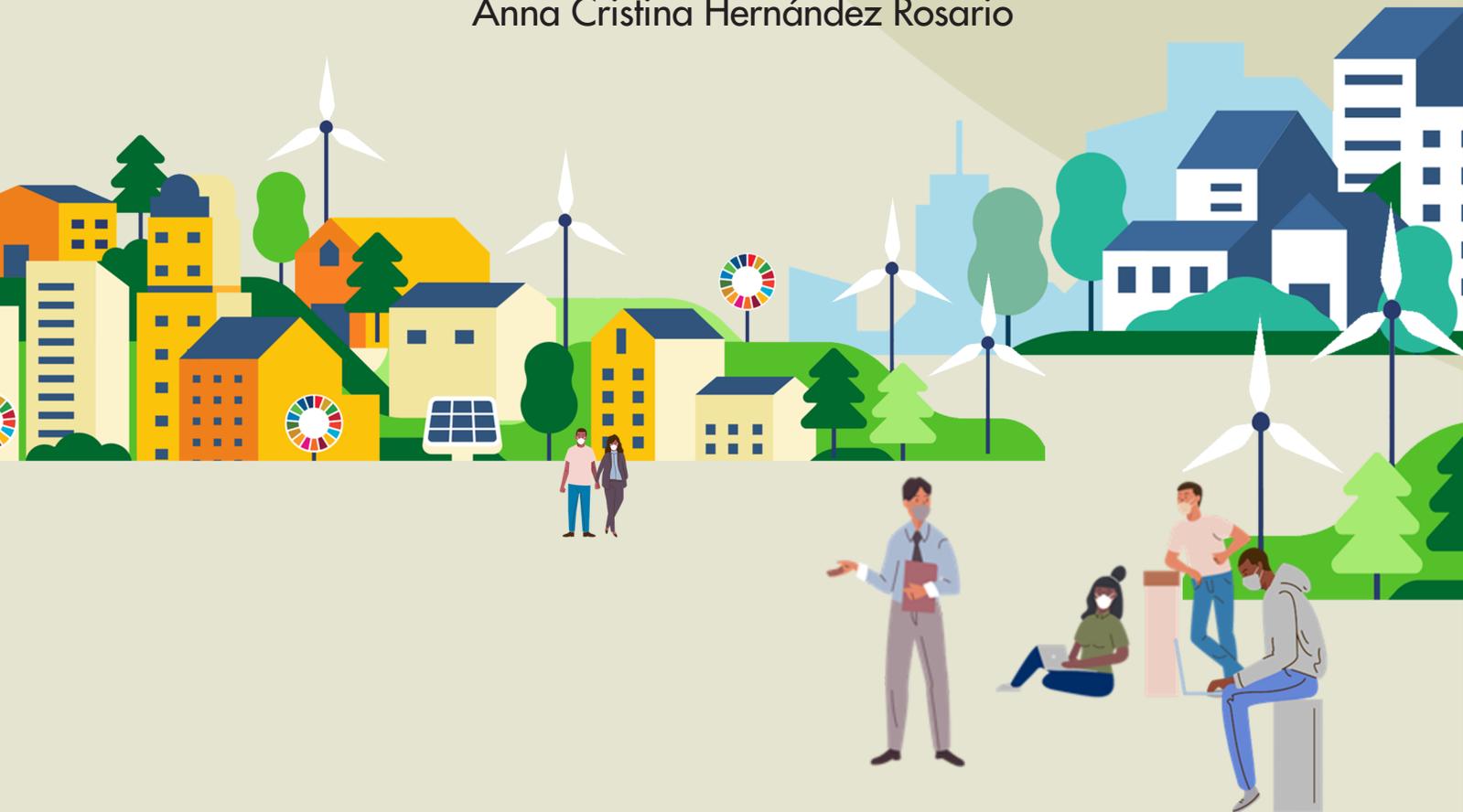




**Building Urban Economic Resilience  
during and after COVID-19**  
#urbaneconomicresilience

# Regional policy brief on building urban economic resilience during and after COVID-19 in **Latin America and the Caribbean**

Anna Cristina Hernández Rosario



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# Regional policy brief on building urban economic resilience during and after COVID-19 in Latin America and the Caribbean

Anna Cristina Hernández Rosario



This document was prepared by Anna Cristina Hernández Rosario, consultant in the Human Settlements Unit of the Sustainable Development and Human Settlements Division of the Economic Commission for Latin America and the Caribbean (ECLAC), under the supervision of Fiona Littlejohn-Carrillo, Associate Economic Affairs Officer, and Diego Aulestia, Chief, both of the same Unit. Support was also provided by Natalia Yunis, a consultant in the same Unit.

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## Introduction

The coronavirus disease (COVID-19) pandemic has underscored the fragility of human life irrespective of geography, affecting developed and developing nations alike. It has laid bare the latent vulnerabilities that constitute structural challenges and finally made it clear that these issues are both important and urgent. The crisis has forced all countries to put their agenda on hold, to undertake a self-assessment and to recognize their outstanding debts with their societies, thus providing the opportunity to adjust priorities and design new strategies to address and overcome the effects of the pandemic in all spheres of development.

COVID-19, like other possible future global health crises, has affected not only national public health systems and the productive apparatus, but also the social fabric and how it is configured. Consequently, the absence of resilience mechanisms as an integrated component of the public planning and management of territories, especially cities, has revealed the fragility of traditional models, as well as the need to move towards new, more flexible urban management models that provide a multidimensional approach to facing crises, with an emphasis on key aspects of the economic and financial resilience of cities.

The objective of this Regional Policy Brief is thus to present a critical analysis of the challenges that the countries of Latin America and the Caribbean are facing, as well as the main elements of economic and financial resilience. First, the report describes the background and challenges, the specific regional impact of the COVID-19 pandemic and the pre-existing vulnerabilities, fundamentally in economic and social areas. This is followed by a detailed description of the project and a section highlighting the importance of economic and financial resilience, as well as the general outlook for the region on the different dimensions of resilience, with key information on the countries. Finally, the conclusions and policy recommendations lay out the main challenges and priorities on the road to urban economic and financial resilience in the Latin American and Caribbean region.

The Latin American and Caribbean region is characterized by a high degree of heterogeneity between and within countries, where significant asymmetries in both development levels and inequality have put the spotlight on government action, while heightening pre-existing social pressures. However, while the region harbours specific realities, it also faces a number of common challenges, generally including weak health systems, non-existent or limited social protection mechanisms, high labour informality, low labour and production specialization, reduced fiscal space and, in many cases, high levels of urbanization with little or no planning. Likewise, the pandemic has magnified other

forms of inequality that could persist in the long term, such as the digital gap (Cárdenas and Guzmán Ayala, 2020), which fundamentally limits access to virtual education and remote work, especially for lower-income populations. This further exacerbates the social inequalities and poverty levels that the Latin American and Caribbean region has been facing for decades.

All of this has undoubtedly limited the effectiveness and margin for many government responses in the region, which has been hit hard by the pandemic, becoming the epicentre of the COVID-19 pandemic in May 2020, according to the World Health Organization (WHO) (OECD, 2020). Although the Latin American and Caribbean region represents just over 8% of the world population, to date it accounts for nearly 19% of COVID-19 cases and 29% of deaths (see box 1). Brazil ranks second in the world in number of deaths (428,034 deceased) and third in number of cases, while four other Latin American countries (Argentina, Colombia, Mexico and Peru) are also among the 20 countries with the highest contagion rates in the world.

