



LATIN AMERICA AND THE CARIBBEAN CHALLENGES AND RESPONSES TO THE COVID-19 CRISIS

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ECLAC



UNITED NATIONS

ECLAC

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"Economía Social de Mercado como proyecto de paz. Cooperación germano-latinoamericana para el desarrollo sostenible"

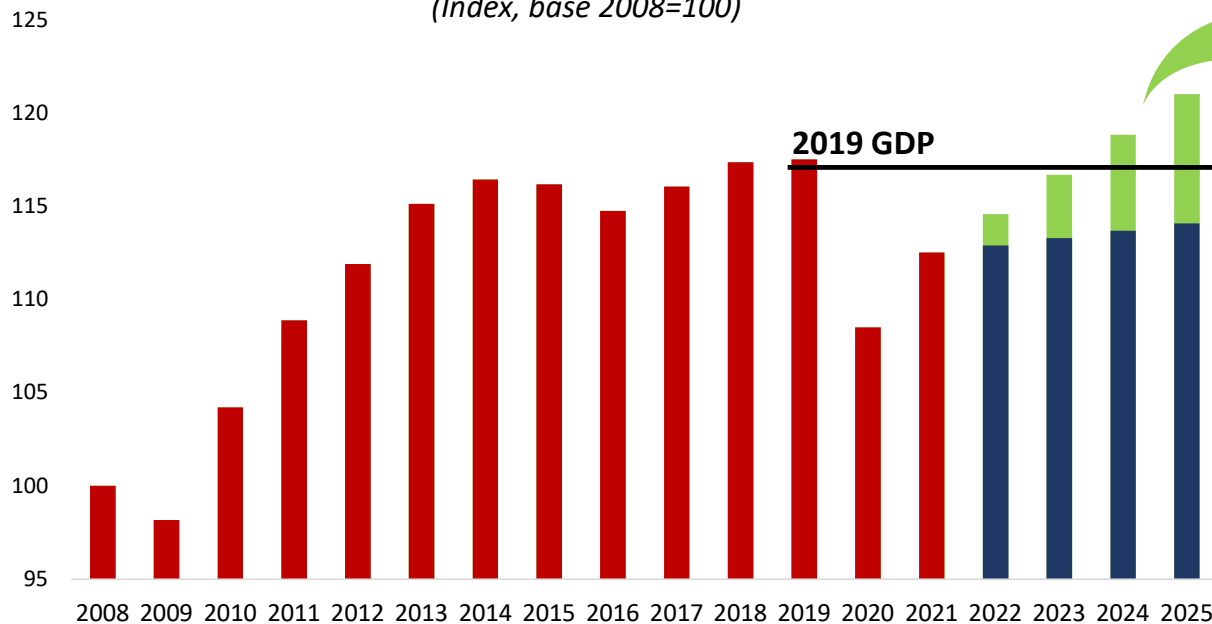
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THE REGIONAL CONTEXT: 8 KEY MESSAGES

1. COVID-19 magnified structural gaps: inequality, limited fiscal space, low productivity, high informality, fragmentation of health and social protection systems.
2. LAC is the most hardly hit region of the developing: 8,7% of global population and 30% of fatalities and worst contraction in 120 years.
3. Financial risks-high debt and lack of liquidity- persist in emerging economies.
4. Rise in unemployment, poverty and inequality and massive closure of SMEs.
5. Fiscal policy became the main instrument to tackle effects of the pandemic.
6. Active fiscal and monetary policies will be required, in synergy with environmental and industrial policies for the recovery.
7. International cooperation with access vaccines and financing on favourable terms for small MICs and SIDs.
8. Building back/forward better with equality requires new coalitions and political, fiscal and social pacts.

