bill by 5% in Uruguay, by 9% in Argentina, by 15% in Costa Rica and by more than 25% in Peru.
- Despite the increase in the number of people employed, by the first quarter of 2021 the region had only recovered 58% of the jobs lost during the crisis.
- For 2021 as a whole, the labour participation rate is expected to rise by 3.4 percentage points, from 57.7% in 2020 to 61.1% in 2021. Men are likely to regain pre-crisis participation levels, while women’s participation rates are expected to be similar to those of 2006 (49%).
- Given the slow increase in employment levels and higher participation rates, unemployment is forecast to increase from 10.5% to 11% between 2020 and 2021. As with the participation rates, women are expected to fare worse, with an unemployment rate of 12.7%.
- Many women who lost their jobs in 2020 have not returned to the labour market in search of work, because of the overload of household care demands in a context of school closures and a significant reduction or lack of care services.
- Women have been on the front line in combating the pandemic: they represent 73% of all health-sector workers. Moreover, lockdown measures, quarantines, school closures and an increase in the number of people falling ill are increasing the pressure on women to provide both paid and unpaid care. It is worth noting that women already spend triple the amount of time in unpaid care work as men (ECLAC 2021e).

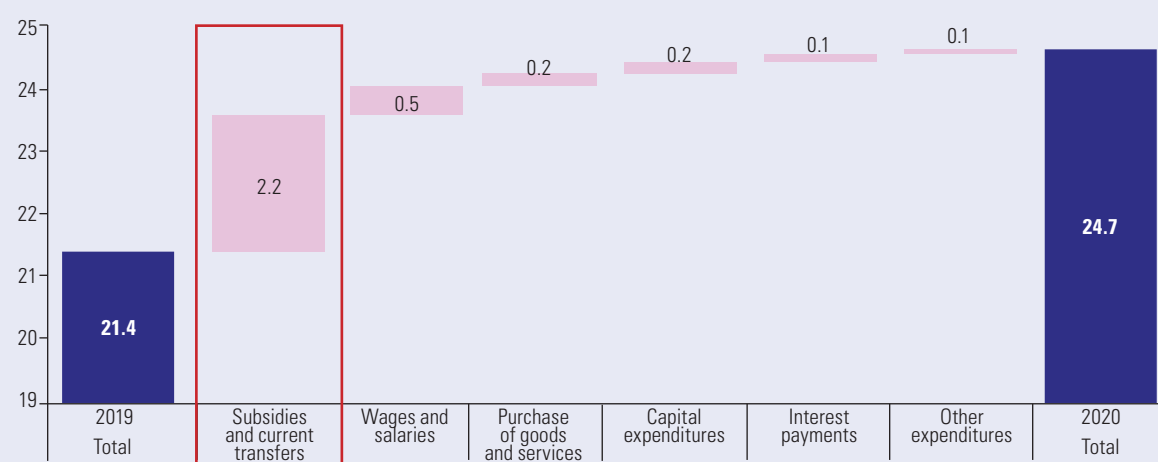
### Robust fiscal responses

- In 2020, countries across the region announced unprecedented fiscal stimulus packages averaging 4.6% of GDP (ECLAC, 2021d). While this mitigated the adverse effects of the pandemic, structural gaps widened: inequality, poverty, gender disparities, informality, limited fiscal space, low productivity, and fragmentation of social protection and health systems.
- The fiscal measures focused on strengthening public health systems, supporting families through cash transfers, and shoring up the production structure through liquidity measures (in addition to government loan guarantees amounting to 2.5% of GDP).

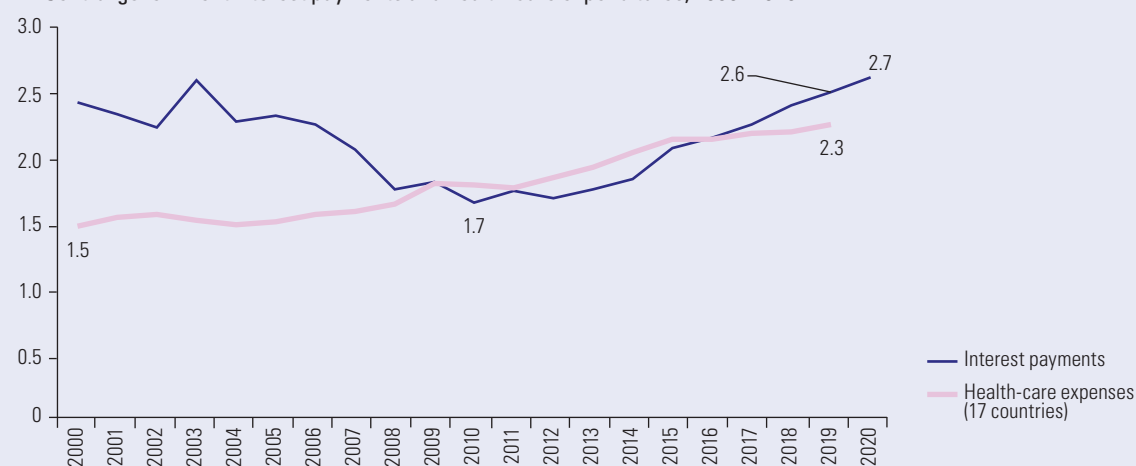
- Given the persistence of the pandemic, most Latin American countries announced new emergency fiscal plans between January and June 2021, equivalent to 2.2% of GDP. These seek to maintain relief mechanisms for the most vulnerable segments of society, such as lower-income families and MSMEs. The measures include numerous direct cash transfer programmes to households, of equal or broader scope than those implemented in 2020. In support of MSMEs, several countries extended and strengthened their soft credit lines and recapitalized their state credit guarantee funds to speed up the provision of liquidity. Some countries also strengthened their health budgets to address the persistent health needs.
- In 2020, the region experienced a contraction in public revenues and a sharp increase in spending—mainly due to subsidies and transfers—to cope with the crisis. The level of spending rose to 24.7% of GDP in 2020 from the previous year’s 21.4% (see figure 11). A factor that has hobbled the expansion capacity of social spending in the last decade has been the 1 percentage point of GDP increase in interest payments on the public debt. This has reduced space for priority expenditures such as health-sector outlays (ECLAC, 2021d).
- Latin America is facing a higher level of public debt in 2021. As of end-2020, gross central government debt represented 56.3% of GDP—10.7 percentage points above the 45.6% recorded in 2019 (ECLAC, 2021d) (see figure 12).

**Figure 11** | Latin America (16 countries):<sup>a</sup> public expenditure  
(Percentages of GDP)

**A. Year-on-year change in total central government spending, by component, 2019–2020**



**B. Central government interest payments and health-care expenditures, 2000–2020**

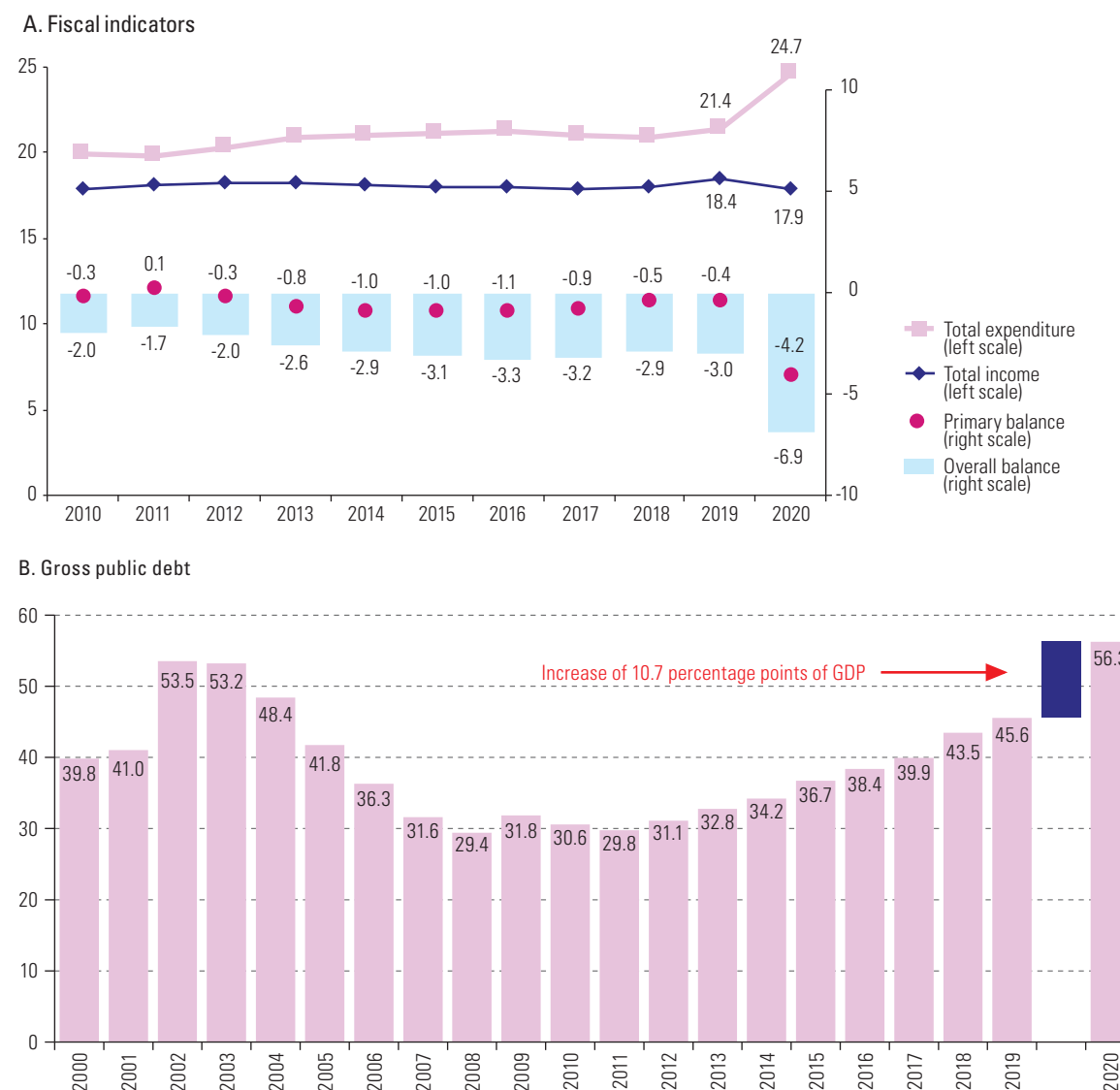


Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Fiscal Panorama of Latin America and the Caribbean, 2021* (LC/PUB.2021/5-P), Santiago, 2021.

Note: The figures shown for health expenditure represent the average for 17 countries (those included in note<sup>a</sup> plus the Plurinational State of Bolivia).