<b>Box 1</b>				
<b>Impact of COVID-19 in Latin America and the Caribbean (cases and deaths)</b>				
<b>COVID-19 cases and deaths reported by Latin American and Caribbean countries</b>				
<b>Cases</b>				Share of cases in Latin America and the Caribbean relative to the world total
<b>29 617 594</b>	<b>653 000</b>	<b>20 271 094</b>	<b>160 653 971</b>	<b>18.8%</b>
Latin America	The Caribbean	Latin America and the Caribbean	World	
<b>Deaths</b>				Share of deaths in Latin America and the Caribbean relative to the world total
<b>954 788</b>	<b>8 777</b>	<b>963 565</b>	<b>3 335 624</b>	<b>28.9%</b>
Latin America	The Caribbean	Latin America and the Caribbean	World	

Source: Prepared by the author, on the basis of data from the Pan American Health Organization (PAHO) and John Hopkins University and Medicine, "COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE)", Coronavirus Resource Center [online] <https://coronavirus.jhu.edu/map.html>.

Note: Last updated on 13 May 2021.

Latin America and the Caribbean: 37 countries (19 Latin American and 18 Caribbean).

As argued in previous ECLAC studies, the aforementioned structural challenges, which take on greater relevance in the current context of the COVID-19 pandemic, can be framed in terms of three critical areas: an economic crisis, reflected in the region's low growth and technological lag relative to advanced countries; a social crisis, reflected in high levels of inequality; and an environmental crisis, reflected in the loss of biodiversity, forests and water resources and in increasing greenhouse gas emissions (Bárcena and Cimoli, 2020). This combination reduces the region's resilience in the face of the pandemic and deepens the economic and social impact, especially for the most vulnerable groups, as shown below. This makes it more difficult to address the health crisis while taking measures to reactivate the economies, many of which are facing governance challenges that increase uncertainty.<sup>1</sup>

While most economic sectors worldwide have been seriously affected by the COVID-19 pandemic, the fact that Latin American and Caribbean economies are dominated by primary sector activities (commodity extraction and export) and tourism (mainly in the Caribbean countries) (ECLAC, 2018), while also being highly dependent on commodity imports, puts them at a greater disadvantage due to the

<sup>1</sup> According to data collected for 32 countries in Latin America and the Caribbean, 11 countries had presidential elections in 2020 and three in 2021.

restrictions imposed and the stoppage of productive activities. It has also undermined the possibility of promoting higher growth, which has stagnated in recent years, with the 2011–2019 period recording the lowest growth rate since the 1950s (Abeles, Pérez Caldentey and Porcile, 2020).

Thus, the current context drastically changed the ECLAC growth forecast. Prior to the pandemic, the 2020 economic growth estimate for the region was 1.3% (ECLAC, 2019), but the February 2021 updates indicate a GDP contraction of nearly 7% in 2020, making Latin America and the Caribbean the region that was most strongly affected by COVID-19 in economic terms (see table 1). This deep economic deterioration is reflected in business closures (mainly SMEs)—with the resulting destruction of jobs and livelihoods—as well as an increase in unemployment, a reduction in wages and income and, therefore, a reversal of the social advances (in terms of the reduction of poverty and inequality) that had been made in the region over the last few decades.

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

Region	Forecast		
	2020	2021	2022
<b>Latin America and the Caribbean</b>	<b>-6.8</b>	<b>5.2</b>	<b>2.9</b>
South America	-6.3	5.1	2.7
Central America and Mexico	-8.1	5.6	3.5
Central America	-7.3	5.1	4.5
Latin America	-6.8	5.2	2.9
The Caribbean	-7.5	4.1	7.8

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

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

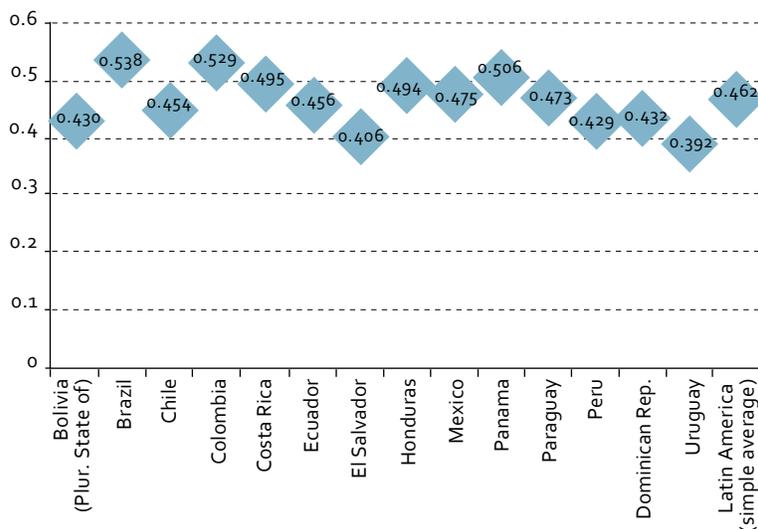
Specifically, “according to International Labour Organization (ILO) figures for June 2020, unemployment had risen sharply due to COVID-19, leaving an unprecedented 41 million Latin Americans unemployed” (ILO, 2020a, cited in Bull and Robles Rivera, 2020, p. 82), with a greater impact on the poor population. At the same time, studies indicate that “less than 10% of the poorest 40% of Latin Americans are able to work from home, either because they lack access to communication technologies or because their jobs require physical presence” (Delaporte and Peña, 2020, cited in Bull and Robles Rivera, 2020, p. 82), which raises the inequality level to over 5% in the majority of countries in the region (see table 2 and figure 1).

**Table 2**  
Latin America (17 countries): projected increase in the Gini coefficient in 2020

1.0% — 2.9%	3.0% — 4.9%	5.0% — 6.9%	Over 7%
Guatemala	Bolivia (Plur. State of)	Brazil	Argentina
Honduras	Costa Rica	Chile	Ecuador
Nicaragua	Panama	Colombia	Peru
Paraguay	Dominican Republic	El Salvador	
		Mexico	
		Uruguay	

Source: B. Bull and F. Robles Rivera, “COVID-19, elites and the future political economy of inequality reduction in Latin America”, *CEPAL Review*, No. 132 (LC/PUB.2021/4-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020.

Figure 1  
Gini index in Latin America and the Caribbean, 2019



Source: Prepared by the author, on the basis of data from CEPALSTAT [online database] <https://statistics.cepal.org/portal/cepalstat/index.html?lang=en>.

The levels of inequality in the region, which are rising in the current context of COVID-19, are further exacerbated by informal employment, which, although also very heterogeneous in the region, represents 56% of total employment according to reports by the Inter-American Development Bank (IDB) (IDB, 2020). This puts over half of the region's population outside the social security system; they often lack health coverage as well, making them highly vulnerable in the face of any sort of crisis. Consequently, the lockdown measures—while imperative and necessary—are not an option for those who lack income, which limits the effectiveness of the imposed restrictions and prolongs the period of enforcement.

As a palliative measure to address the loss of income and increase in prices due to the lockdowns, many countries have implemented social assistance programmes to reach the poorest households with cash transfers (in some cases, pre-existing programmes were expanded during the pandemic) (see table 3). However, the majority barely cover a portion of the cost of the basic consumption basket and, moreover, were designed with an expiration date precisely because of the limited fiscal space that characterizes the countries of the region. In this sense, estimates by ECLAC, based on household survey data, indicate that *the Latin American population living in poverty in 2020 will return to 2005 levels, that is, 231 million people (an increase of 45 million people). Extreme poverty, in turn, will reach 96 million people, comparable to the 1990 level in the region. In terms of percentages, poverty in the region will increase 7.0 percentage points relative to 2019, and extreme poverty will increase 4.4 percentage points (IDB, 2020).*