THE 7.7% FALL IN REGIONAL GDP IN 2020 NO RETURN TO PRE-CRISIS LEVELS BEFORE 2023-24 EVEN WITH THE REBOUND OF 3,7%

LATIN AMERICA AND THE CARIBBEAN: LEVEL OF REAL GDP
(Index, base 2008=100)



When will GDP return to **pre-pandemic levels?**

In 2024, provided growth of 1.8% (average of last decade) from 2022 onwards

In the next decade, provided growth of 0.3% (average of last six years) from 2022

Uncertainties

- Longer-than-expected crisis
- Vaccine production and distribution
- Capacity to maintain monetary and fiscal stimulus policies
- Electoral processes

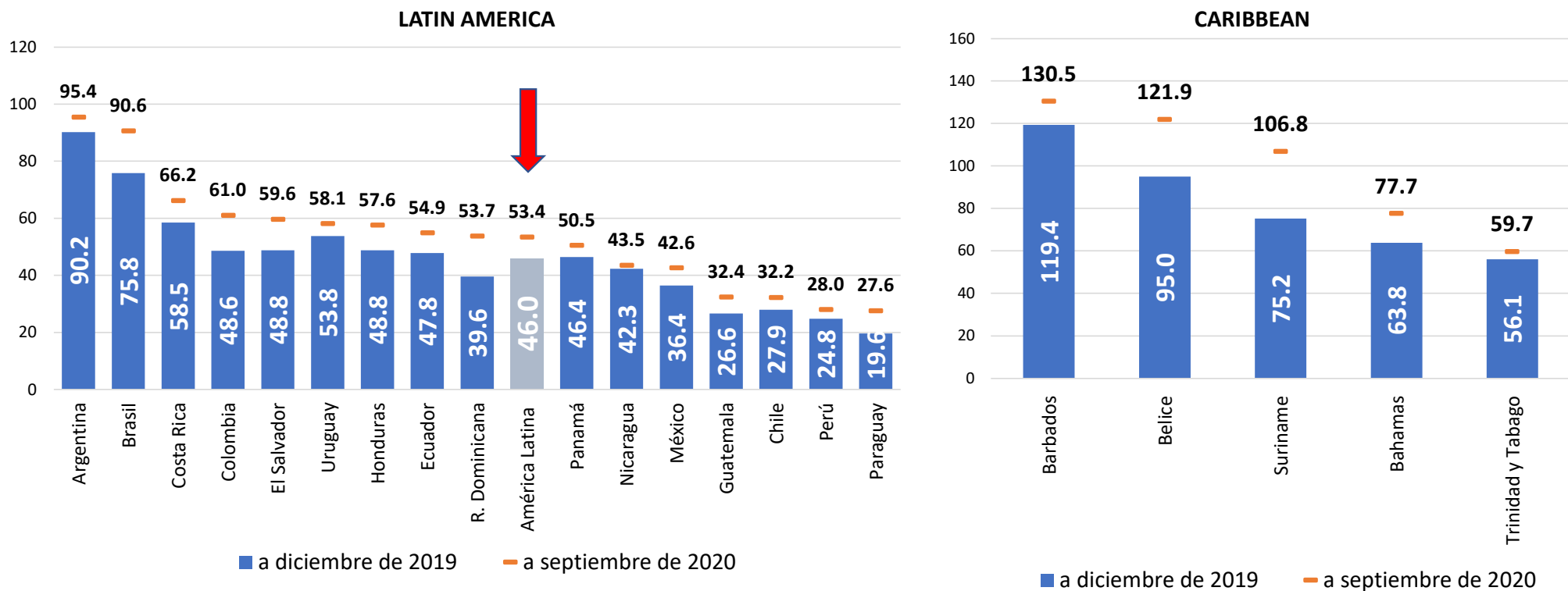
■ Scenario of a 3.7% recovery in 2021 and average growth rate of 2010–2019 (1.8%)

■ Scenario of a 3.7% recovery in 2021 and average growth rate of 2014–2019 (0.3%)

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

LESS FISCAL SPACE AND HIGHER EXTERNAL DEBT

Latin America (16 countries) and Caribbean (5 countries): PUBLIC DEBT OF THE CENTRAL GOVERNMENT (SEPTEMBER 2020)^a
(PERcentaGe of GDP)