<sup>a</sup> The 16 countries are: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

**Figure 12 | Latin America (selected countries):<sup>a</sup> central government fiscal indicators, 2010–2020 and central government gross public debt, 2000–2020**  
(Percentages of GDP)

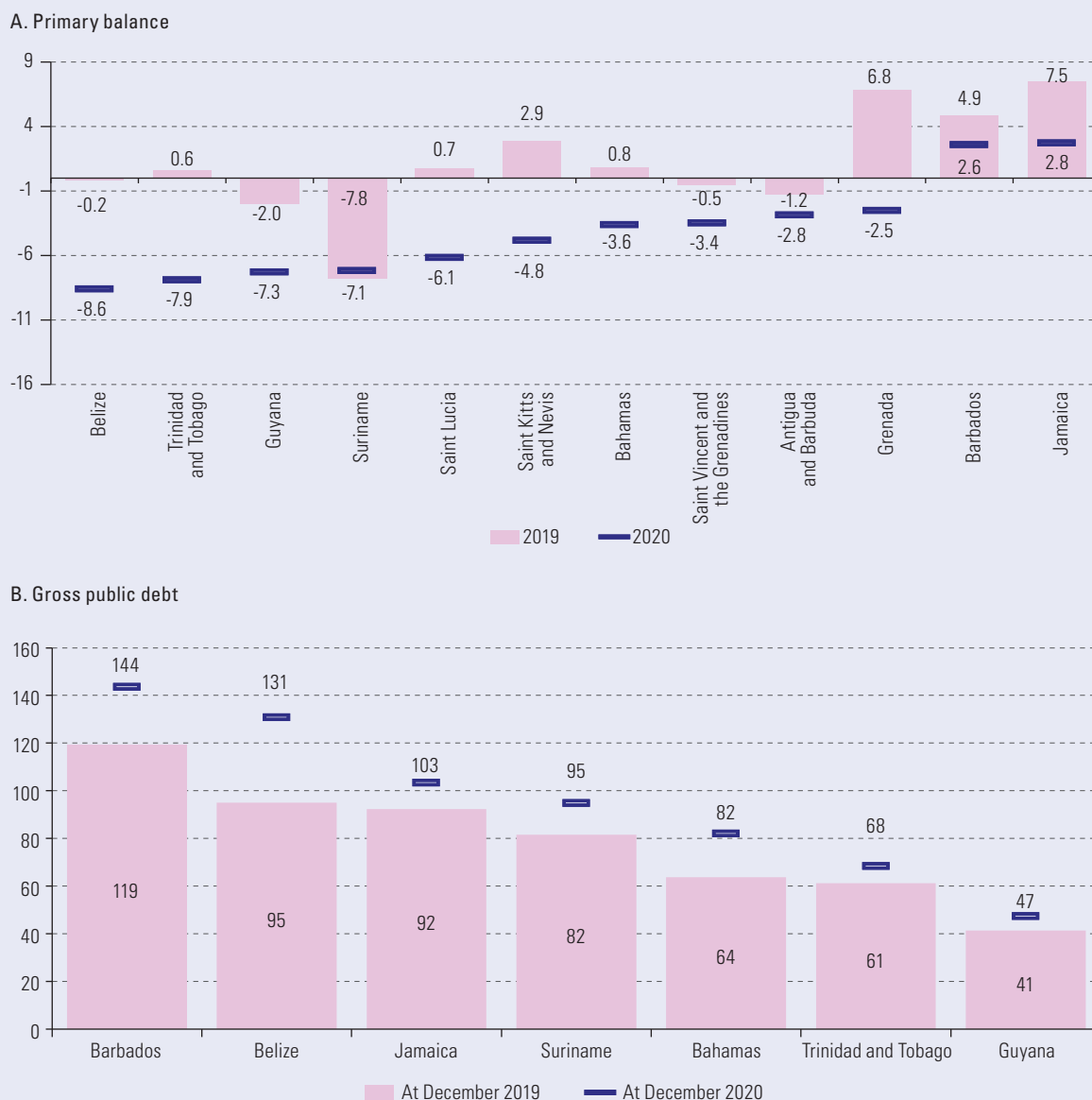


Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Fiscal Panorama of Latin America and the Caribbean, 2021* (LC/PUB.2021/5-P), Santiago, 2021.

<sup>a</sup> The countries included in figure 12A are: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Jamaica, Nicaragua, Panama, Paraguay, Peru, and Uruguay; the countries included in figure 12B are: Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

- Fiscal accounts have also deteriorated in the Caribbean countries, with increases in both primary deficits and gross public debt. Total income declined in most countries in 2020, with tax revenues dropping sharply. At the same time, public spending expanded in response to the crisis, through investments in the health-care system and in transfer programmes for families and businesses. In late December, gross central government debt exceeded 100% of GDP in some countries of the subregion (see figure 13).

**Figure 13 | The Caribbean (selected countries): central government primary balances, 2019–2020, and central government gross public debt, 2020**  
(Percentages of GDP)



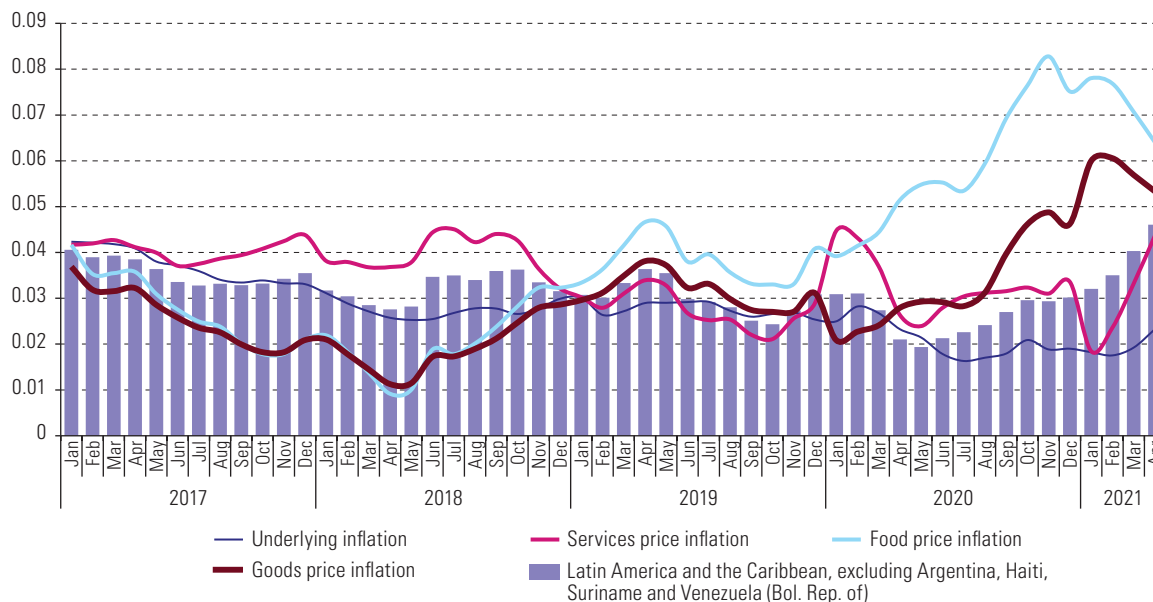
Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Fiscal Panorama of Latin America and the Caribbean, 2021* (LC/PUB.2021/5-P), Santiago, 2021.

### Expansionary monetary policies

- The region's monetary authorities adopted expansionary policies in 2020, implementing both conventional and unconventional measures. This entailed a significant cut in monetary policy interest rates and an expansion of the monetary aggregates. In general, these measures aimed to provide liquidity to financial institutions and, thus, induce cuts in lending rates. Despite these efforts, credit expansion has slackened.
- The historically low monetary policy rates in several countries reduce the space to boost expansionary monetary policies. Moreover, the increasing volatility displayed by the region's currencies foreshadow greater tensions in sustaining an expansionary monetary policy in 2021.
- Most of the region's economies had historically low inflation rates at end-2020: year-on-year inflation was below 3% in 21 countries (the largest number of countries to record such low inflation since 2006). While inflation remained low in the first four months of 2021, in April it had already risen in 22 countries relative to the year-earlier rates.

- Food prices had been rising since 2018 and gathered pace in 2020 (see figure 14), with major implications for both poverty and extreme poverty. In the 12 months prior to March 2021, the consumer price index (CPI) for food products rose by 1.5 times the increase in the general CPI. The factors driving this trend —problems in input supply chains, international price hikes and exchange rate volatility— have generally become more pronounced when physical distancing measures have been in force. In contrast, the dynamics of underlying inflation reveal the weakness of aggregate demand.

**Figure 14 | Latin America and the Caribbean: 12-month rates of variation in the consumer price index (CPI), by category of inflation, weighted averages, January 2017–April 2021**  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

## II. Social impacts worsen and will persist into the economic recovery

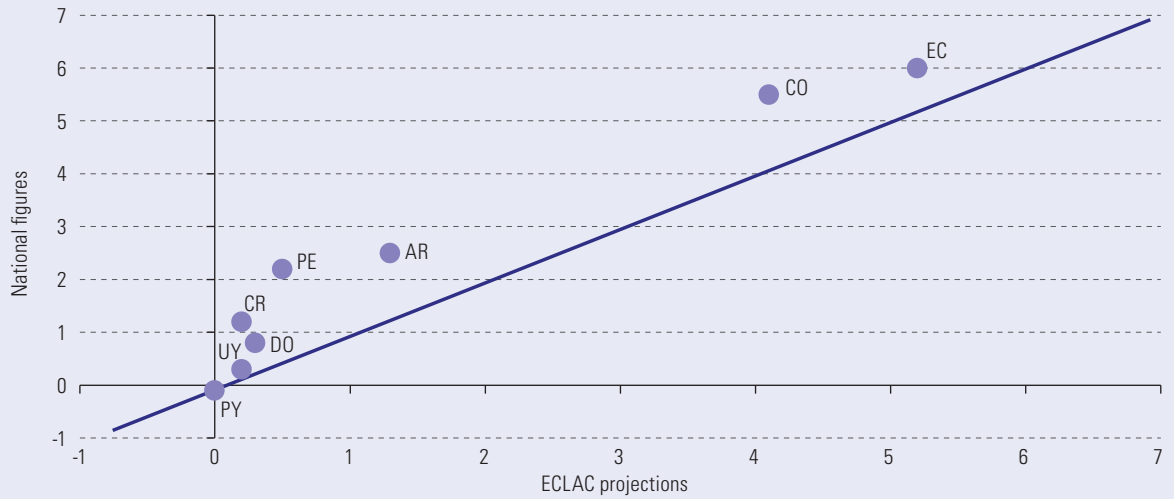
### A. Higher poverty, higher inequality

- Job losses and the reduction of labour incomes in 2020 affected broad population groups, especially the lower-income segments. The poverty rate is estimated to have reached 33.7%, and the extreme poverty rate 12.5%. This would mean 209 million people living in poverty (22 million more than in 2019) and 78 million in extreme poverty (up by 8 million). As a result, the income distribution has become more unequal, with the Gini index rising by 2.9% (ECLAC, 2021a).
- In seven of the eight countries considered in figure 15, the increases in poverty and extreme poverty (in percentage points) were similar to or greater than those projected by ECLAC at the time. It is, therefore, possible that the final result at the regional level, which will be estimated when data are available for all countries, will be even worse than initially projected.
- In 2020, food insecurity increased in all subregions of Latin America and the Caribbean,<sup>6</sup> a phenomenon linked closely to extreme poverty, in a context of an economic slump and a sustained rise in food prices. Despite income and food support policies, moderate or severe food insecurity affected 40.4% of the population in 2020, an increase of 6.5 percentage points over the previous year's level (see figure 16). This represented an additional 44 million people in the region who became either moderately or severely food insecure, of whom 21 million were in the severe category (Torero, 2021).