**Table 3**  
**Poverty and cash transfer programmes in Latin America and the Caribbean**

Country	Percentage of the population in extreme poverty	Percentage of the population in poverty	Number of cash transfer programmes in response to COVID-19, by type of innovation			
			New programme	Vertical expansion	Horizontal expansion	Adaptation
Argentina	8.0	35.5	2	3	0	0
Bolivia (Plurinational State of)	12.1	31.1	3	0	0	0
Brazil	5.5	19.2	1	0	1	0
Chile	1.4	10.7	3	0	0	0
Colombia	12.8	31.7	2	3	0	0
Costa Rica	3.4	16.5	2	0	0	1
Ecuador	7.6	25.7	1	0	0	0
El Salvador	5.6	30.4	1	0	0	0
Guatemala	15.4	50.5	2	0	1	0
Mexico	10.6	41.5	0	0	0	5
Nicaragua	18.3	46.3	1	0	0	0
Panama	6.6	14.6	2	0	0	0
Paraguay	6.2	19.4	2	1	0	0
Peru	3.0	15.4	4	0	0	0
Dominican Republic	4.3	20.3	2	0	0	0
Uruguay	0.1	3.0	1	2	0	0
Venezuela (Bolivarian Republic of)	12.0	28.3	2	0	0	0
<b>Latin America</b>	<b>11.4</b>	<b>30.5</b>	-	-	-	-

Source: Prepared by the author, on the basis of poverty and extreme poverty data from CEPALSTAT [online database] <https://statistics.cepal.org/portal/cepalstat/index.html?lang=en>, data for Argentina from the National Institute of Statistics and Censuses, and G. M. Cejudo, C. L. Michel and P. De los Cobos, "Policy responses to the pandemic for COVID-19 in Latin America and the Caribbean: the use of cash transfer programs and social protection information systems", *Policy Documents Series*, No. 24, United Nations Development Programme (UNDP), 2020, p. 13.

Note: Years: Guatemala, Nicaragua and Venezuela: 2014; Chile: 2017; Mexico: 2018; other: 2019.



## I. The project

The twelfth tranche residual balance Development Account project (DAT12A) project, *Building economic resilience during and after COVID-19*, is being implemented through a collaborative effort by seven United Nations entities: namely, the United Nations Economic Commission for Africa (ECA), the United Nations Economic Commission for Europe (ECE), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Economic and Social Commission for Western Asia (ESCWA), the United Nations Capital Development Fund (UNCDF) and the United Nations Human Settlements Programme (UN-Habitat). The project was launched in May 2020 as part of the COVID-19 response by the United Nations Development Account and should be concluded in late 2021.

The objective of the project is to strengthen the capacities of local governments in 16 cities around the world (including three in Latin America and the Caribbean) through the design, implementation and monitoring of sustainable, resilient projects and inclusive financial and economic responses to COVID-19, as well as recovery and reconstruction plans. The cities of Accra (Ghana), Alexandria (Egypt), Beirut (Lebanon), Bishkek (Kyrgyzstan), Guayaquil (Ecuador), Harare (Zimbabwe), Hô An (Vietnam), Kharkiv (Ukraine), Kuwait City (Kuwait), Lima (Peru), Pune (India), Santo Domingo (Dominican Republic), Subang Jaya (Malaysia), Suva (Fiji), Tirana (Albania) and Yaoundé (Cameroon) are participating in the project. The implementation of the project is promoting a better understanding of the key driving factors in urban resilience. Concrete solutions are being identified to help resolve the challenge of creating more resilient cities and local governments, with a greater capacity to resist shocks like COVID-19 and other socioeconomic tensions that are likely to recur in a predominantly urban world. The results of the project are being integrated with national and global efforts to build resilience, in order to establish synergies. The project implementation incorporates links to other dimensions of urban resilience that have been shown to be important for the different social, spatial and governance contexts of each region.

To meet the general objective of the project, a series of key results are sought. The first is to generate a greater understanding between local governments, national governments, the private sector, academia and civil society on the impacts of COVID-19, strategies for urban economic recovery and resilience and opportunities to develop greater economic resilience. This has been achieved through the development

of a planning and diagnostics tool for urban economic recovery and resilience by UNCDF, together with the organization of an online training programme on the issue by UN-Habitat. In cooperation with UNCDF, each United Nations regional commission has held training workshops on the tool in each of the project cities in its region. With the implementation of the tool, each regional commission has collected and analysed data to support the preparation of a diagnostic report on urban economic recovery and resilience for each project city. The specific city reports have been individually validated in workshops held in each project city.

The second desired result is to expand actors' participation in the economic resilience building process. To strengthen the technical capacity of local governments, national governments, the private sector, academia and civil society, it is crucial to achieve an active participation of all interested parties in urban economic recovery and in resilience planning. To obtain this result, the United Nations regional commissions have developed economic recovery and resilience strategies for each project city, which are using these strategies to design economic and financial recovery and reconstruction plans. These plans will specify actions, responsibilities and resources for improving urban economic and financial resilience in each project city, adjusted to local needs and specificities. The United Nations regional commissions are also carrying out vision and scenario planning workshops with local actors in each project city, together with workshops on local economic recovery, resilience implementation and development of the city's technical capacity.

The third key project result will be to increase the associated city's capacity to access possible funding sources for implementing their economic recovery and resilience creation strategies. To guarantee this result, UNCDF is developing information packets on sources of financial support for the cities, to be disseminated to each project city in a series of local workshops. The Capital Development Fund is also planning to deliver city financing packages designed as both a funding plan and a tool for raising additional funds for critical investments in the city's recovery and resilience construction plans. Finally, the fourth key project result is to increase the knowledge and understanding of local governments—beyond the project cities—on successful local economic recovery and resilience construction. The United Nations regional commissions are publishing five regional policy briefs (one for each region) on urban economic recovery and resilience. In parallel, UN-Habitat is presenting a global policy dialogue and a global policy report on urban economic recovery and resilience, accompanied by an online course on urban economic and financial recovery and resilience.

Achieving the four key project results will ensure the realization of the general objective of the project.

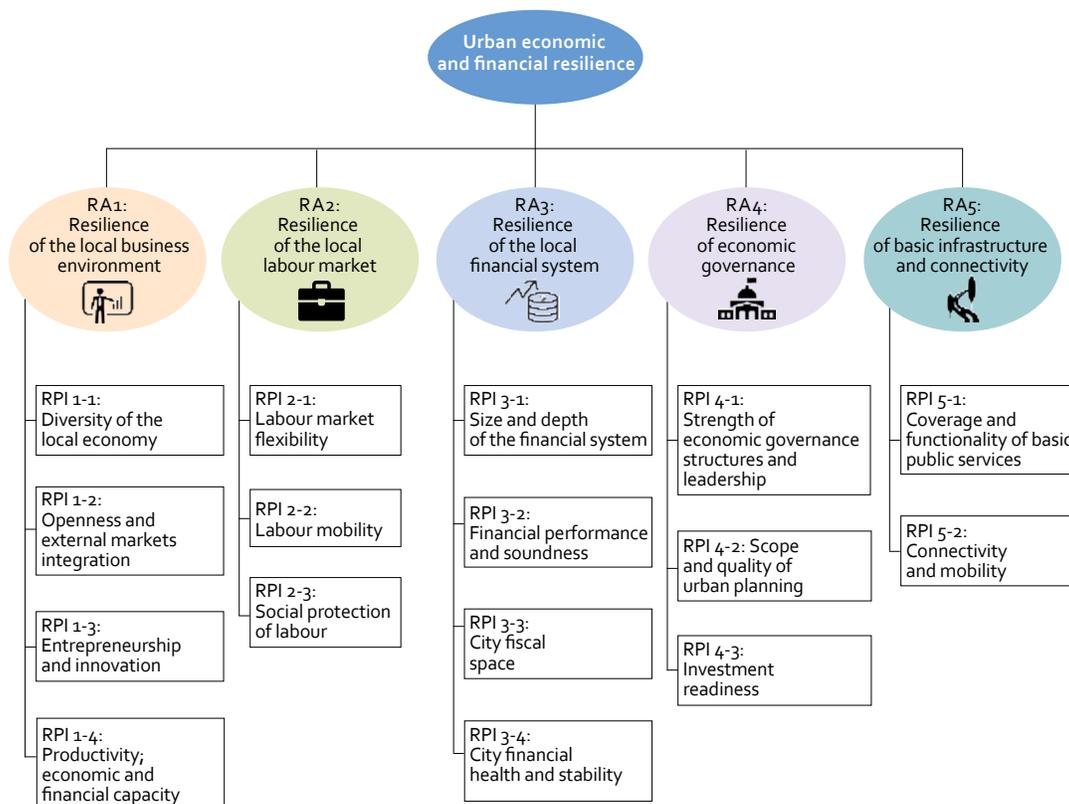
## II. Economic and financial resilience in Latin America and the Caribbean

Economic and financial resilience basically depends on how vulnerable and exposed an economy is to crisis impacts in various areas, so it can be defined as the ability of a country or territory to recover from the negative effects of the shock. Thus, the vulnerability of local economies is mainly affected in areas like the labour market, the business environment and economic governance. However, these three dimensions or areas of economic resilience are also moulded and influenced by the scope and extension of the funding available to address the immediate effects, the recovery and the long-term reconstruction.