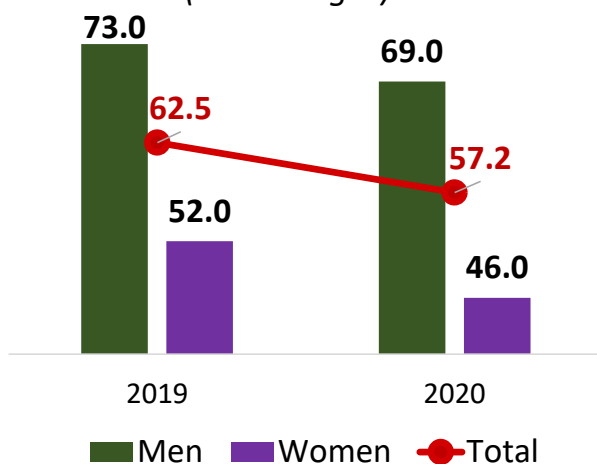
Fuente: Comisión Económica para América Latina y el Caribe (CEPAL), sobre la base de cifras oficiales.

Nota: En el caso del Brasil, se trata de cifras del gobierno general. En Honduras las cifras corresponden a agosto de 2020, y en la Argentina, Chile, Nicaragua, el Perú y el Uruguay, a junio de 2020.

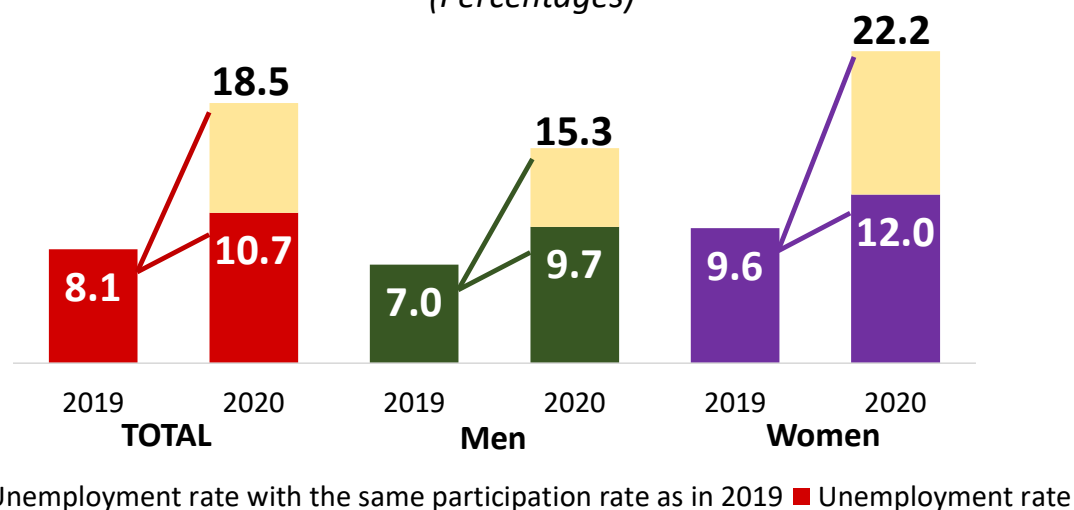
LABOUR MARKET DETERIORATION: UNEMPLOYMENT AT 10.7% IN 2020

- High levels of labor **informality (54%)**
- Only **47.2%** of employed persons affiliated or contributed to the **pension systems**
- **60.5%** were affiliated or contributed to the **health systems**
- **Unemployment** rate expected to be around **10.7%** in 2020
- Closure of **3,7 million** MSMES
- **40 million** households without internet connectivity

LATIN AMERICA: **PARTICIPATION RATE**
(Percentages)



LATIN AMERICA: **UNEMPLOYMENT RATE**
(Percentages)