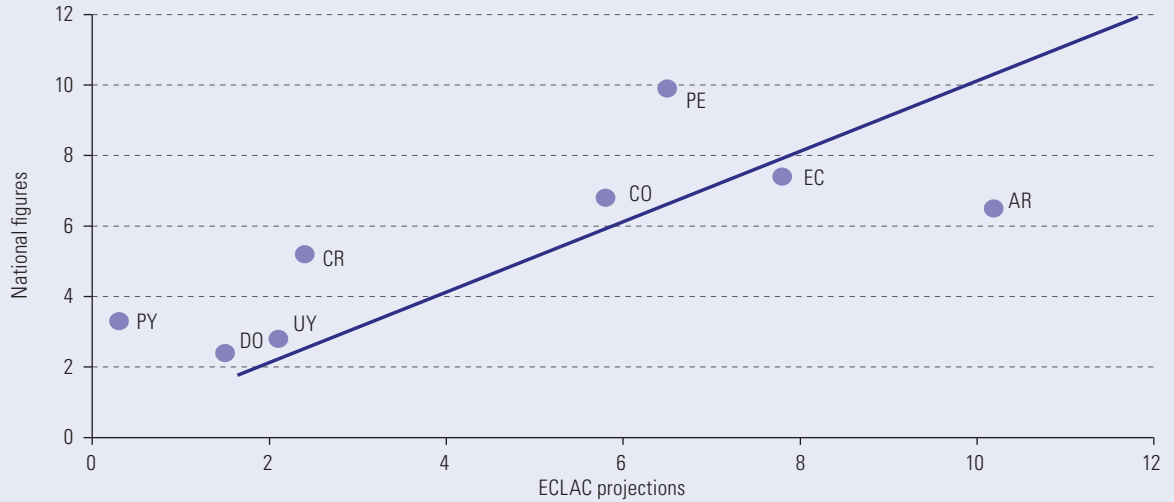
<sup>6</sup> A person is food insecure when they lack regular access to enough safe and nutritious food for normal growth and development and an active and healthy life. This may be due to lack of availability of food, or lack of resources to obtain it, or both (FAO, undated).

**Figure 15 | Latin America (8 countries): variation in extreme poverty and poverty, 2020**  
(Percentage points)

**A. Extreme poverty**

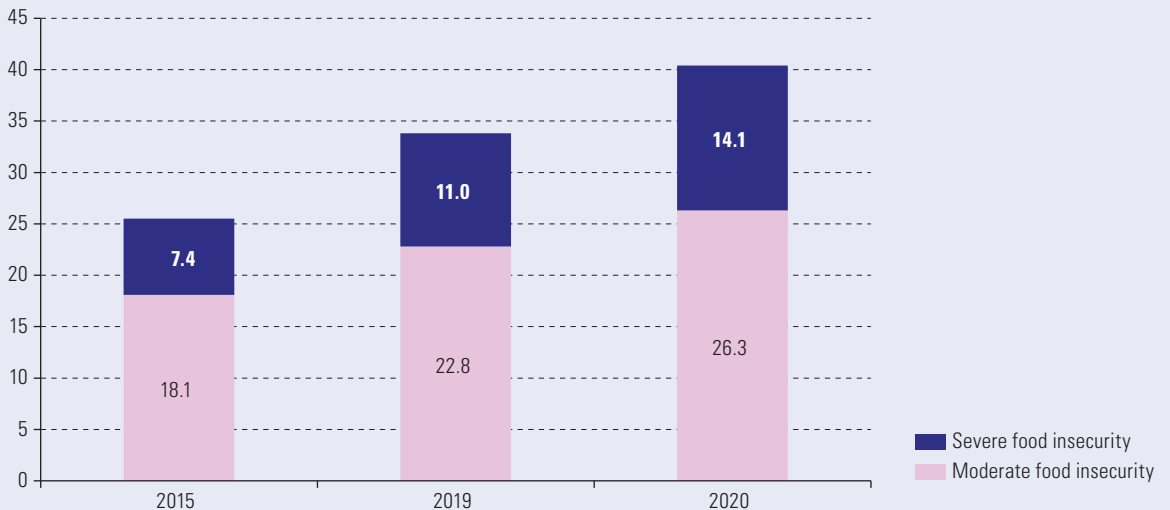


**B. Poverty**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official national figures and Household Survey Data Bank (BADEHOG).

**Figure 16 | Latin America and the Caribbean: incidence of food insecurity, 2015, 2019 and 2020**  
(Percentages)



Source: M. Torero, presentation made at the Third Hemispheric Meeting of Ministers and Secretaries of Agriculture of the Americas, Food and Agriculture Organization of the United Nations (FAO), April 15, 2021.

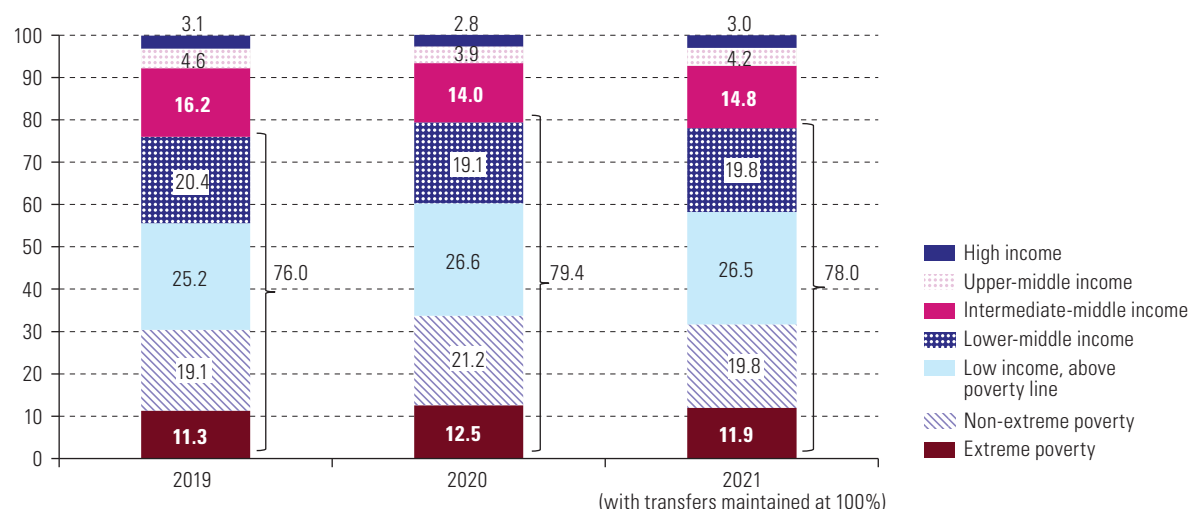


- The World Food Programme (WFP) has documented adjustment strategies implemented by households, such as reducing consumption, buying cheaper substitutes, and exchanging food between households (WFP, 2021).
- The lack of cash income, or disruptions in distribution chains, have led vulnerable people to increase their use of natural resources for food and for self-employment, and as an energy source.
- In 2020, 29 countries implemented a total of 73 food delivery programmes, often adapting existing school feeding programmes (ECLAC, 2021a). Food distribution through non-governmental channels has seen increases of 49% in volume terms, 30% in the number of organizations and 104% in the number of people served in 2020 compared to 2019.
- Family farming and local markets have seen the emergence of support and training programmes on sustainable food production for self-consumption or local trade, in rural, urban or peri-urban settings. There have also been food assistance and aid initiatives targeting vulnerable populations, based on solidarity networks associated with the agroecological movement.
- Direct sales of food from producer to consumer (which generally existed before the pandemic) were adapted and strengthened to deal with the crisis; and many short food supply chains, linking rural and urban organizations and populations, were adapted to the new health and safety protocols.

### B. High levels of vulnerability among middle-income groups

- The social crisis resulting from the restrictions on movement, the reduction in economic activity and the loss of employment due to the pandemic has not only hit low-income groups, but has also highlighted the vulnerability of much of the middle-income population. This is characterized by low levels of contributions to contributory social protection and very low coverage of the non-contributory modality.
- Between 2019 and 2020, while the proportion of the population in the high and upper-middle income brackets is estimated to have contracted by 1 percentage point, the proportion in the intermediate-middle and lower-middle income brackets has shrunk by 3.5 points (see figure 17). In contrast, the low-income sectors (incomes below 1.8 times the poverty line), are estimated to have expanded by 4.7 percentage points, with the proportion living in poverty or extreme poverty increasing by 3.3 points.
- The income brackets below three times the poverty line grew from 76% to 79.4% of the total income distribution (ECLAC, 2021a).

**Figure 17 | Latin America (18 countries):<sup>a</sup> population by per capita income bracket, 2019, 2020 and 2021 (Percentages)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> The countries included are: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

- Emergency transfers have mitigated the impact on the lower income groups, but they are insufficient. The deterioration would have been greater in the absence of social protection transfers, which partly contained the spread of poverty in exchange for an increase in the size of non-poor low-income groups. Nonetheless, the three lowest income brackets are each estimated to have grown by between 1.2 and 2.1 percentage points in 2020.
- In 2021, the three middle-income brackets are likely to remain smaller than the 41.2% recorded before the pandemic, but larger than the 37% of 2020. Considering the economic growth estimates for this year, these groups will likely represent 38.8% of the population if the 2020 amount of transfers is maintained and 38.4% if transfers are cut by half.
- The negative impact was also felt within the different income brackets. Thus, a fall in income is projected even for the 243 million people who remained in the middle-income group.

### C. Diminished coverage of pension systems

- The labour market impacts of the crisis also have repercussions on the coverage of social security benefits: the number of contributors to pension systems in 11 Latin American countries decreased by 5.3% between the fourth quarters of 2019 and 2020 (see table 6). In general, the reduction appears to have been greater among female than male contributors.

**Table 5 | Latin America (11 countries): variation in contributors to pension systems, October–December quarters 2019 and 2020**  
(Number of people and percentages)

Country	Number of contributors		Absolute variation	Relative variation (percentages)
	2019	2020		
Argentina <sup>a</sup>	12 152 230	11 929 051	-223 179	-1.8
Brazil <sup>b</sup>	59 394 000	55 266 000	-4 128 000	-7.0
Chile <sup>c</sup>	5 584 578	5 376 270	-208 308	-3.7
Colombia	9 191 897	8 909 045	-282 852	-3.1
Costa Rica	1 561 918	1 515 814	-46 104	-3.0
Dominican Republic	1 931 701	1 693 575	-238 126	-12.3
El Salvador	743 818	718 577	-25 241	-3.4
Mexico <sup>d</sup>	20 650 839	19 909 372	-741 467	-3.6
Paraguay	817 196	808 909	-8 287	-1.0
Peru	4 883 898	4 607 920	-275 978	-5.7
Uruguay <sup>e</sup>	1 424 588	1 386 639	-37 948	-2.7
Latin America (11 countries) <sup>f</sup>	118 336 662	112 121 171	-6 215 491	-5.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries.

<sup>a</sup> Data for 2020 are provisional. Data for 2021 cover up to March 2021 and are from Ministry of Labour, Employment and Social Security, "Situación y evolución del trabajo registrado", June 2021.

<sup>b</sup> Persons aged 14 and over, employed in the reference week and contributing to the pension institute. Data (thousands of people) from the Quarterly Continuous National Household Survey conducted by the Brazilian Institute of Geography and Statistics (IBGE).

<sup>c</sup> Employee and self-employed contributors to Pension Fund Administrators (AFPs) and to the pay-as-you-go system.