Additionally, areas like basic service infrastructure and connectivity, as well as housing, are essential for achieving the aforementioned dimensions in the midst of a crisis like the COVID-19 pandemic. Altogether, there are five (5) dimensions of urban economic and financial resilience (see diagram 1).

These dimensions allow cities to form a broader, more holistic view of their resilience challenges and thus to improve their management and address their main challenges. In sum, urban economic and financial resilience is based on cities' capacities in two main areas: (i) planning and anticipating negative shocks, including long-term stress on their economies; and (ii) reallocating and mobilizing resources, so as to be able to resist, recover and rebuild to achieve at least their pre-crisis levels, while positioning the urban economy on the road to sustainable economic growth and simultaneously strengthening their capacity to deal with possible future impacts.

**Diagram 1**  
Urban economic resilience areas and performance indicators



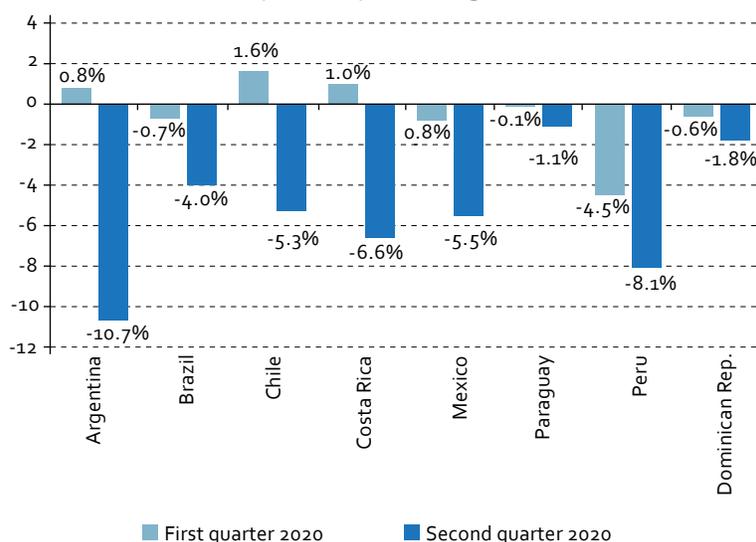
Source: Prepared by the author, on the basis of United Nations Capital Development Fund (UNCDF), Urban Economic Recovery and Resilience: Diagnostic and Planning Tool, 2021.

## A. Overview of economic resilience areas in Latin America and the Caribbean

### 1. Labour market conditions

Worldwide, labour market conditions have deteriorated markedly due to the deep economic contractions caused by the COVID-19 pandemic. The impact has been particularly strong in Latin America and the Caribbean, where there were major shortages of decent jobs prior to the crisis, which translated into high labour informality rates (ILO, 2020). In contrast to past crises, however, COVID-19 has had a negative impact on the employment level of informal workers; that is, job destruction has affected not only the formal economy, but also the informal sector, since the lockdown measures and mobility restrictions adopted to contain the spread of COVID-19 have affected all segments of the economy uniformly. In this regard, a report by the ILO indicates that “in several countries of the region, [informal employment] experienced contractions in employment that were proportionally more pronounced than those in formal employment” (ILO, 2020, p. 46) (see figure 2).

**Figure 2**  
Latin America (8 countries): year-on-year change in the labour informality rate



Source: International Labour Organization (ILO), *2020 Labour Overview Latin America and the Caribbean*, Lima, 2020.

Note: Labour informality rates are for the full set of workers, except in Argentina (wage workers only) and Paraguay (excluding workers in agricultural sectors).

The region also displays specificities on indicators such as the unemployment rate, which averaged 10.6% in the first three quarters of 2020, up from 8.7% in the same period of 2019. This may not necessarily be reflecting the real impact of the pandemic, however, because “large numbers of people preferred to remain unemployed rather than look for non-existent jobs, and this helped to moderate the effect on unemployment” (ILO, 2020, p. 10). Furthermore, unemployment rates vary among the different countries in Latin America and the Caribbean, with some significantly higher than others (see table 4), due precisely to the region’s characteristic heterogeneity.

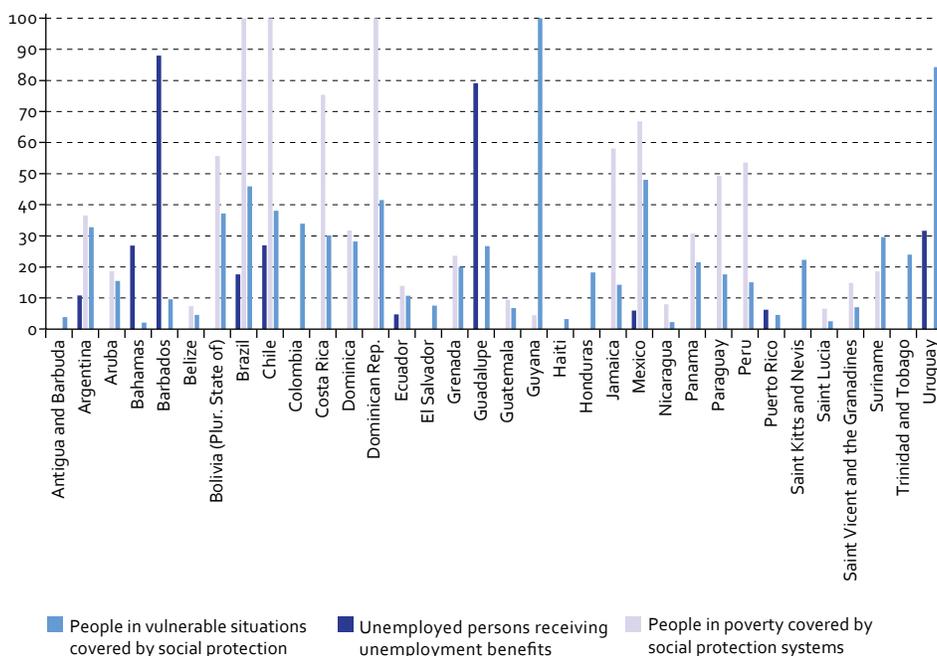
**Table 4**  
Latin America and the Caribbean (selected countries):  
unemployment rates, 2019 and November 2020  
(Percentages)

Countries with a larger increase in unemployment	November 2020	2019
Costa Rica	17.08	11.49
Colombia	15.44	9.96
Panama	10.23	4.74
Bahamas	14.41	10.11
Chile	11.51	7.29
Countries with a smaller increase in unemployment	November 2020	2019
Jamaica	8.4	7.72
Nicaragua	5.82	5.14
Paraguay	7.61	6.6
Haiti	14.5	13.48
Mexico	4.71	3.48

Source: Prepared by the author, on the basis of International Labour Organization (ILO), “Statistics on unemployment and supplementary measures of labour underutilization”, ILOSTAT [online database] <https://ilostat.ilo.org/topics/unemployment-and-labour-underutilization/>.