MEASURES IMPLEMENTED DURING THE PANDEMIC COVERED HALF OF THE REGION'S POPULATION AND SLOWED THE INCREASE IN POVERTY

Fiscal measures up to 4,3%

Credit guarantees up to 2,5%

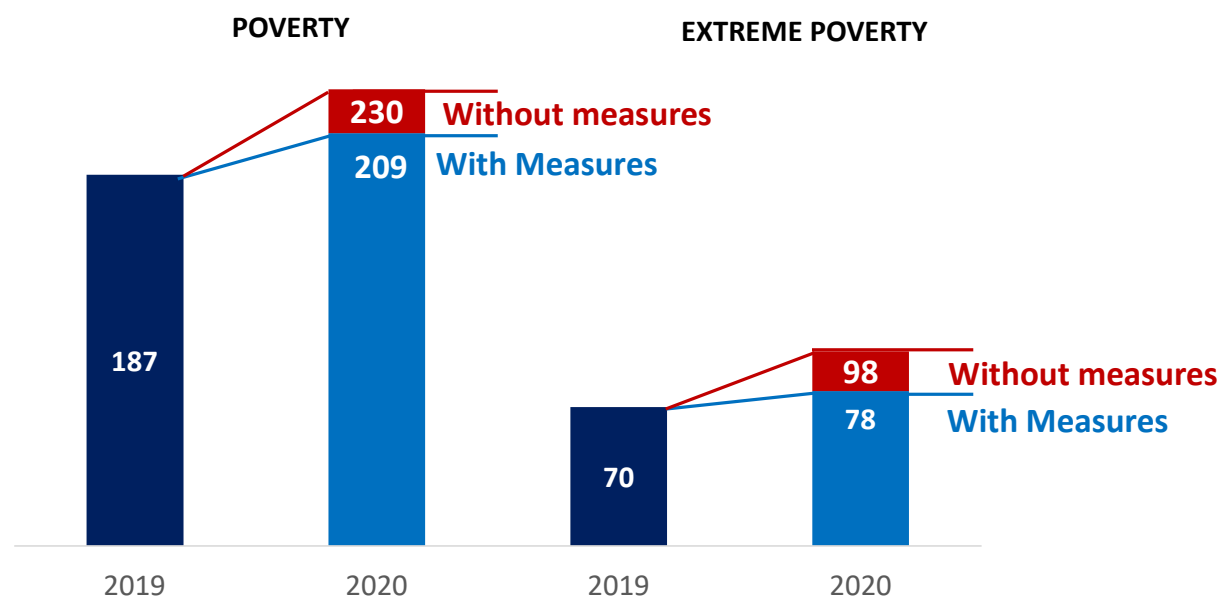
Social spending: 1,25%

263 emergency social protection measures in 2020

Cash and in-kind transfers:

- Estimated **population coverage: 49.4%**; approximately 84 million households, or 326 million persons
- Innovation: 33 cash transfers covering **informal workers**
- Total amount announced: **US\$86 billion**