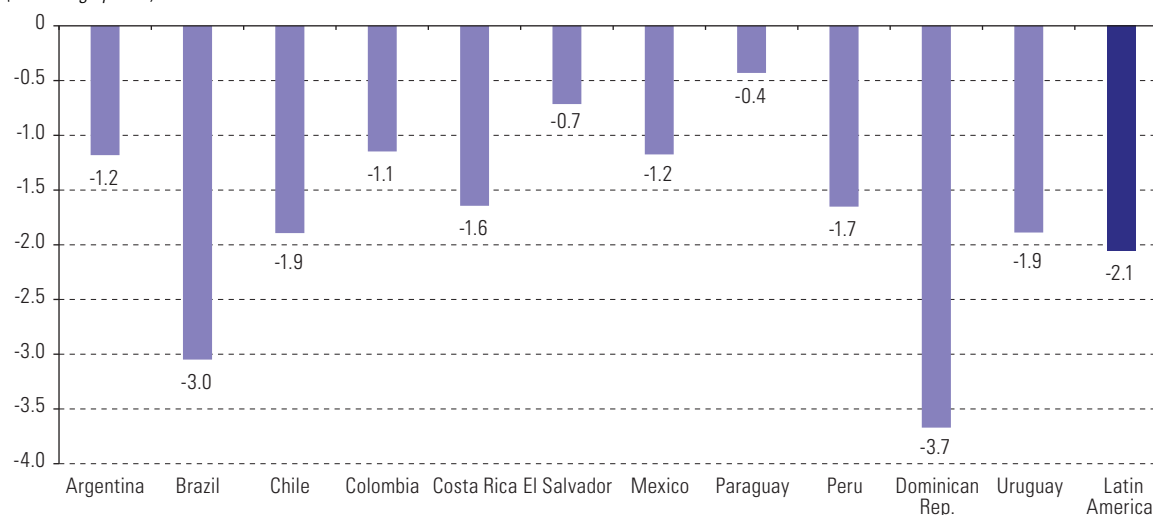
<sup>d</sup> Jobs registered by employers with the Mexican Social Security Institute (IMSS).

<sup>e</sup> Information on jobs contributing to Banco de Previsión Social (BPS).

<sup>f</sup> Weighted average.

- The number of contributors as a percentage of the working-age population fell by 2 percentage points between the fourth quarters of 2019 and 2020 in the 11 Latin American countries that have information available. The reduction in the Dominican Republic is estimated at 3.7 percentage points, and in Brazil at 3 percentage points (see figure 18). Going forward, this will have significant negative effects in terms of reduced benefits and less access to them.

**Figure 18 | Latin America (11 countries): variation in the coverage of contributors in the working-age population, October–December quarters 2019 and 2020**  
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries; Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, “Latin America and the Caribbean: population estimates and projections” [online] <https://www.cepal.org/en/population-estimates-and-projections-excel-tables>; and United Nations, *World Population Prospects 2019*, New York [online] <https://population.un.org/wpp/>.

<sup>a</sup> Weighted average.

- Withdrawals from individually funded pension schemes approved in Chile and Peru, and partial withdrawals from individualized accounts (*Administradoras de Fondos para el Retiro – AFORES*) due to unemployment in Mexico, will have repercussions for benefits at retirement.
- In Chile, three withdrawals have been approved, each equivalent to 10% of the individually capitalized funds. With the first and second withdrawals, 3.2 million people were left with their individual accounts defunded (Superintendency of Pensions, 2021a). Of the 6.1 million people who requested a third withdrawal, 950,208 took out 100% of their savings in individual accounts. As of May 28, 2021, the average proportion of the account balance requested for withdrawal is lower for men (29.7%) than for women (39.5%) (Superintendency of Pensions, 2021b).
- In Peru, five withdrawals from the individually funded accounts of members of the private pension system were approved. According to the Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru (2021), 5.2 million people withdrew around US\$ 8.862 billion in the first four withdrawals.
- In Mexico, withdrawals from AFORES because of unemployment were reported every month between January 2020 and March 2021. The amounts withdrawn are equivalent to approximately US\$ 1.5 billion.

#### D. Emergency transfers are of the essence

- In 2020, 32 countries in Latin America and the Caribbean adopted a total of 263 non-contributory social protection measures aimed at maintaining consumption and underpinning basic living standards. These included monetary and in-kind transfers and guarantees that the provision of basic services would be maintained. Emergency transfers benefited 326 million people, representing 49.4% of the region’s population (ECLAC, 2021a).
- The announcements associated with these measures amount to US\$ 86.214 billion (1.25% of GDP in 2019); this would be equivalent to a simple average of US\$ 78 per person.
- The implementation of measures to transfer emergency income to households made it possible to partially contain the rise in poverty and extreme poverty in 2020. Had emergency cash transfers not been implemented, the poverty and extreme poverty rates would have been 3.5 and 2.3 percentage points higher, respectively (ECLAC, 2021a).
- In the first four months of 2021, emergency transfer measures were announced (or extended) for the equivalent of some US\$ 10 billion in 20 Latin American countries. These cover about 60 million households or 231 million people (29% of the region’s population).<sup>7</sup>

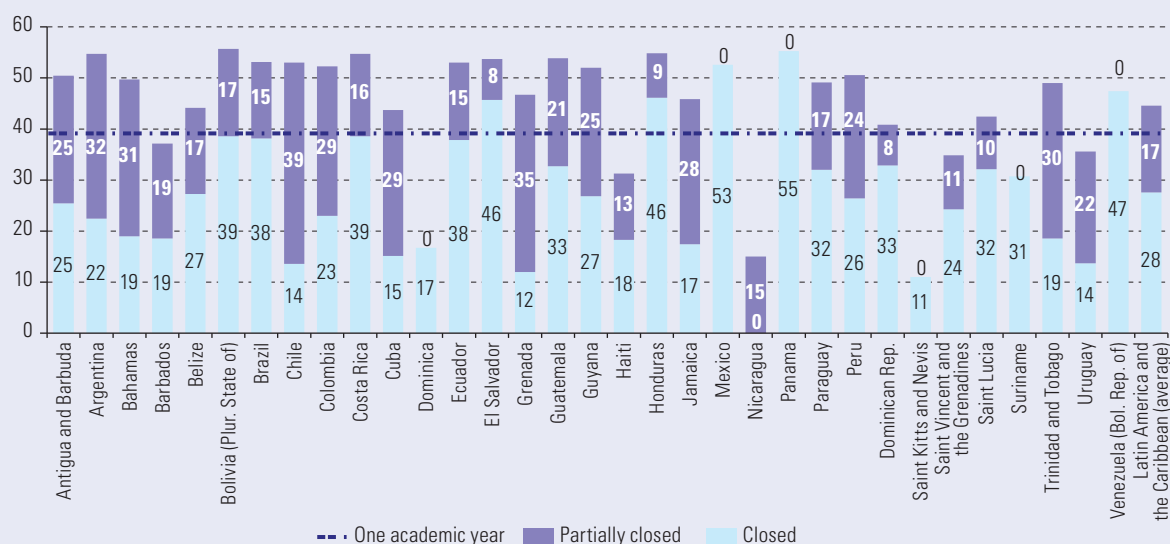
<sup>7</sup> ECLAC data, on the basis of official information from the countries and ECLAC (2021f and 2021g).

- On a simple average basis, these transfers represent 0.26% of GDP in 2020. If this level of spending were to be maintained for the remaining eight months of 2021, expenditure for the year would amount to 0.78% of 2020 GDP. Thus, in 2021, emergency cash transfers would be equivalent to half of the amount allocated in 2020 (1.55% of 2019 GDP).
- In Argentina, the Emergency Family Income (IFE) programme was replaced by other transfer schemes, for example *Potenciar Trabajo*, which pays each recipient half the amount of the minimum wage. In addition, the amount of the *Tarjeta Alimentar* food card to purchase the basic food basket was raised by 50%, and its coverage was expanded to include families with children up to age 14 (it previously covered families with children up to age 6).
- In Brazil, the main emergency cash transfer measure, *Auxílio Emergencial*, was resumed in April 2021, having been suspended between January and March. Seven instalments will be paid, averaging less than half of that provided in 2020 (R\$ 250 per month instead of R\$ 600—US\$ 115—per family). However, a differential was maintained for women who are heads of single-parent households (R\$ 375 per month).
- In Chile, in January 2021, the Emergency Family Income (IFE) programme was modified to provide contributions to vulnerable families living in poverty in districts (*comunas*) that were under total or partial quarantine (2.5 million households). In April, the coverage of IFE was extended, irrespective of the health status of the district of residence, to 4.7 million households—the 80% most vulnerable families according to the Social Registry of Households.
- Mexico has continued to expand and consolidate the universal cash transfers launched in 2019, which have played an important role as a mechanism for providing households with income during the health crisis. In the case of the universal old-age pension, which covers approximately 8.2 million people, it was decided to expand coverage, from the second half of 2021, from those over 68 years of age to those over 65. The aim is to ensure that, by the end of the current administration (2024), the amount of the transfer will be equivalent to the poverty line income. Its total amount is currently equivalent to 0.54% of GDP and is expected to rise to 1.3% by 2024.
- Once-only bonuses have been announced in Ecuador, Honduras, Peru and the Plurinational State of Bolivia, while Costa Rica, El Salvador, Guatemala and Paraguay have not announced the resumption of emergency transfers to households in 2021.
- In several countries, in-kind transfers and, in particular, school feeding programmes continue: in Haiti, for example, the school canteen program will be maintained in 2021 with funds from the Inter-American Development Bank (IDB). The Governments of Chile and Uruguay have started to contribute to community soup kitchens (*ollas communes*) to ensure that the poorest people are fed.

## E. The risk of a lost generation

- On average, the countries of the region have endured more than one school year either with no face-to-face classes or else with lengthy periods of interruption (see figure 19).

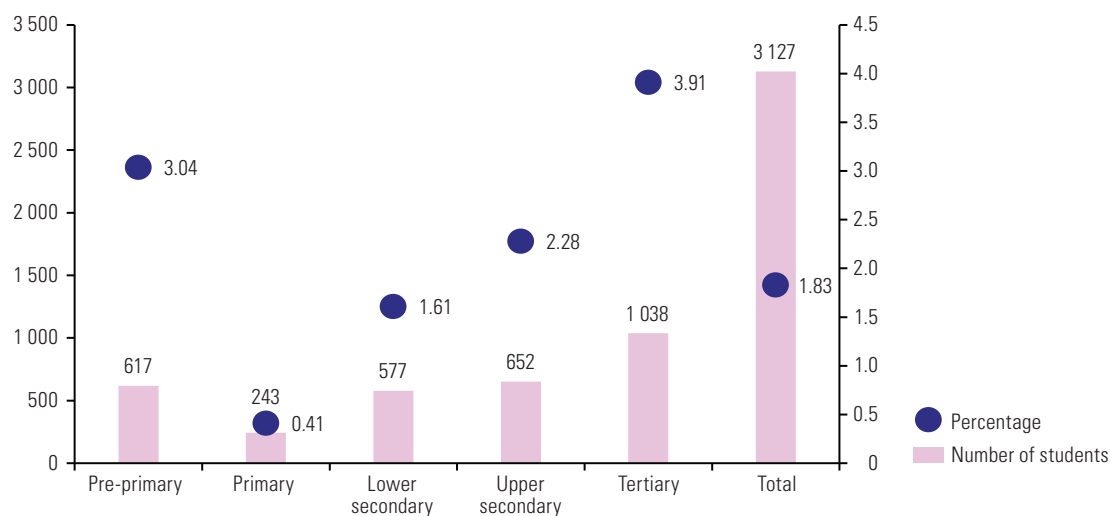
**Figure 19** | Latin America and the Caribbean (33 countries): duration of full or partial closure of face-to-face education (primary, secondary and higher education), 16 February 2020–31 May 2021  
(Number of weeks)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Educational, Scientific and Cultural Organization (UNESCO), "Total duration of school closures" 2021 [online] <https://en.unesco.org/covid19/educationresponse#durationschoolclosures>.