Given the deep impact of the COVID-19 pandemic on employment and therefore on poverty levels—with an estimated 34.7% of the region’s population living in poverty in 2020, according to ECLAC (ECLAC, 2020c)— it is vital to have in place social protection systems and/or mechanisms, which play an important role in offsetting the loss of livelihoods and household income. In this sense, the challenge for many countries that lacked robust social protection instruments was not only to activate existing mechanisms and cover a larger share of the population that had not been covered by these programmes before the pandemic, but also to look for innovative ways to accomplish this in a context that called for physical distancing and thus necessitated the adoption of effective digital means for registering and identifying programme participants and implementing the programme transfers. Even in 2020, few countries in the region achieved full coverage of their poor and vulnerable populations (see figure 3).

**Figure 3**  
Latin America and the Caribbean (34 countries): percentage of population covered by social protection systems/floors, 2020

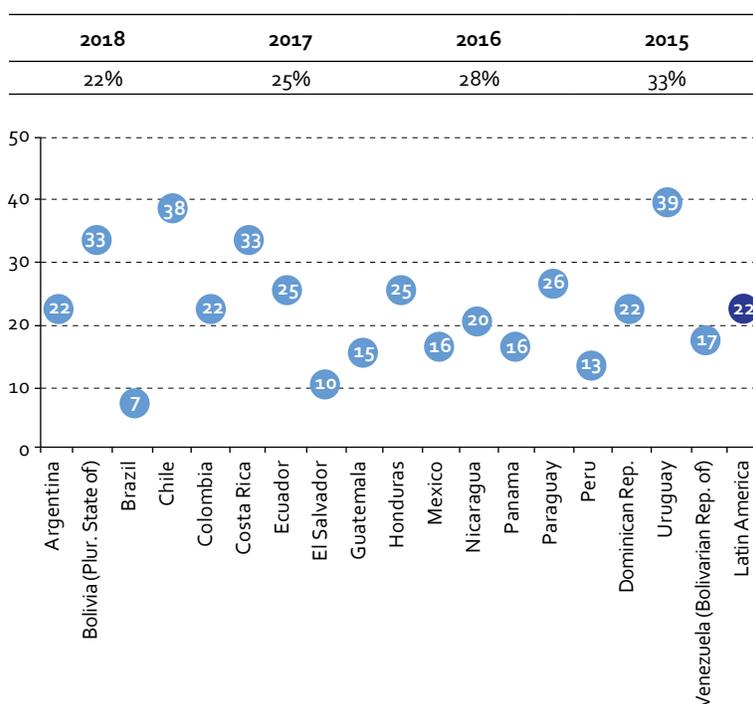


Source: Prepared by the author, on the basis of International Labour Organization (ILO), “Statistics on social protection”, ILOSTAT [online database] <https://ilostat.ilo.org/topics/social-protection/>.

## 2. Economic governance agreements

Economic governance covers multiple aspects, ranging from investment readiness to the scope and quality of urban planning and the strength of economic governance structures and leadership. With regard to the latter—the strength of economic governance structures and leadership— access to public information is crucial, especially at times like the current COVID-19 pandemic, because it facilitates the exercise of citizen oversight and provides transparency and legitimacy to the public management process. This is extremely important in countries where citizen confidence in institutions, particularly government institutions, was low even before the COVID-19 pandemic, which is precisely the case in the majority of Latin American and Caribbean countries in recent years (see figure 4) (ECLAC, 2020b).

**Figure 4**  
**Latin America (selected countries): Latinobarómetro results relating to confidence in the government**  
*(Percentages)*



Source: Prepared by the author, on the basis of data from Latinobarómetro Corporation, Latinobarómetro Reports, 2015–2018 [online] <https://www.latinobarometro.org/latContents.jsp>.

### Box 2 Best Practices

A good example of a directive on access to information and participation in decision-making is the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement), which promotes more informed, participative and inclusive societies. The agreement reaffirms that human rights must be at the core of sustainable development and that they are fundamental in times of crisis and to prevent conflicts.

Another relevant development, given the current context, is the Dominican Republic's efforts in the framework of "Investment Map", a regional initiative spearheaded by the IDB in Latin America and the Caribbean. Specifically, the government has moved forward on building a COVID-19 module that allows visualizing and tracking the destination of public resources associated with COVID-19 services. This tool has functionalities that facilitate citizen participation in the control of public money. It also allows visualizing and explaining how the state is using resources to safeguard public health and mitigate the social and economic effects of the pandemic.

Source: Prepared by the author.

With regard to the scope and quality of urban planning, it is crucial for economies in Latin America and—in particular—the Caribbean to have crisis management and vulnerability assessment tools, given that the region is highly exposed to the impacts of extreme natural phenomena. In this regard, the Index for Risk Management for Latin America and the Caribbean (LAC-INFORM 2018) (Inter-Agency Standing Committee/European Commission, 2018) analyses important dimensions such as the risk of disasters and humanitarian crises, hazard and exposure (natural and human threats), vulnerability (socio-economic and vulnerable groups) and lack of coping capacity (lack of institutional capacities and lack of infrastructure capacities), in which countries like Guatemala, Honduras and Haiti head the list (see table 5).

**Table 5**  
**Latin America and the Caribbean (selected countries): index for risk management, by risk level, 2018**

Country	LAC - Inform index (0-10)	LAC - Inform risk assessment	Hazard and exposure	Vulnerability	Lack of coping capacity
<b>Very high risk level</b>					
Guatemala	8.3	Very high	Very high	Very high	Very high
Honduras	8.2	Very high	Very high	Very high	Very high
Haiti	8.1	Very high	Very high	Very high	Very high
<b>High risk level</b>					
Colombia	7.1	High	Very high	High	Medium
Venezuela (Bolivarian Republic of)	6.9	High	Very high	Medium	High
El Salvador	6.8	High	Very high	Low	High
Nicaragua	6.6	High	High	Medium	High
Ecuador	6.3	High	High	Medium	Medium
Mexico	6.2	High	Very high	Medium	Medium
Dominican Republic	6.2	High	High	Medium	High
Bolivia (Plurinational State of)	6.1	High	High	Medium	High
Peru	6.0	High	High	Medium	Medium

Source: Prepared by the author, on the basis of Inter-Agency Standing Committee/European Commission, *Index for Risk Management for Latin America and the Caribbean. LAC-INFORM 2018 Update: Contributing to More Effective Risk Management of Crises and Disasters in Latin America and the Caribbean*, 2018 [online] <https://www.unicef.org/lac/media/1606/file/PDF%20%20C3%8Dndice%20de%20gesti%C3%B3n%20de%20riesgo%20para%20ALC%20eng.pdf>.

Although the index does not include a specific dimension on exposure to health crises, the aforementioned dimension on coping capacity—specifically, the lack of infrastructure capacities—includes a component that is highly important during times of crisis like the current COVID-19 pandemic, namely, the lack of coping capacity of and access to the health-care system (see table 6). The periodic updating of this type of information (specifically, post-COVID-19) will be a valuable tool for risk monitoring, assessment and management in the countries in the region.