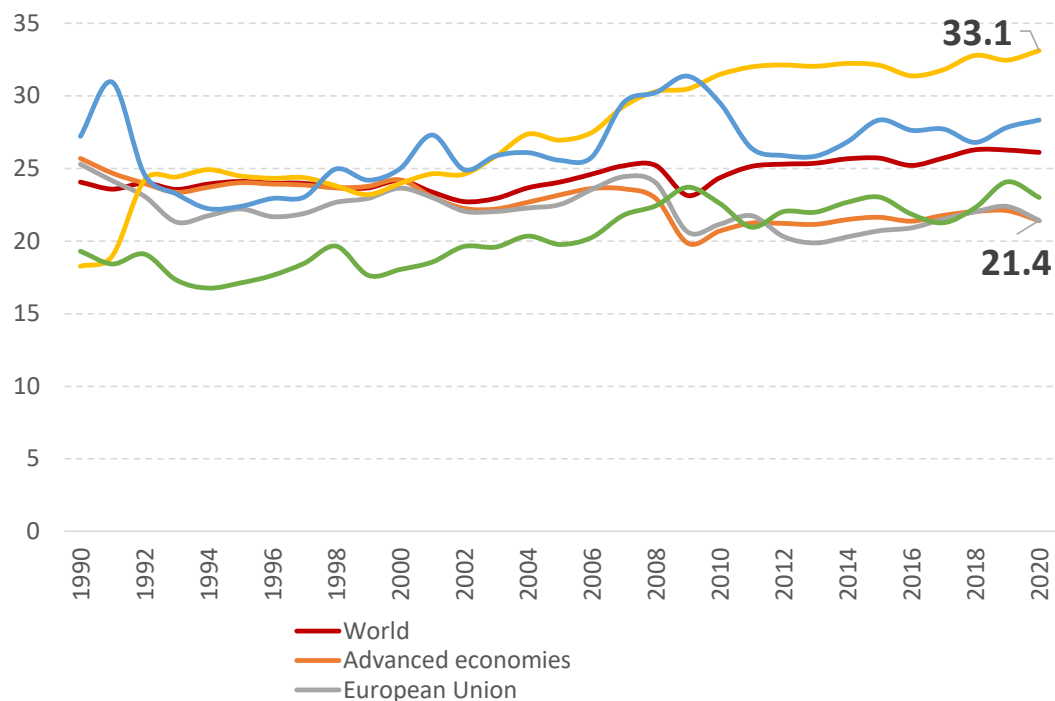
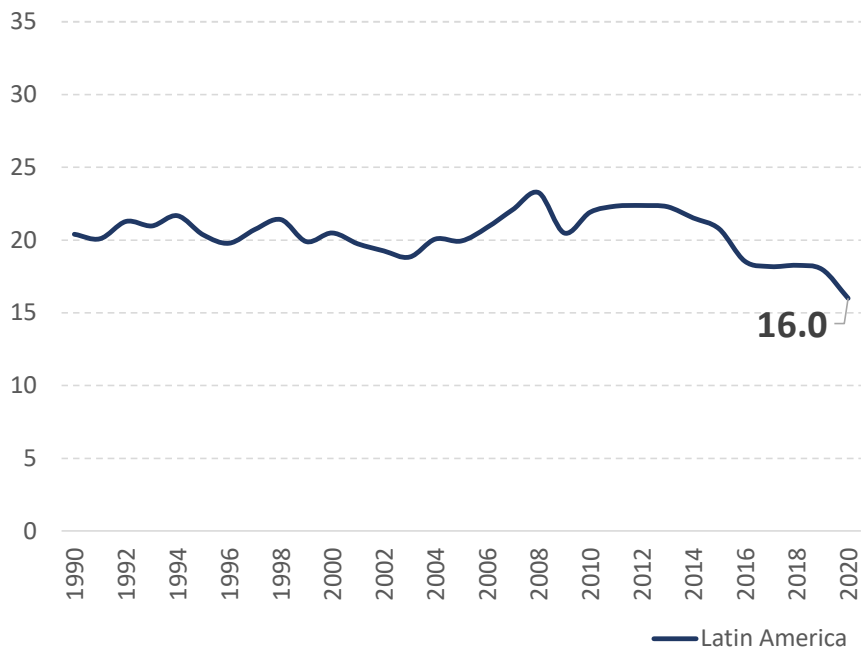
LATIN AMERICA: POVERTY AND EXTREME POVERTY, 2019–2020
(Millions of persons)



Source: ECLAC

URGENCY TO CHANGE THE DOWNWARD TRAJECTORY OF INVESTMENT-GDP RATIO

INVESTMENT-GDP RATIO
(ratios based on current dollars, in percentages)