- As of 31 May 2021, persistent levels of infection had forced most of the countries in the region to close their schools, either completely (eight countries) or else partially (18 countries). Only seven of the region's 33 countries had their schools fully functioning. The interruption of face-to-face schooling has affected 167 million students at all educational levels (ECLAC/UNESCO, 2020).
- Although the continuity of educational processes by remote means, whether through connected digital devices or traditional media (such as via TV or radio), has been promoted, the effects of the digital divide have been amplified in the case of rural and lower-income populations that have less access to connectivity and fewer skills to make use of this type of technology. This is particularly important given that 66.2 million households in the region do not have an Internet connection (data for 14 countries).
- The importance of face-to-face education and peer interaction in teaching and training processes has also been recognized. Even the population groups that have maintained remote connection with the educational system miss face-to-face interaction with their teachers and peers.
- The prolonged health crisis will have long-term consequences for these generations of children, adolescents and young people, despite the efforts made by the authorities, teachers and students. There will be delays and wider gaps in learning achievements that will be difficult to recover in the short term. The learning losses resulting from school closures are estimated at up to one year of schooling (García Jaramillo, 2020). The proportion of students who do not attain the minimum level of basic cognitive skills in the region could increase by more than 20%—about 7.6 million young people (World Bank, 2021).
- School dropout rates among adolescents and young people can also be expected to increase, resulting in 3.1 million young people, girls and boys being excluded from education (UNESCO, 2020). The greatest impact will be felt by tertiary-level students owing to the cost associated with this level of studies, and by those at the pre-primary level because of the difficulty of maintaining distance education for children in this age group (see figure 20).

**Figure 20 | Latin America and the Caribbean (30 countries):<sup>a</sup> students at risk of not returning to education, projections to June 2020<sup>b</sup>**  
(Thousands of students and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Educational, Scientific and Cultural Organization (UNESCO), "How many students are at risk of not returning to school?: Advocacy paper", *UNESCO COVID-19 Education Response*, Paris, 30 July 2020.

<sup>a</sup> The countries included are: Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Trinidad and Tobago, and Uruguay.

<sup>b</sup> Projections based on International Monetary Fund (IMF) data on the reduction in per capita GDP, along with historical enrolment rates and gender parity indices in education. For methodological details, see UNESCO (2020).

- The probability of completing secondary education is set to fall from 56% to 42% in 18 Latin American countries. This is expected to affect adolescents from low-educated families disproportionately, whose chances of completing secondary education are likely to drop by nearly 20 percentage points (Neidhöfer, Lustig and Tommasi, 2020 and 2021).
- In 2020, 51.3% of children and adolescents (more than 91 million of them) are estimated to have been living in poverty (ECLAC, 2021a). In the pandemic, children, adolescents and young people are at greater risk of food insecurity, violence or physical abuse, and increased exposure to child labour.

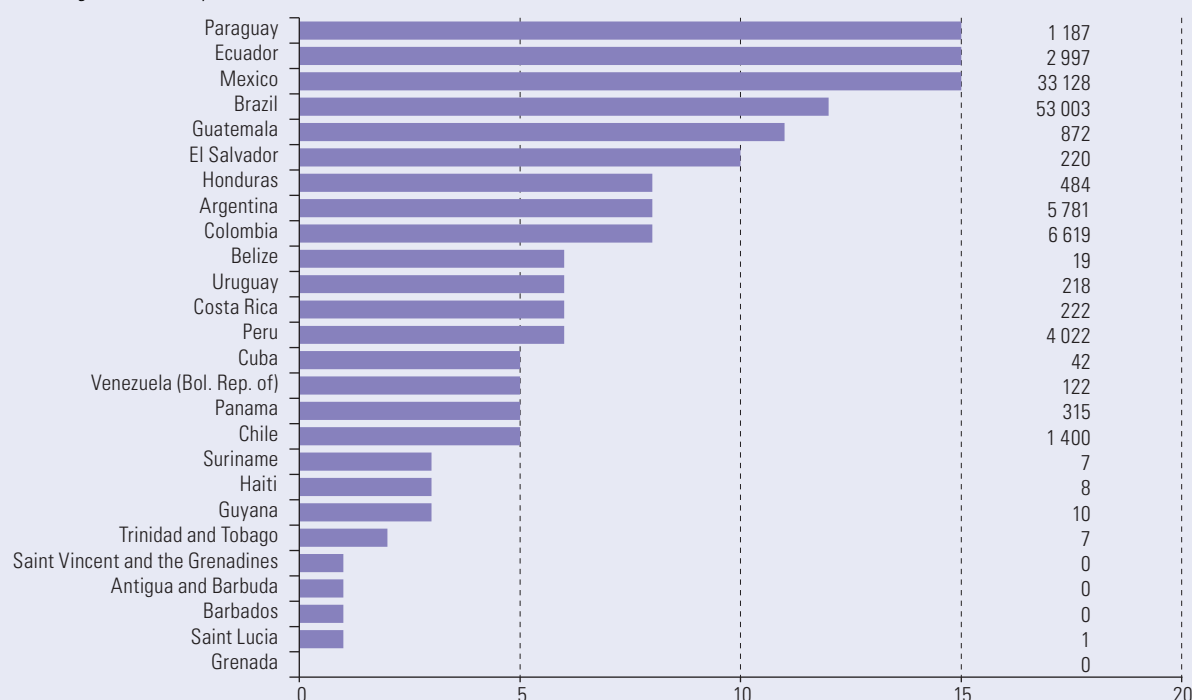
- According to the United Nations Population Fund (UNFPA, 2020), the pandemic could represent a five-year setback in reducing the specific adolescent fertility rate in Latin America and the Caribbean, from 61 to 65 live births per 1,000 adolescents aged 15-19 years. This has a major impact on gender inequality, since the educational and developmental paths of these adolescent and young women are adversely affected by the radical increase in the burden of unpaid care work after pregnancy, which usually affects the overall health of adolescent mothers.
- Moreover, in Latin America and the Caribbean, as in other regions of the world, since the pandemic was declared, gender-based violence against women and girls, particularly in the home, has been exacerbated by lockdown measures, physical distancing and restricted mobility. These measures have increased women's isolation from their support networks and created additional barriers to accessing essential services. A pandemic is thus being endured in the shadows.

### III. Environmental deterioration continues and environmental policies suffer a setback

#### A. The fall in activity afforded nature only a brief respite

- Declarations and announcements of greater ambition in explicit environmental policies are increasingly diverging from the course being followed by the environmental policies implicit in sectoral actions.
- The pandemic has worsened the state of the environment owing to declining budgets, the financial weakening of public transportation systems, less monitoring of natural resource exploitation, and the environmentally unfriendly orientation of most response and recovery expenditure —in which four units of expenditure on high carbon activities are made for each unit of expenditure applied to “green” alternatives.
- Air pollution aggravates the spread of coronavirus and exacerbates its effects on morbidity and mortality (Bolaño-Ortiz and others, 2020; Fattorini and Regoli, 2020; Zhou and others, 2021). Up to 15% of the pandemic-related deaths reported in several countries in the region could be attributed to air pollution (see figure 21).

**Figure 21** | Latin America and the Caribbean (26 countries): COVID-19 mortality attributable to long-term exposure to air pollution caused by anthropogenic emissions  
(Percentages of deaths reported from COVID-19)



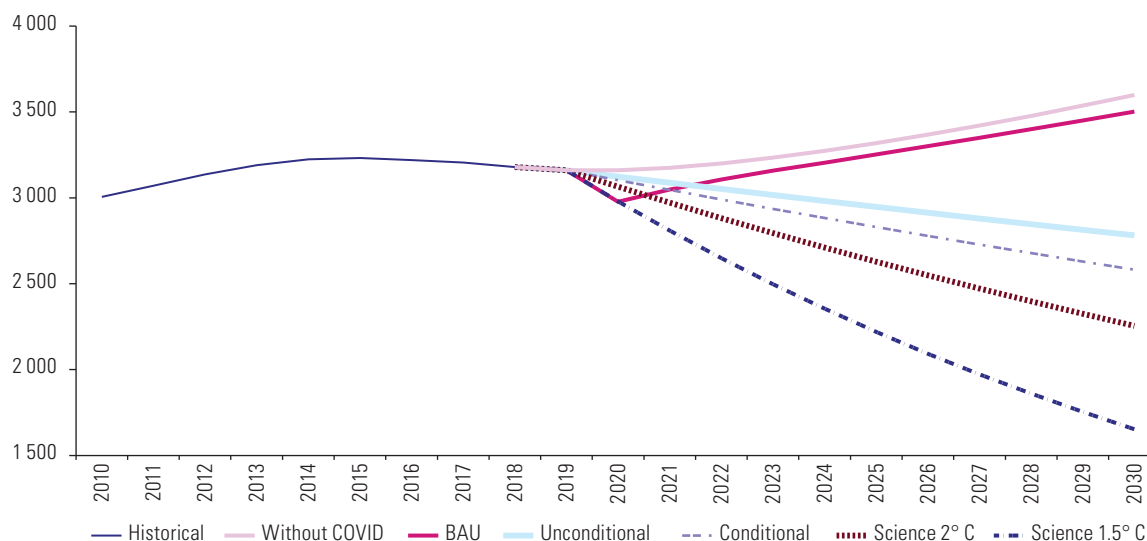
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the number of deaths reported by E. Dong, H. Du, and L. Gardner, “An interactive web-based dashboard to track COVID-19 in real time,” *The Lancet*, vol. 20, No. 5, May 2020 (data updated as of 20 May 2021), and according to the coefficients estimated by A. Pozzer and others, “Regional and global contributions of air pollution to risk of death from COVID-19,” *Cardiovascular Research*, vol. 116, no. 14, December 2020.

Note: In the case of Saint Vincent and the Grenadines the data refer to the island of Saint Vincent.



- Quarantines and closures of commercial establishments produced local improvements in air quality. During the lockdowns, suspended particulate matter (PM10) diminished by up to 58% and nitrogen oxides by up to 70% in the most significant cases reported (PM10 in Lima and NOx in Medellin in March–April 2020). There were also very significant effects in Bogota, Mexico City, Rio de Janeiro, São Paulo and Santiago.
- However, as in the case of greenhouse gas emissions, these improvements were temporary; and they dissipated when economic activities resumed (ESA, 2021). Thus, emissions are projected to increase by 5% in 2021.
- Although the recession-induced brake on urban activity seemed to provide some relief for nature, this was only true for emissions from urban and air transport.
- The demand for public passenger transport has fallen across the board: by 17% in Montevideo, 31% in Bogota, up to 44% in Mexico City and 60% in Lima (data from Moovit as of 15 May 2021).<sup>8</sup> This fall in demand, restrictions on occupancy rates and the obligation to maintain service have resulted in a significant de-funding of public transport systems, and have put pressure on public financing mechanisms that guarantee service.
- Emissions decreased by less than the amount needed to fulfil the climate goals of the Paris Agreement. Preventing a 1.5°C rise in temperatures requires global emissions to be reduced, on average, at a rate of 7.6% each year from 2020 to 2030. The 2020 emissions reduction was insufficient to correct the current trajectory. In the absence of progressive structural change, which should be a central part of recovery measures, economic growth will push the emissions trajectory above that required to meet commitments in 2023 (see figure 22); and, by around 2024, emissions will exceed their 2019 level.
- The window of opportunity to achieve the goals of the Paris Agreement is closing fast.

**Figure 22 | Latin America and the Caribbean: emissions by 2030 under different scenarios, 2010–2030**  
(MtCO<sub>2</sub>eq)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of emissions data per country for 1990–2018 obtained from the World Resources Institute (WRI), Climate Watch [online] [www.climatewatchdata.org](http://www.climatewatchdata.org).

Note: Data are based on information from various sources and may not coincide with official inventories submitted by countries. Emissions exclude those related to land-use change. Assumes an average GDP growth rate of 1.4% between 2019 and 2030.