**Table 6**  
**Index for Risk Management for Latin America and the Caribbean, 2018: lack of coping capacity**

Countries with a very high lack of institutional capacities	Countries with a very high lack of infrastructure capacities	Countries with a very high lack of coping capacity of and access to the health-care system
El Salvador: 8.9	Haiti: 8.9	Haiti: 9.6
Honduras: 8.7	Guatemala: 7.6	Venezuela (Bolivarian Republic of): 8.2
Guatemala: 8.5	Nicaragua: 7.6	Guatemala: 7.9
Trinidad and Tobago: 8.2	Honduras: 7.4	Bolivia (Plurinational State of): 7.3
Jamaica: 8.0	Ecuador: 6.4	Dominican Republic: 7.0
Venezuela (Bolivarian Republic of): 7.8	Peru: 6.3	Guyana: 6.9
Haiti: 7.5	Dominican Republic: 6.1	Honduras: 6.6
Dominican Republic: 7.5	Bolivia (Plurinational State of): 6.1	Suriname: 6.6
Saint Kitts and Nevis: 7.5	Guayana: 6.1	Ecuador: 6.5
Nicaragua: 7.1	El Salvador: 5.9	Peru: 6.4
Bolivia (Plurinational State of): 7.1	Paraguay: 5.8	Nicaragua: 6.1

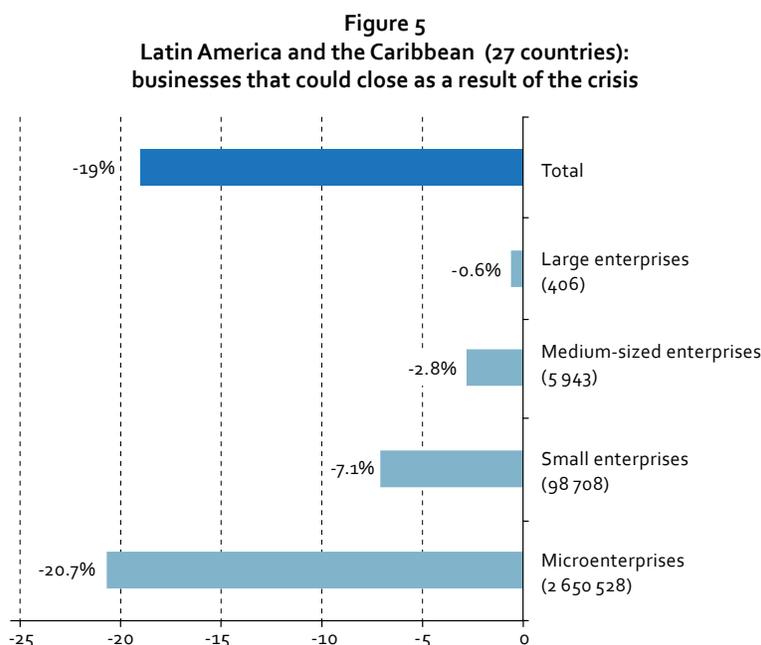
Very high
  High
  Medium

Source: Prepared by the author, on the basis of Inter-Agency Standing Committee/European Commission, *Index for Risk Management for Latin America and the Caribbean. LAC-INFORM 2018 Update: Contributing to More Effective Risk Management of Crises and Disasters in Latin America and the Caribbean*, 2018 [online] <https://www.unicef.org/lac/media/1606/file/PDF%20%20C3%8Dndice%20de%20gesti%C3%B3n%20de%20riesgo%20para%20ALC%20eng.pdf>.

Note: Every country has a rating between 0 and 10 for risk and all of its dimensions, categories and components. The low values of the index represent a better condition (i.e., lower risk), and the high values of the index represent a worse condition (i.e., higher risk). The indices allow a relative comparison of the risk and components between countries and of different components within a country (Inter-Agency Standing Committee/European Commission, 2018).

### 3. Business environment

The business environment in Latin America and the Caribbean, which is highly heterogeneous in terms of productive structures and business types, has been hard hit by the COVID-19 crisis, in particular given the region's pre-existing weaknesses. A special report by ECLAC (ECLAC, 2020a) indicates that "the impact will be very different depending on the sector and type of firm" and that "several of the heavily affected sectors, such as commerce, hotels and restaurants, include large numbers of micro- and small enterprises, which will be the worst affected" (ECLAC, 2020a, p. 6). In general, the report estimates that over 2.7 million formal businesses will close in the region (see figure 5).

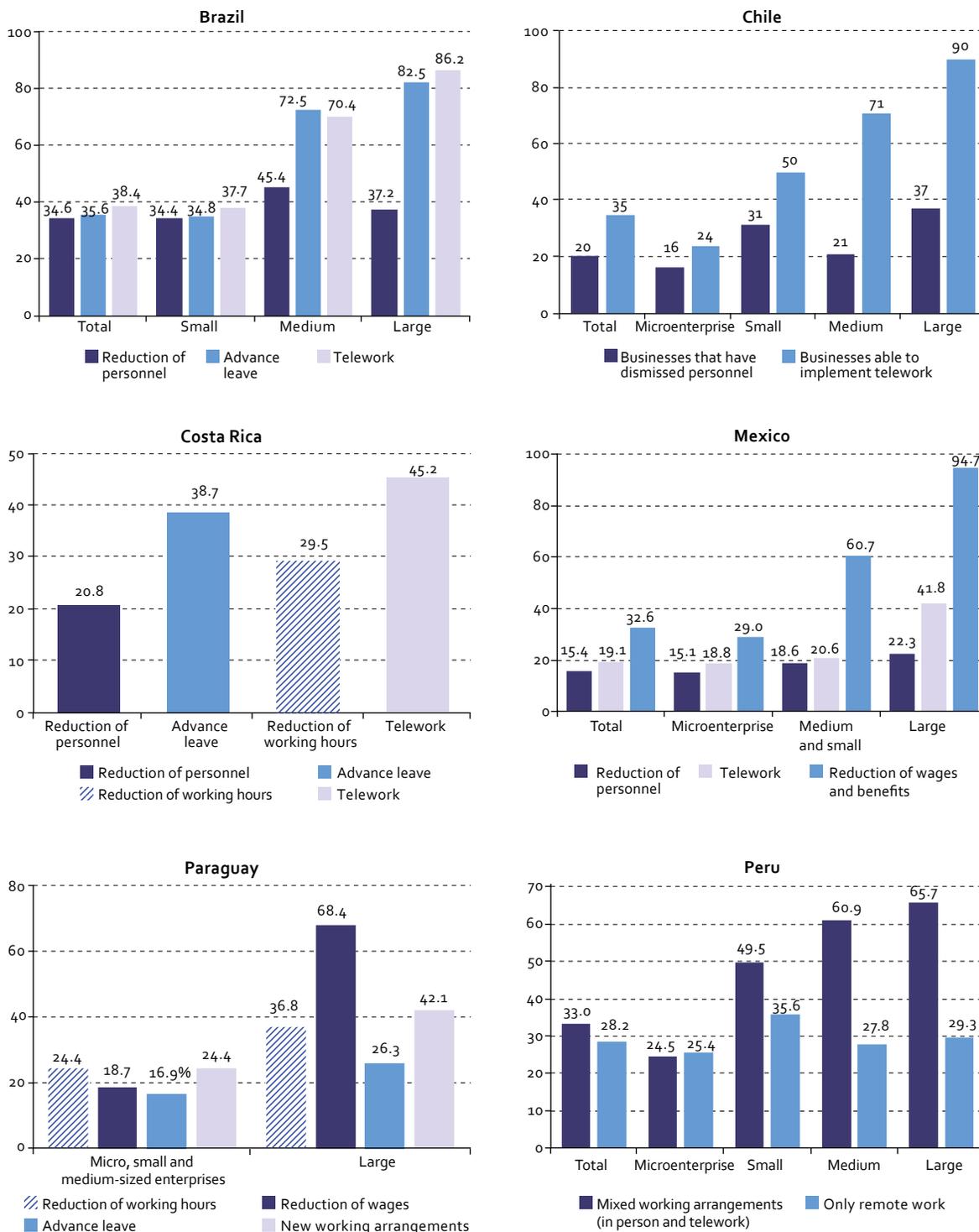


Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", *COVID-19 Special Report*, No. 4, Santiago, July 2020.

Thus, the adjustments that businesses have made to negotiate the pandemic will determine the impact in the different countries, not only in the short term, but also over the coming years. A joint study by ECLAC and ILO, carried out in November 2020, provides relevant updated information on the effects of the pandemic in the private sector, complementing the data available from employment surveys. The study reports that some countries in the region conducted special business surveys in the first half of 2020 (ECLAC/ILO, 2020).<sup>2</sup> According to the surveys, some of the measures implemented by firms in these countries include personnel dismissals, reduction of hours worked, advance leave, telework, reduction of wages and benefits, and mixed working arrangements (in-person and remote) (see figure 6).