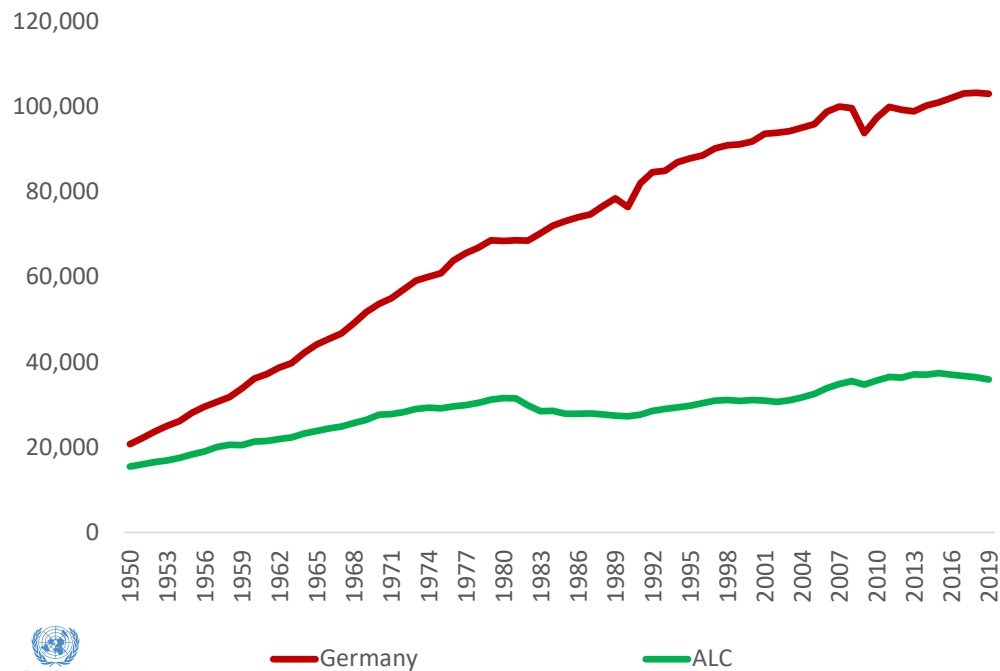


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and the International Monetary Fund (WEO, October 2020).

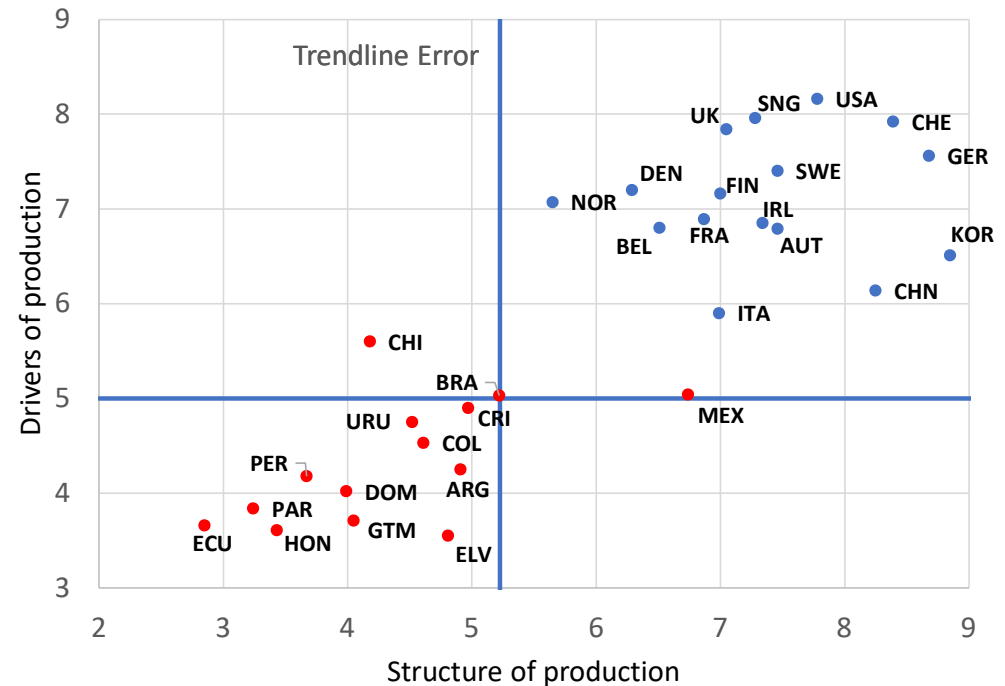
STRENGTHENING PRODUCTIVITY AND DIGITAL TECHNOLOGIES INCORPORATION

- Latin America and the Caribbean lacks the productive capacities to generate quality jobs
- Technology incorporation, innovation and development will be key to strengthening productivity

Productivity Levels



Industry 4.0: Readiness index



THE RECOVERY REQUIRES CONTINUED EXPANSIONARY FISCAL POLICIES IN A CONTEXT OF FISCAL SUSTAINABILITY BASED ON STRENGTHENED REVENUES