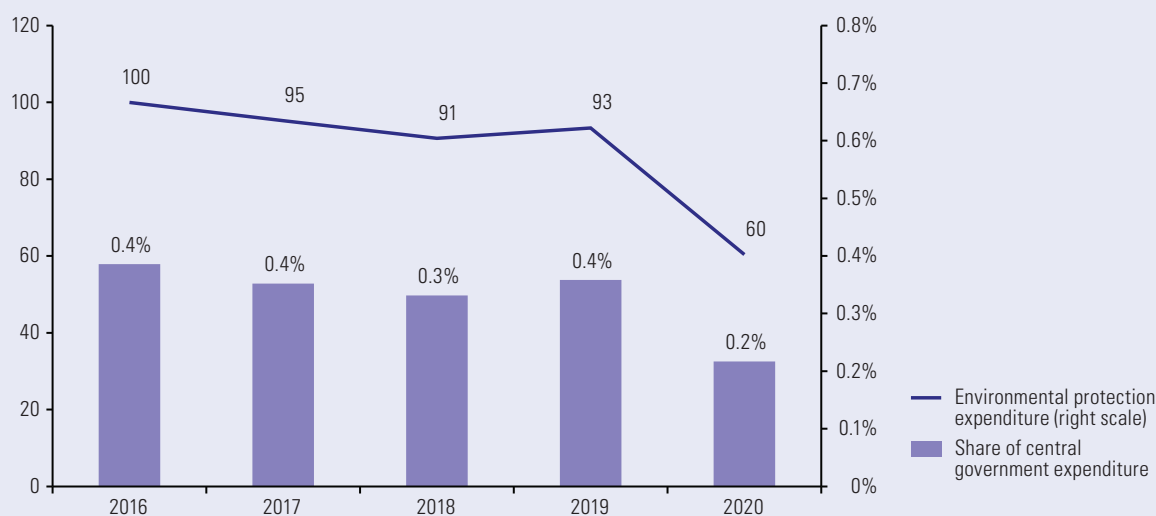
## B. Lower public budgets to underpin environmental discourse

- The combination of cuts in public spending to cope with the emergency and the weakening of regulatory action have reduced governments’ capacity for action in the environmental area. The counterpart of this is an increase in unregulated or illegal activities (such as the illegal timber trade) at natural borders.

<sup>8</sup> See [online] <https://moovit.com/about-us/>.

- The budget or expenditure on environmental protection in Latin America and the Caribbean, in the functional classification of expenditure and measured in current dollars, has declined steadily in recent years on average. The situation worsened in 2019–2020, when the average for 11 countries analysed fell by 35%. Between 2016 and 2019, spending on environmental protection averaged just 0.4% of central government expenditure and in 2020 it fell as low as 0.2% (see figure 23).

**Figure 23** | Latin America and the Caribbean (11 countries):<sup>a</sup> expenditure on environmental protection, 2016–2020  
(Index: 2016=100, percentages of central government expenditure)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national budget statistics.

<sup>a</sup> Functional information on environmental protection spending in Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Honduras, Mexico, Peru and Uruguay.

- The economic recovery stimulus packages remain an opportunity to encourage investments in low-carbon sectors. The amounts involved are substantial—the fiscal measures announced by the world’s 50 largest economies in 2020 total US\$ 14.6 trillion (17% of world GDP in 2019). About a quarter of the amount will be used to alleviate the effects of the pandemic; US\$ 1.9 trillion (about 13% of the total) will be spent on long-term investments (such as infrastructure); and the remainder will be for unearmarked spending. Of the long-term investment, just US\$ 341 billion is allocated for green recovery, equivalent to 18% of the long-term measures or 2.5% of total recovery spending (O’Callaghan and Murdock, 2021).
- In Latin America, announced stimulus packages total US\$ 318 billion with US\$ 51 billion earmarked for long-term recovery; of these amounts, only US\$ 1.47 billion are considered green initiatives. In other words, less than 0.5% would be consistent with environmental and climate goals. The US\$ 1.47 billion directed to green initiatives compares very unfavourably with the US\$ 7.44 billion allocated to high carbon and high environmental impact initiatives (University of Oxford, 2021).
- The recovery measures keep the region on an unsustainable path and do not encourage structural change. They maintain the inconsistency between the Goals of the 2030 Agenda for Sustainable Development and those of the Paris Agreement, with their declarations of support, and the actual targets of expenditure and investment programmes.
- This inconsistency is even greater when account is taken of the announcements made by many countries around the world, including 15 in the region, regarding their increased ambition in climate action commitments for 2030. A total of 48 countries and groupings, which generate approximately 54% of global emissions, have expressed their commitment to reduce their economies’ net emissions to zero by 2050. These include China, the European Union and the United States, along with Argentina, Barbados, Brazil, Chile, Costa Rica, the Dominican Republic, Jamaica, Panama and Uruguay in Latin America and the Caribbean.
- In 2020, deforestation in Brazil’s *Amazônia Legal* region, in terms of total forest cover removal, increased to 11,088 km<sup>2</sup>, compared to 10,120 km<sup>2</sup> lost in 2019 (INPE, 2020)—an increase of

9.5% over the previous year. As much as 94% of deforestation in the Brazilian *Amazônia* and *Cerrado* zones is illegal, posing a significant economic risk to the commodities market and legal producers and investors (Valdiones and others, 2021).

- In contrast, an investment in nature, such as reforestation, generates between US\$ 22 million and US\$ 67 million of GDP per megaton of carbon fixed in forests and around 200 direct and indirect jobs, at a cost of between US\$ 5 million and US\$ 10 million per megaton fixed, according to data for Argentina and Colombia.
- Despite lockdowns, attacks on human rights defenders have increased. At least 331 human rights defenders were killed worldwide in 2021, 93 of whom were women. Of those murders, 247 occurred in just five Latin American countries, and in 170 cases (69%) the victims were land, indigenous peoples or environmental defenders (Front Line Defenders, 2021).
- The entry into force, on 22 April 2021, of the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (the Escazú Agreement) made this a powerful instrument to ensure that procedural environmental rights are upheld, even in emergency conditions.
- Nonetheless, in response to the threat and impacts of the pandemic, the countries of the region followed the global trend, according to their respective regulatory frameworks, in declaring states of exceptionality, supported by various restrictions that included administrative procedures. In addition, various services began to be delivered exclusively via the Internet.
- These extraordinary measures have hampered the exercise of procedural rights to information, participation and justice in environmental matters owing, for example, to extensions in the deadlines for the delivery of information to be provided by firms for the registration of emissions and transfer of pollutants, environmental licensing and control processes, or the suspension of face-to-face mechanisms, including those of environmental licensing.

## IV. Strategy and policy proposals

- A transformative recovery requires short-term policies that have a long-term vision and are mutually consistent. The construction of a new style of development must begin now starting from policy design. A recovery that includes progressive structural change, an expansion of social protection and progress towards welfare states is the starting point for the following proposals.

### A. The developed countries are acting now, while the region lags behind

- In a context of persistent uncertainty, the pandemic hastened pre-existing economic and social trends in the global economy and strengthened positions that ran counter to the policymaking orthodoxy that had prevailed for decades. Unlike the austerity that followed the initial response to the 2008 global financial crisis, expansionary fiscal policy has dominated the global response to the pandemic.
- The capacity to respond to the crisis has aggravated the asymmetries between developed and developing countries.
- Developed countries implemented massive fiscal stimulus to complement increased liquidity and expansionary monetary measures. As of March 2021, they had mobilized 16.4% of GDP in additional spending and tax credits since the outbreak of the pandemic, and 11.3% of GDP in equity, loans and guarantees. Emerging countries mobilized 10.7% of GDP in additional expenditures and tax credits and 7.2% of GDP in equity, loans and guarantees, while the corresponding figures for low-income developing countries were just 1.7% and 0.2% of GDP, respectively (IMF, 2021b).
- The countries that have made rapid progress in the vaccine roll-out are lifting restrictions and moving beyond current spending measures to cope with the emergency and designing the contours of post-pandemic societies. Political activism during the pandemic has generalized an attitude in favour of long-term expansionary fiscal and monetary policies, usually matched by new approaches to production policies, the labour market and welfare.

- Development strategies for recovery include specific sectoral orientations with an emphasis on sustainability, industrial policy and greater national or regional self-reliance, to take advantage of trends that have been accelerated by the pandemic and to adapt to the current geopolitical environment.
- The European Union’s multiannual financial framework for 2021–2027 involves almost double the resources of the previous edition and includes a new temporary instrument, NextGenerationEU, to finance an economic recovery plan worth approximately € 750 billion (in 2018 prices). This will focus on building societies that are more sustainable, more resilient and better prepared for digital and green transitions (European Council, 2021).
- China’s fourteenth five-year plan for 2021–2025, ratified in March 2021, focuses, firstly, on building a new “dual circulation” development model, which recognizes the importance of promoting domestic consumption and growth that is not merely export-led; and, secondly, on technological development, self-sufficiency, innovation and the development of domestic industries.
- In the United States, in addition to the US\$ 4.2 trillion in budgetary funding allocated to support households, protect businesses and strengthen the health-care system since the outbreak of the pandemic, the proposed American Jobs Plan would allocate approximately US\$ 2 trillion for spending on transportation infrastructure, utilities and digital services, as well as manufacturing and innovation, with a strong focus on climate change mitigation. In addition, the proposed American Families Plan would provide a similar amount to bolster child and adolescent care, education and health-care programmes, recognizing the additional burden that the crisis has placed on families, especially women.
- The sectoral approaches that characterize these development strategies reflect the elements of cooperation, competition and systemic rivalry that define the current geopolitical environment, particularly between developed Western countries and China. The recent Group of Seven Summit Communiqué (G7, 2021) reflects this approach by calling for cooperation with China on climate change issues while challenging aspects of its economic model and its human rights record, and expressing concerns over security issues.
- Despite increasing self-sufficiency and environmental sustainability rhetoric, the lock-in effects of existing development models hinder rapid change. The drive towards greater self-sufficiency is likely to encounter obstacles, as supply chains involve significant planning and investment and the forging of close relationships with suppliers.
- Despite statements about prioritizing more environmentally sustainable sectors, stimulus and recovery packages in the Group of 20 (G20) countries include US\$ 297 billion to support the fossil fuel sector and fossil-fuel-dependent industries, most of which is unconditional. In contrast, clean energy commitments have increased to US\$ 230 billion, 79% of which has been allocated as conditional support.<sup>9</sup>
- Growing fiscal needs and rising debt-to-GDP ratios have fuelled discussion of tax hikes on individuals and corporations. To the extent that higher fiscal outlays become permanent, it will be necessary to progressively increase tax collection. The July meeting of G20 finance ministers and central bank governors will likely agree on a solution for the allocation of taxing rights and a global minimum corporate tax.
- The risk of rising inflation could derail the recovery programmes in developed countries. An ongoing debate, mainly in the United States, is whether the uptick in price indices seen in recent months is transitory, or rather reflects an economy that is starting to overheat. Higher commodity prices and shortages of critical production inputs have fuelled recent inflation; but the extent to which latent demand and the savings accumulated during the pandemic will stoke inflation further remains to be seen.
- While the outcome of these policy debates depends on what happens in a context of great uncertainty, countries with the resources to do so are tackling long-term development challenges head-on and with unprecedented amounts of resources. The rethinking of development strategies in the world’s largest economies will have both intended and unintended repercussions in the developing world.