<sup>2</sup> According to the study, "Although these surveys are non-probabilistic and represent only a subset of companies, they provide an insight into the overall situation of the region's productive sector" (ECLAC/ILO, 2020, p. 17).

**Figure 6**  
**Latin America (6 countries): main measures applied to workers during the COVID-19 pandemic**  
**in businesses surveyed between April and August 2020**  
*(Percentages)*



Source: Economic Commission for Latin America and the Caribbean/International Labour Organization (ECLAC/ILO), "Employment trends in an unprecedented crisis: policy challenges", *Employment Situation in Latin America and the Caribbean*, No. 23 (LC/TS.2020/128), Santiago, 2020.

The *Doing Business 2020* report compares business regulations in 190 countries, although it was carried out before the COVID-19 pandemic (between May 2018 and May 2019). It includes a chapter on the ease of doing business, in which Chile ranks highest among Latin American and Caribbean economies (fifty-ninth place), followed by Mexico and Colombia (sixtieth and sixty-seventh, respectively) (World Bank, 2020). In terms of reforms aimed at facilitating business in these countries, the report highlights the case of Chile, which made it easier to start a business by enabling the online registration of closed corporations; while Colombia eliminated the requirement of opening a bank account to obtain invoice authorization. Box 3 lists various reforms that have made it easier or harder to start a business in a sample of countries in the region (World Bank, 2020).

**Box 3**  
**Reforms affecting the business environment**

- Antigua and Barbuda made starting a business faster by improving the exchange of information between public entities involved in company incorporation.
- Argentina made starting a business more difficult by introducing an additional procedure for legalizing the employee books for companies hiring more than 10 employees.
- Bahamas made starting a business faster by reducing the registration time for the business license and value added tax and by eliminating the business registration fee.
- Brazil made starting a business easier by making business registration faster and decreasing the cost of the digital certificate. This reform applies to both São Paulo and Rio de Janeiro.
- Chile made starting a business easier by enabling online registration of closed corporations.
- Colombia made starting a business easier by removing the requirement of opening a bank account to obtain invoice authorization.
- Granada made starting a business easier by introducing online name search.
- Honduras made starting a business less expensive by reducing the notary fees for the preparation of the articles of incorporation.
- Dominican Republic made starting a business easier by reducing the minimum capital requirement.

Source: Prepared by the author, on the basis of World Bank, *Doing Business 2020: Comparing Business Regulation in 190 Economies*, Washington, D.C., 2020.

## 4. Financial environment

The COVID-19 pandemic had a huge financial impact in Latin America and the Caribbean. As a result, investment contracted more than GDP, and the relative difference was greater in Latin America and the Caribbean than in other developing regions (ECLAC, 2021a). Thus, the different international financial institutions have increased the availability of liquidity, at the same time that the demand for funding has also risen in various countries in the region (see box 4) (ECLAC, 2021a).

As could be expected, tax revenues declined as a result of the reduction in income and the contraction in consumption, investment and profits. The available data indicate that at the regional level, the contraction in total income relative to GDP was 0.5%, with similar rates for the group of countries in Central America, Mexico and the Dominican Republic and in South America (0.3% and 0.9%, respectively) (see figure 7).

**Box 4**  
**Banking institutions' financial provisions**

The **IMF** made the largest share of its COVID-19 emergency loans available to 21 countries in Latin America and the Caribbean (eight in the Caribbean, seven in the Central American isthmus and six in South America). As of January 2021, the IMF had allocated US\$ 66.5 billion to Latin America and the Caribbean, which represented 63% of the total (US\$ 106.0 billion) allocated to 85 developing economies.

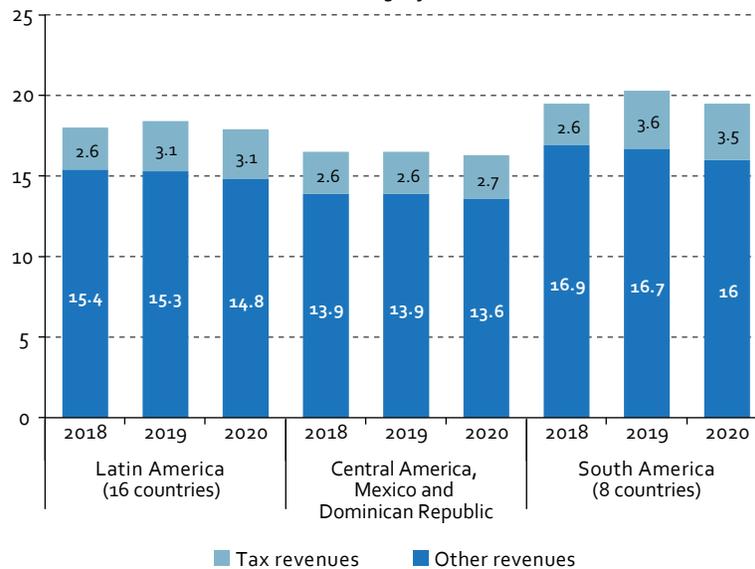
The **Inter-American Development Bank (IDB)**, the **CAF Development Bank of Latin America** and the subregional development banks —

The Central American Bank for Economic Integration (CABEI) and the Caribbean Development Bank (CDB)— have allocated around US\$ 8 billion and US\$ 12 billion, respectively, to the fight against the pandemic. In total, these figures represent 0.5% of GDP and 1.9% of goods and services exports in the region. These funds are used to finance emergency programmes, including health measures, as well as the provision of contingent credit lines. In the case of the IDB, the growth of loans to address the effects of COVID-19 in the region exceeds loan growth following the global financial crisis of 2008–2009.

The **national development banks**, in turn, have allocated the equivalent of US\$ 90 billion to financial support, which vastly exceeds the contributions of the regional and subregional development banks. The national banks have also provided liquidity support through multiple instruments, such as guarantees, subsidies and refinancing plans.

Source: Prepared by the author.

**Figure 7**  
**Latin America (16 countries):<sup>a</sup> total central government revenues, by component**  
(Percentage 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 are: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay

However, the performance of tax revenues recovered over the course of the first half of 2020, as several countries loosened their lockdown measures and mobility restrictions and also implemented measures to reactivate the economy and to support the hardest-hit population, for example, through cash transfer to families by the public sector. These efforts gradually revitalized consumption (ECLAC, 2021b).

Additionally, the COVID-19 pandemic illustrated the importance of financial inclusion, especially for governments, in that inclusive infrastructures made it possible to reach the hardest-hit populations through the implementation of cash transfer programmes. Thus, the countries with digital financial infrastructures were one step ahead in terms of having functioning digital payment systems, which were instrumental in avoiding crowds and possible contagion. In this area, the 2020 Global Microscope (The Economist), which analyses the enabling environment for financial inclusion, highlights the following positive actions in three countries in Latin America and the Caribbean (EIU, 2020):

- In Brazil, the Central Bank created an open data portal for financial providers to facilitate the know your customer (KYC) process and remote account opening.
- Jamaica approved a new Data Protection Act that establishes a comprehensive legal framework and guidelines on how to collect, use, process, store and disclose personal data.
- Guatemala created the SIB Innovation Hub, a programme to facilitate interactions between the Superintendence of Banks and financial technology (FinTech) companies.