Expand the fiscal space:

- Eliminate spaces for **tax evasion and avoidance** which represent **6.1% of GDP**
- Review **tax expenditures: 3.7% of GDP**
- Progressive **tax collection**
- Prioritize investment, support to MSMEs and emergency income

International cooperation:



- **Redistribution of existing and new SDR issue of US\$ 500 billion** (56 billion for LAC)
- **Relief of 12% of the public debt of the Caribbean** to create a resilience fund to finance adaptation to climate change.
- **Fund to Alleviate COVID-19 Economics (FACE):** transfer liquidity (US\$ 516 billion)
- **Adjust graduation and allocation criteria** to include middle-income countries in ODA flows.








A PARTNERSHIP FOR RECOVERY: GERMANY AND LATIN AMERICA AND THE CARIBBEAN



- Opportunities to strengthen our cooperation
- Germany may play a leading role in fostering investments toward a transformative recovery
- Growth, employment and innovation are essential
- Big push for sustainability with equality
- Speed up implementation of Agenda 2030 and Paris Agreement

ECLAC'S PROPOSAL: A TRANSFORMATIVE RECOVERY

**SEVEN SECTORS THAT DRIVE TECHNOLOGICAL CHANGE,
CREATE JOBS, LOWER THE EXTERNAL CONSTRAINT AND
REDUCE THE ENVIRONMENTAL FOOTPRINT**

-  Energy transition towards renewable energies
-  Electromobility
-  Retrofitting buildings and vehicles
-  Digital inclusion and innovation
-  Health-care manufacturing industry
-  Bioeconomy: solutions based on nature
-  Circular economy