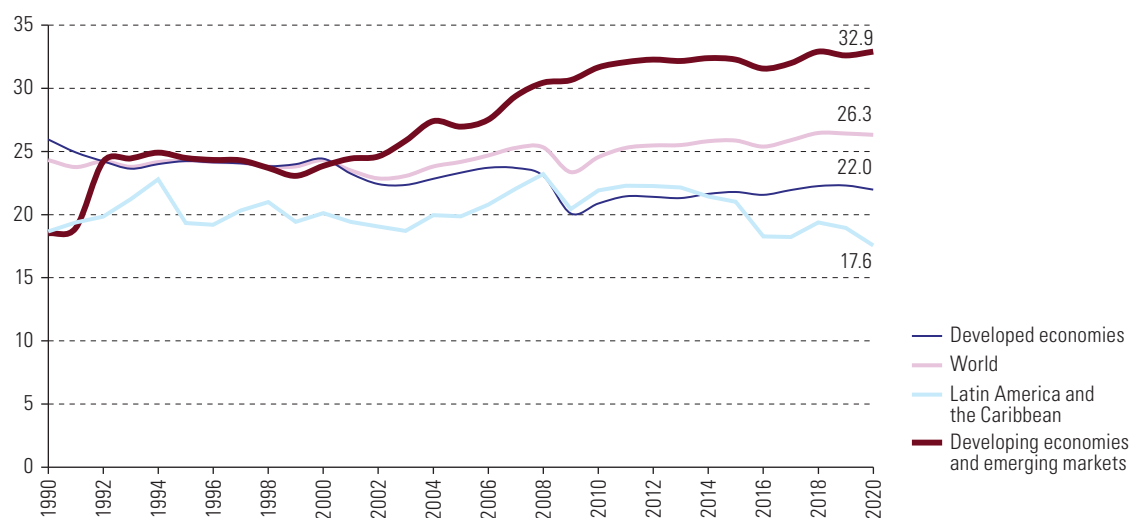
<sup>9</sup> Data for January 2020–6 July 2021 obtained from Energy Policy Tracker, [online] at <https://www.energypolicytracker.org/>.

- In contrast, the Latin America and the Caribbean region lacks a strategic vision to adapt to these profound changes in the global environment; it is failing to overcome the middle-income trap and continues to be stuck on a path of low investment, high levels of structural heterogeneity, primarization, limited technological density and heavy concentration in sectors and activities with low levels of productivity and value added. In a rapidly changing world, the region risks accentuating its peripheral status.
- The international community needs a wide-ranging and inclusive debate to rethink the recovery. This must extend beyond the G7 and G20 to respond to the needs of smaller economies, such as the small island developing states (SIDS) of the Caribbean.

## B. Sustaining expansionary fiscal policies

- Despite deteriorating fiscal indicators, the persistence of the pandemic, compounded by the region’s structurally weak growth, increases in poverty and inequality, and the sluggish recovery of the labour market, require expansionary fiscal policies to be maintained to continue mitigating the effects of the pandemic and move forward towards a transformative recovery with equality.
- In the short term, there is a need to maintain emergency social transfers and improve labour incomes through real minimum wage hikes, collective bargaining or other wage instruments. It is also necessary to maintain support for the productive sectors, to avert large-scale bankruptcy among MSMEs, and promote pro-employment policies. From a strategic viewpoint, it is essential to reverse the long-term decline in the investment rate, which is already lower than in other regions and hit a three-decade low in 2020 (see figure 24).

**Figure 24 | Investment to GDP ratio, 1990–2020**  
(Percentages, on the basis of dollars at current prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF), World Economic Outlook Database, April 2021 [online] <https://www.imf.org/en/Publications/WEO/weo-database/2021/April>.

- The gap between investment rates in Latin America and the Caribbean and those of the rapidly transforming economies in Asia compromises the region’s competitiveness and productivity gains, and impairs its growth prospects. A transformative recovery requires much higher rates of investment than the historical or current ones.
- ECLAC has identified a non-exhaustive set of driving sectors for a big investment push that would enable progress towards more inclusive and sustainable development. These sectors include non-conventional renewable energy sources; urban electromobility; universalization of the digital transformation; the pharmaceutical industry, especially with regard to vaccines; the bioeconomy; the care economy; the circular economy; and sustainable tourism.
- In all of these there is room for industrial and technology policies to create quality jobs and support innovation and export diversification, as well as climate change adaptation and mitigation and regional cooperation efforts. Table 7 provides an example of the important effects that a major boost to investment in the universalization of drinking water, sanitation and electricity services would have.

**Table 7 | Latin America and the Caribbean (18 countries): benefits and costs of investing to universalize coverage of safely managed drinking water and sanitation and electricity**

Item	Safely managed water and sanitation	Electricity
Population of Latin America and the Caribbean without access (latest available year)	166 million people (without safely managed drinking water) 443 million people (without safely managed sanitation)	19 million people (without access to electricity) 77 million people (without access to clean cooking fuels and technologies)
Annual cost of the non-payment of water, sanitation, and electricity bills, quintiles I and II, resulting from pandemic-related measures (percentages of regional GDP)	0.12%	0.29%
Annual investment required until 2030 to achieve universal coverage (percentages of regional GDP)	1.3%	1.3%
Cost-benefit ratio per dollar invested	US\$ 2.4 in drinking water US\$ 7.3 in sanitation	n.a.
New direct jobs (millions of jobs per year)	3.6	0.5
<b>Socioeconomic benefits and positive externalities</b>		
Universal access Improvement of public and environmental health, reduction of infections Boost to sustainable water and energy transitions Increased production and use of renewable energies Reduction of CO <sub>2</sub> emissions by nearly 100 million tons equivalent Reduction of water and air pollution Incentives for regional energy integration and complementarity		
<b>Regulatory requirements</b>		
Legal certainty for all actors, from investors to planners, with clear and transparent legislation to enable risks to be identified and managed by investors and other market actors. Regulation of the technological neutrality needed by firms in the sector, especially as regards the use and exploration of technologies in view of new sources such as hydrogen. A public regulator with the institutional capacity and instruments to respond to the growing demand for services, ensuring competition among actors.		

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

- Investment-led growth of employment and GDP would offset short-term effects on the fiscal deficit through higher revenue and the creation of formal jobs. The multiplier effect of spending in a recession would reduce the debt-to-GDP ratio, which is the most appropriate indicator of fiscal sustainability of domestic-currency debt. Insofar as increases in labour productivity and energy efficiency strengthen competitiveness, the pressure on the external sector will diminish.
- Sustaining an expansionary expenditure policy during 2021 and in the future requires measures to access financing, reduce tax losses in the short term and strengthen tax revenues in the medium term. In the short term, it is essential to eliminate tax evasion, which represents a resource loss of US\$ 325 billion (6.1% of regional GDP), and also to reduce tax expenditures, which account for forgone revenue equivalent to 3.7% of GDP.
- In the medium term, tax revenue must be progressively increased to make public spending sustainable. This requires increasing income taxes, extending the scope of property and wealth taxes, progressively reviewing and updating royalties on the exploitation of non-renewable resources, and considering taxes on the digital economy and on goods and services that harm the environment or public health.

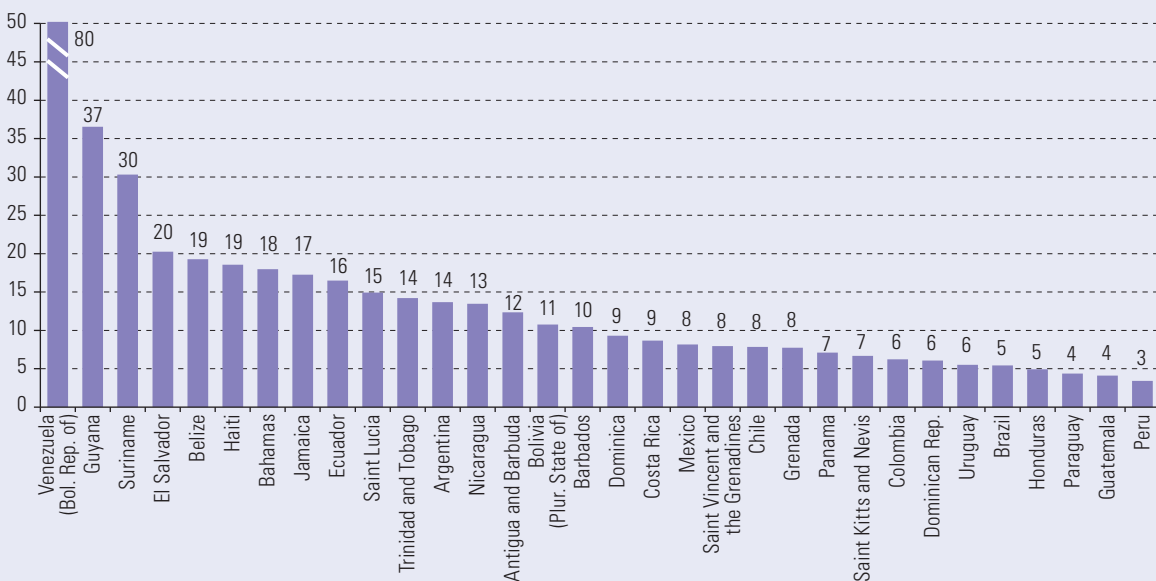


- Fiscal policies must incorporate gender in the analysis of the distributional effects of income, expenditure and investment, as well as in the budget cycle. Sufficient resources need to be allocated for key services to change the inequitable social organization of care and ensure that budget reallocations and cuts do not reduce funding for policies that foster gender equality.
- The sustainability and orientation of fiscal policy require new social and fiscal compacts that contribute to the revival of investment, employment, equality, the closure of gender gaps and climate action. This is because incentives for private investment are limited in a context of uncertainty, high rates of idle capacity and recession, so public investment can and should act as a catalyst for overall investment.
- Compacts such as these can provide an expansionary horizon for fiscal policy and thus avoid premature demands for fiscal consolidation and austerity that would slow down the recovery. Contractionary fiscal policies combined with expansionary monetary policies could exacerbate the distributional problems and underinvestment that prevailed before the pandemic.

### C. Financing for development: empowering new initiatives

- In 2021, the key challenge for the monetary authorities will be to maintain the space to sustain expansionary policies through conventional and unconventional monetary instruments. It will also be important to emphasize international reserves management in response to destabilizing factors that could heighten exchange rate volatility, cause capital flight, or increase the chance of banking crises.
- Debt relief initiatives require changes in the international debt architecture. An international sovereign debt restructuring mechanism is needed to deal with obligations to private creditors, as well as a multilateral credit rating agency. At the same time, the heterogeneity of debt profiles and vulnerability in the region require the design of a debt reduction strategy that does not adopt a one-size-fits-all approach.
- The scope of the G20 DSSI should be broadened to include all relevant stakeholders (the private sector and multilateral institutions) and vulnerable middle-income countries. The initiative should also be extended beyond 2021.
- The strongest initiative to expand liquidity is the proposed new allocation of special drawing rights (SDRs) equivalent to US\$ 650 billion, which envisages the reallocation of SDRs to developing economies.
- The reallocation of SDRs would be divided in three parts. The first would be to increase funding for the Poverty Reduction and Growth Trust (PRGT), which is already largely financed by SDR borrowing from developed countries. SDRs channelled to the PRGT would only benefit lower-income countries. The second would consist of a trust fund to finance efforts to combat climate change digital transformation and health-related spending. The third part would support loans from multilateral development banks through the creation of another trust fund.
- Latin America and the Caribbean would benefit from a new SDR allocation that would strengthen the external position of some of the smaller and more debt-burdened economies, thereby lowering their risk premium and freeing up resources for pandemic financing. The contribution of a new SDR allocation as a percentage of international reserves (in addition to existing holdings) would range from 80% in the Bolivarian Republic of Venezuela to 3% in Peru (see figure 25). The resulting increase in international reserves would provide an important financial cushion by reducing risk and strengthening the balance of payments position.
- The IMF proposal should include a trust fund for middle-income countries, similar to the PRGT that exists for low-income countries, for the purpose of financing projects linked to the achievement of the Sustainable Development Goals.