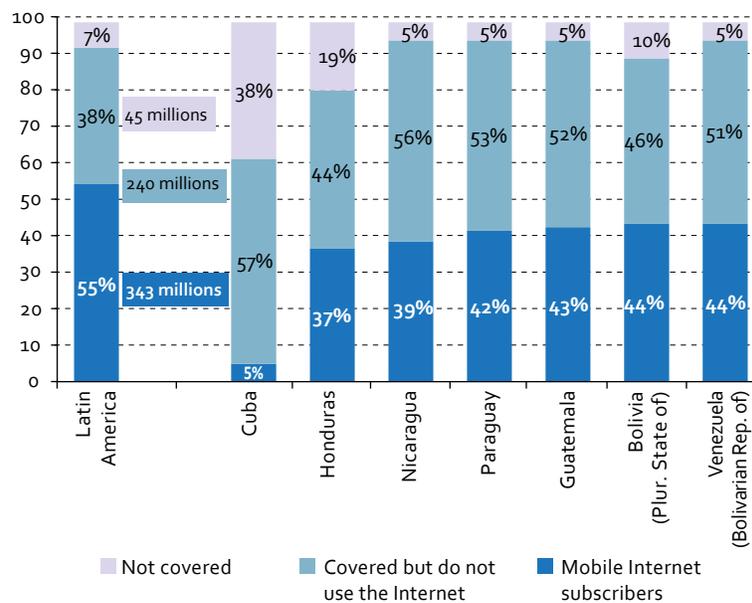
## 5. Infrastructure and connectivity

As indicated earlier, digital infrastructures and connectivity played an essential role in the global COVID-19 pandemic, by making it possible to continue conducting a wide range of economic activities, as well as social interaction, during times that required confinement and physical distancing. This demonstrates the reality of the digital world in which we find ourselves. Many of the socioeconomic dynamics of the digital environment, driven by the pandemic, are likely to endure even after the crisis is over, because they have allowed implementing alternative solutions in our daily lives that are, in some cases, more efficient. Consequently, universal access to information technologies and optimal connectivity are crucial for closing social gaps, in particular the digital gap.

A study by GSMA Intelligence on *The Mobile Economy Latin America 2020* (GSM Association, 2020) indicates that the mobile industry was able to sustain social and economic activity in the region during the pandemic, despite unprecedented growth in data traffic. The study states that “on average, operators reported a 25% increase in mobile data traffic during lockdown” (p. 2). This implies that by late 2020, nearly 360 million people in the region (57% of the population) were connected to the mobile Internet; while almost 300 million people in the region are still unable to connect to the mobile Internet (see figure 8).

The GSMA study further indicates that mobile technologies and services generated 7% of GDP in Latin America in 2019. This is equivalent to a contribution of over US\$ 421 billion in economic value added, in addition to supporting nearly 1.4 million jobs (directly and indirectly) and contributing significantly to the funding of the public sector via tax revenues of US\$ 33 billion (GSM Association, 2020, p. 3).

**Figure 8**  
**Latin America (7 countries): countries with the largest share of people who do not use the Internet**  
*(Percentages of population and millions of people)*



Source: Prepared by the author, on the basis of data from GSM Association, *The Mobile Economy Latin America 2020*, London, 2020.

Another unavoidable challenge common to all Latin American and Caribbean countries is the lack of open public space (OPS), especially in large cities, due to its importance for the environmental health of the city and for the development of various essential activities and functions that require safe mobility. This is especially true at times like the current COVID-19 pandemic, since the limited public space could constitute a threat in the event of crowding in small public areas when capacity restrictions are not strictly applied. In this regard, 2018–2019 data from UN-Habitat on some of the main cities in Latin America and the Caribbean indicate that in the majority of cases, the share of open public space in urban areas is less than 5% of the total built-up area of the cities<sup>3</sup> (see box 5).

**Box 5**  
**Percentage of public open space in urban areas, 2018–2019**

<b>Argentina</b> Buenos Aires: 1.83%	<b>Cuba</b> Santiago de Cuba: 2.41% La Habana: 4.42%	<b>Mexico</b> Mexico City: 2.71% Tijuana: 8.97%
<b>Brazil</b> Belo Horizonte: 5.30% São Paulo: 1.68%	<b>El Salvador</b> San Salvador: 1.92%	<b>Nicaragua</b> León: 2.49%
<b>Chile</b> Santiago: 2.22%	<b>Ecuador</b> Quito: 2.25%	<b>Uruguay</b> Montevideo: 3.82% Salto: 1.23%
<b>Colombia</b> Valleparar: 2.2% Bogotá: 6.31%	<b>Guatemala</b> Ciudad de Guatemala: 1.71%	<b>Venezuela (Bolivarian Rep. of)</b> Caracas: 4.97% Cabimas: 0.41%

Source: Prepared by the author, on the basis of data from UN-Habitat, Urban Indicators Database [online database] <https://data.unhabitat.org/search?collection=Dataset&type=table>.

<sup>3</sup> To ensure adequate foundation for a well-functioning and prosperous city, UN-Habitat (2018) recommends an average of 45%–50% of urban land be allocated to streets and open public spaces, which includes 30%–35% for streets and sidewalks and 15%–20% for open public space.

### III. Pathways to urban economic and financial resilience

The regional socioeconomic scenario outlined above demonstrates the magnitude of the challenge facing the countries in the region in terms of public policies to redirect their economies and return to the development path, incorporating mechanisms to strengthen their economic and financial resilience. This is especially important in urban areas, which have been the ground zero of the pandemic (Guterres, 2020) and which are estimated to account for the majority of COVID-19 cases worldwide. Achieving this—and seeing the COVID-19 pandemic as an opportunity to create true economic and financial resilience beyond the current crisis—will require a change in the style of development in the region. This is clear in the face of the following needs:

- **Strengthen public health systems**, through an increase in the budget allocation in many of the region's economies and through a true coordination of the health sector at all levels and with the diverse actors in the sector.
- Place the **highest priority on strengthening social protection systems**, which should at least guarantee a minimum income for the vulnerable population, especially in times of crisis characterized by job losses and with a focus on informal workers.
- Achieve **greater labour specialization in the region**, possibly through an increase in investment in research and development, where public resources can, in turn, provide leverage for the private sector, translating into greater productivity and competitiveness in international markets.
- Implement and do not delay the necessary **gradual fiscal reforms in many of the economies in the region**, which will allow expanding and improving the effectiveness and scope of social policies so as to continue reducing poverty and inequality.
- **Emphasize public policies on land-use planning** within countries to ensure that the plans are effectively implemented and not simply formulated, as is often the case.
- Define and adopt comprehensive **vulnerability assessment and crisis management methodologies** at different levels (national and local, urban and rural).

- Promote **sustainable and inclusive urban mobility** through the recovery of public spaces, green spaces and sidewalks, as well as the incorporation of environmentally friendly transportation methods.
- **Incorporate greater access to and use of information and communication technologies**, which allow productive units to operate and contribute to closing the gaps in education and knowledge generation in the population as a whole.
- **Promote financial inclusions and credit access** through innovative and attractive solutions that allow effectively reaching the vulnerable population through, for example, cash transfers, during times of crisis like the current COVID-19 pandemic.
- Strengthen confidence in institutions, primarily the government, promoting a **culture of public information access** that facilitates the exercise of citizen oversight and provides transparency and legitimacy to the public management process.
- **Prioritize government spending and investment**, balancing economic, social and environmental issues equally, to design comprehensive interventions that promote economic and financial resilience mechanisms that ultimately guarantee a sustainable and accessible recovery for all the economies in the region.

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This document, prepared in the framework of the United Nations Development Account twelfth tranche residual balance (DAT12A) project “Building Urban Economic Resilience during and after COVID-19”, aims to provide a critical analysis of the challenges faced by Latin American and Caribbean countries amid the coronavirus disease (COVID-19) pandemic, and of the main elements that build economic and financial resilience. First, a detailed description of the project is given and the importance of economic and financial resilience is explained. The background and challenges in the region and the specific impact of the pandemic in Latin America and the Caribbean are then described, along with the pre-existing vulnerabilities exposed by the pandemic, particularly in the economic and social spheres. The document also presents a general overview of the regional situation in the different areas that make up resilience, providing relevant information for the countries in this regard. The conclusions and policy recommendations set forth the main challenges and priorities to be addressed by the region on the road to urban economic and financial resilience.