**FIVE MEDIUM- AND
LONG-TERM POLICIES**

FISCAL

SOCIAL

ENVIRONMENTAL

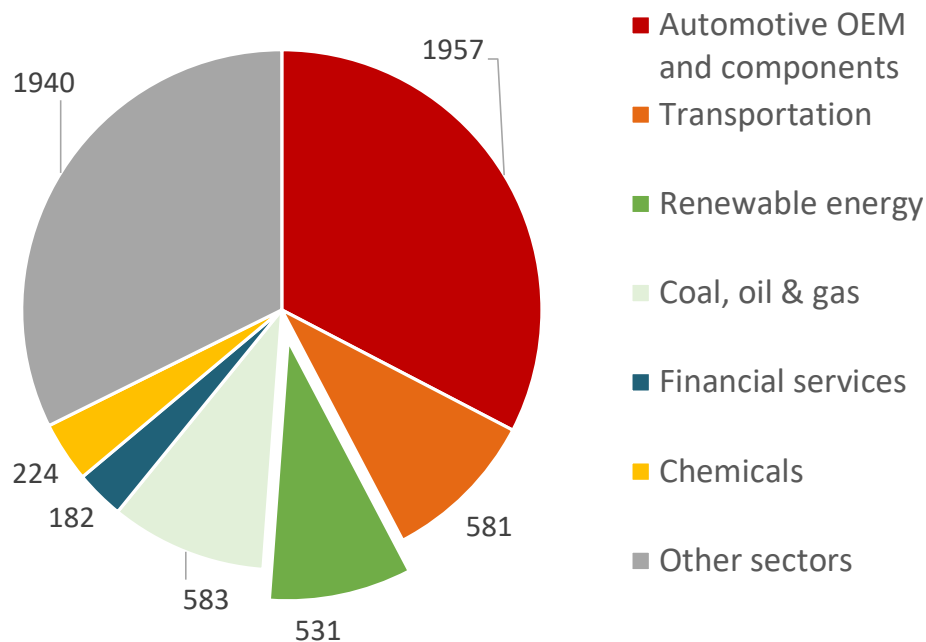
INDUSTRIAL

INTEGRATION

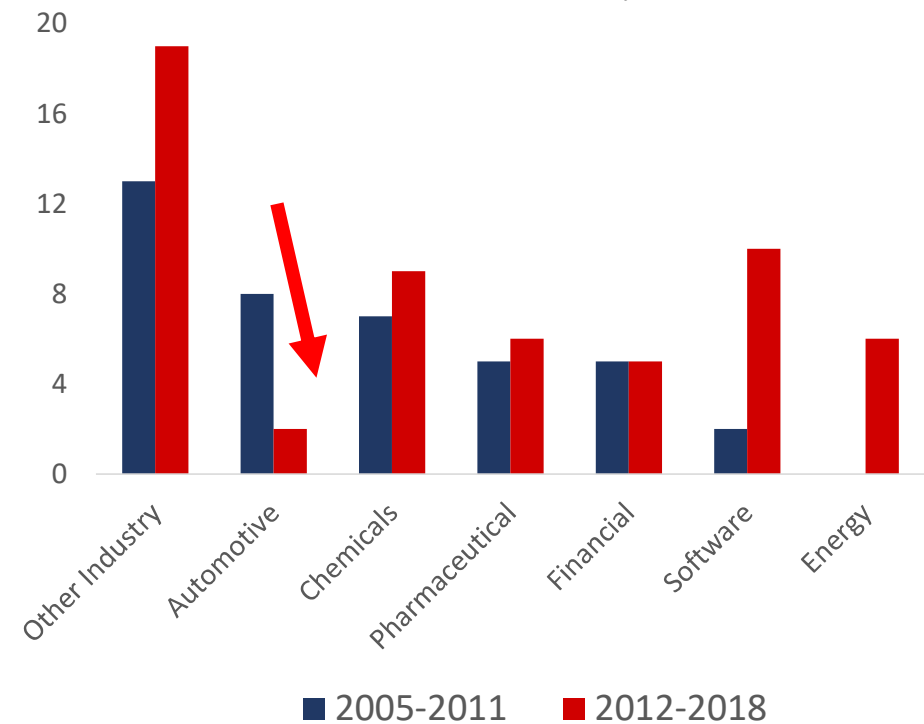
INVESTMENT PARTNERSHIPS IN STRATEGIC SECTORS

- German companies have been investing in strategic sectors: **automotive and renewable energy**
- M&A of German companies are shifting from the automotive sector to **energy, chemicals and software**
- Germany is the **2nd partner** in investments projects in **medical devices and pharmaceuticals**

LAC: AMOUNTS ANNOUNCED IN FDI PROJECTS FROM GERMANY, 2010-2019
(Million of dollars and percentages)



NUMBER OF MERGERS AND ACQUISITIONS FROM GERMAN COMPANIES, 2005-2018



OPPORTUNITIES WITH GERMANY

Germany is currently the 7th and 5th investor globally in renewable energy and ICT, respectively

- **Health-care manufacturing industry and cooperation on vaccines and pharma**
 - **New energy sources**
 - Energy efficiency in manufacturing.
 - From lithium to hydrogen (?)
 - **Urban transportation and smart cities**
 - Electrification of public and private transports: manufacturing and licensing
 - Circular economy infrastructure
 - Retrofitting buildings and vehicles: parts, licenses, transformation
- **Nature based solutions**
 - Development and marketing of advanced bioeconomy products
 - Market development in environmental services for Germany (for the ETS offsets market)
 - **Building traceability in trade/ Labelling of greener products and services (green copper, sustainable agricultural products, fishing and timber, etc.)**
 - Market development in Germany for these products

NINE RECOMMENDATIONS FROM ECLAC TO MOVE FROM EMERGENCY TO RECOVERY

1. Health comes first: joint production and equal distribution of the vaccine: 3 velocities
2. Extend the emergency basic income (equivalent to one poverty line) for vulnerable population by 12 months
3. Longer terms and grace periods for lending to MSMEs
4. A basic digital basket: a laptop, tablet and low-cost connectivity plan: 1% of GDP
5. Education and training as a priority in 2021
6. Expansionary fiscal and monetary policies, both conventional and unconventional
7. International solidarity in financing, vaccines and climate change
8. Recovery plans based on investment, employment and environmental sustainability
9. Political and fiscal compacts for universal social protection that is progressive and redistributive with gender equality