**Figure 25 | Total holdings of special drawing rights (SDRs) as a percentage of reserve assets following an SDR allocation equivalent to US\$ 650 billion, April 2021 (Percentages)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "Data Template on International Reserves and Foreign Currency Liquidity (IRFCL)", 2021 [online] <https://data.imf.org/?sk=2DFB3380-3603-4D2C-90BE-A04D8BBCE237>.

Note: Exchange rate US\$ 1 = SDR 0.701499.

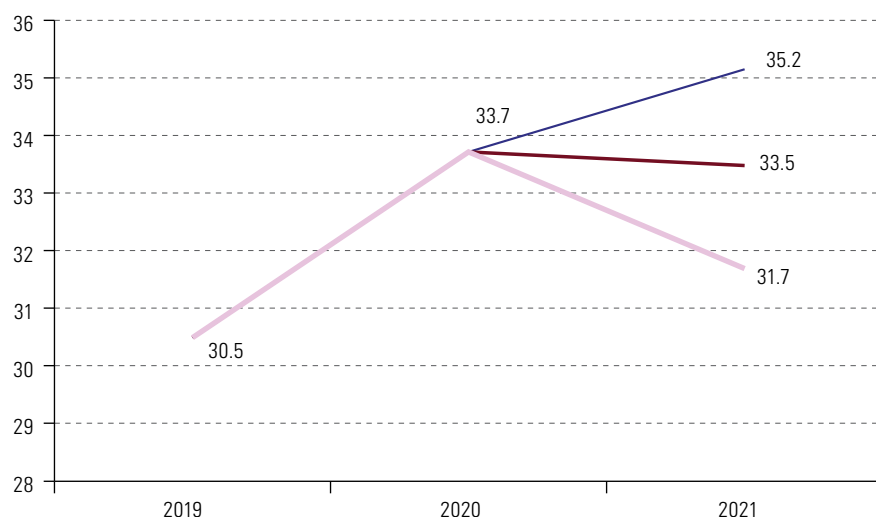
- The launch of multilateral funds, such as the Fund to Alleviate COVID-19 Economics (FACE) proposed by the Government of Costa Rica, can complement initiatives to recycle liquidity from developed to developing countries. Development banks can also help increase liquidity by increasing capitalization and flexibility in their lending criteria.
- Financing initiatives should be accompanied by greater use of innovative instruments such as hurricane clauses and state-contingent debt instruments, with a view to avoiding excessive indebtedness and increasing the capacity of countries to repay and service their debt.

## D. Maintain emergency transfers

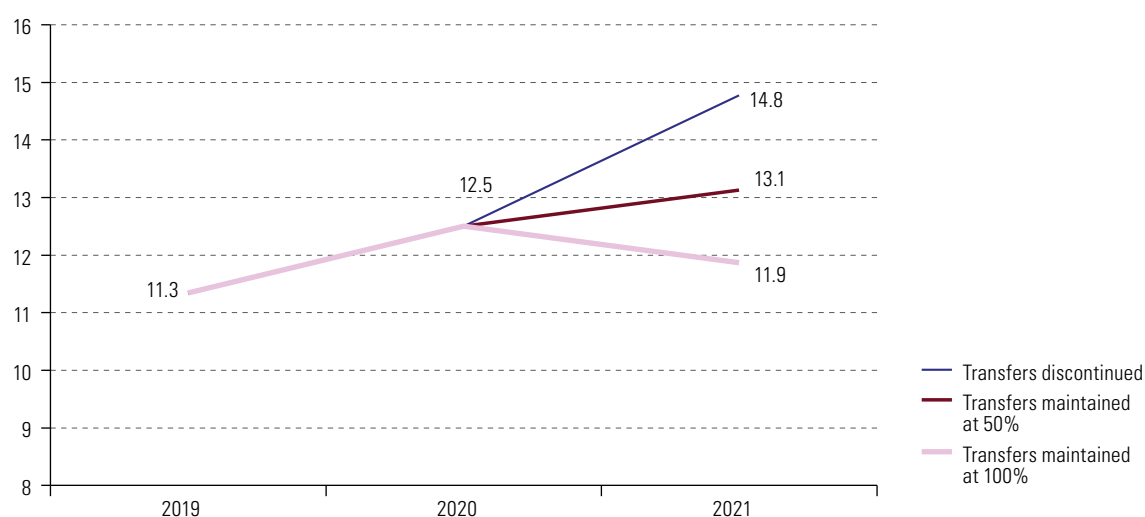
- It is crucial to maintain the emergency transfers. The benefits of economic recovery alone will not be sufficient to address the health and social crisis.
- If governments suspend the emergency transfers implemented in 2020, the resources available to households would come mainly from labour income, which was hit hard in that year, and the continuation of the social protection programmes that were being implemented previously. The increase in average household income will be insufficient to offset the loss of income resulting from a discontinuation of emergency assistance programmes. In this scenario, extreme poverty could grow to 14.8% (2.3 percentage points higher than in 2020) and poverty would rise by 1.5 percentage points to 35.2%. Increased inequality would raise the Gini index by 3%.
- If governments maintain emergency transfer programmes with amounts and coverage rates similar to 2020 levels (equivalent to 1.55% of the region's GDP in 2019), poverty and extreme poverty will start to trend down. Extreme poverty would be around 11.9% (0.6 percentage points lower than in 2020), and poverty would be 2 points lower at 31.7%. Even though neither reduction would be sufficient to regain the previous year's levels (11.3% and 30.5%, respectively), they would be a step in that direction.
- In an intermediate scenario, if the trend of the first four months of 2021 were to be continued, the amount of emergency monetary transfers in 2021 would be equivalent to 50% of those made in 2020. In this case, the poverty rate would remain close to 2020 levels, at 33.5% of the population, while extreme poverty would again rise by roughly 0.6 percentage points (see figure 26).

**Figure 26 | Latin America (18 countries):<sup>a</sup> poverty and extreme poverty, 2019, 2020 and 2021<sup>b</sup>**  
(Percentages)

**A. Poverty**



**B. Extreme poverty**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> The countries included are: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>b</sup> The figures for 2020 and 2021 are projections. It is assumed that the income distribution does not change with respect to 2020 and that all income streams will maintain a constant structure and share.

- If the emergency social protection programmes are discontinued, many people will be unable to meet their basic needs owing to a lack of jobs and diminished labour incomes, which would be below the levels prevailing prior to the pandemic.
- The increase in poverty, food insecurity and food prices underscore the importance of maintaining social protection measures, such as school feeding and food distribution programmes, to ensure that the most vulnerable groups have access to healthy food.
- In this context, the universality, comprehensiveness, sufficiency and sustainability of social protection is more important than ever. Attention must be paid to the quality of economic recovery processes and to effectively increasing and maintaining the coverage of emergency social protection programmes. These should include other measures, such as freezing basic utility payments or deferring debt payments.
- Within the framework of recovery strategies, it is crucial to consider alternatives for strengthening pension systems, either through the reform processes currently under way or else through new

pension reforms that address the impacts of the pandemic. The emphasis should be placed on increasing coverage, the adequacy of the benefits, financial sustainability and social solidarity as cross-cutting criteria in their formulation.

- In the medium and long term, universal, comprehensive and sustainable social protection systems need to be constructed, framed by care societies that guarantee levels of well-being for the population, which do not rely exclusively on women's unpaid work.

## **E. Strengthening health and education**

- Regional cooperation and coordination should be promoted to strengthen and speed up vaccination processes through donations or the delivery of earmarked doses, especially in the countries that are lagging behind.
- Progress is needed on measures to exempt the intellectual property rights of vaccines, in order to facilitate their manufacture in the region's countries by strengthening their production capacities.
- Given the constraints in terms of the logistics of local vaccine distribution, the availability of critical inputs and the limited coverage of health systems, health-care investment should be increased, specifically in primary care, with sustainable schemes that strengthen the public health sector (ECLAC/PAHO, 2020).
- Communication campaigns should be undertaken to bolster confidence in vaccines and public health measures targeting the most reticent population. Communication and vaccination processes must be inclusive. For example, they must include access facilities for persons with disabilities, and an intercultural approach that embraces indigenous and Afro-descendent peoples and local communities (ECLAC/PAHO, 2020).
- Distance education has its shortcomings: it has exacerbated structural gaps in schooling and increased the risk of school dropout. There is an urgent need to implement an educational continuity strategy that takes account of local infrastructure and equipment capacities, as well as the skills of school communities to cope with online teaching processes.
- It is necessary to promote a gradual and safe return to school in coordination with the health sector. Given the impact of the pandemic on the mental health of children and adolescents, both due to increased exposure to the Internet and to social isolation, the strategies for educational continuity and return should prioritize the socioemotional well-being of both students and teachers.
- Investment in the care and well-being of children and adolescents is also urgently needed. The region cannot afford to lose a generation as a result of truncated educational trajectories and lack of access to basic conditions to guarantee their rights and well-being.

## **F. Reaffirmation of a transformational strategy**

- ECLAC has argued strongly that policies to consolidate recovery and overcome the negative effects of the pandemic must be policies for a transformative recovery.
- Short-term policies to overcome the effects of the pandemic (maintenance of transfers, emergency basic income, anti-hunger vouchers, universal access to a basic digital basket, support for MSMEs) need to be harmonized with a strategy for structural change based on a big investment push for economic, social and environmental sustainability. This means reviewing plans and strategies, and strengthening capacities to build forward-looking scenarios and institutionalize them in public management.
- Given the importance of fully adopting digital technologies, ECLAC has evaluated the cost of a basic digital basket and is working with countries in the region to implement it to ensure effective connectivity for low-income women.<sup>10</sup> Extending this initiative to all countries in the region would have major effects on income and equality.

<sup>10</sup> This basket includes access to Internet, digital devices and strengthening of skills for the use and appropriation of technologies.

- In addition to industrial and technological policies for the sectors capable of driving transformative recovery, changing the development model requires cross-cutting policies to strengthen capacities for the formulation and implementation of public policies and the generation of regional and global public goods. The latter include access to knowledge and technology, the importance of which has been magnified by unequal access to vaccines.
- In the context of societies that are better informed, more questioning and demanding greater participation in decision-making, the solution of public problems and the provision of timely and quality services, progress needs to be made in reforming public management, particularly in the area of open government and e-government.
- Mainstreaming gender, harnessing women's capacities and promoting their vocational development are essential in all policy areas. In many cases this will require affirmative action, for example in employment and taxation policies.
- The regional integration of trade and production is crucial to support recovery in the short term, and to move towards more inclusive and sustainable development, generate endogenous engines of growth and reduce vulnerability to external shocks. A strategy for integration is even more urgent considering global trends which have been hastened by the pandemic, suggesting an intensification of trade and production regionalization processes.
- The crisis has made the path to achieving the Sustainable Development Goals and the targets of the 2030 Agenda more difficult. Persisting with a business-as-usual (BAU) course of action, without structural transformations that steer the region closer to a new style of development, means that the aspirations of the 2030 Agenda will most likely only be partially met, or not at all.
- This document has analysed the situation facing the Latin America and the Caribbean region, where structural gaps are accumulating, and BAU policies persist even during the emergency and in the recovery context. There is insufficient debate at the national level, and even less at the regional level, on the urgency of adopting national, regional and global policies in an international environment that is leaving the region behind.
- The challenges span three areas —social, productive and environmental— that need to be addressed jointly. A virtuous path that combines these three dimensions of sustainability requires new alliances and social compacts that will define the pace and persistence of the recovery over time. Emerging from the crisis is as much a technological and productive challenge as it is a social and political one; and the pursuit of equality will determine the chances of success.
- The proposed strategy is consistent with continuing efforts to achieve a transformational recovery. Now is the time for implementation. As noted in the discussion of the short-lived emissions reduction, the environmental window of opportunity is closing; but not only the environmental window: the other windows of opportunity will also start to close if we do not act now.

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