

Covid-19 crisis and towards a social and economic recovery in Latin America



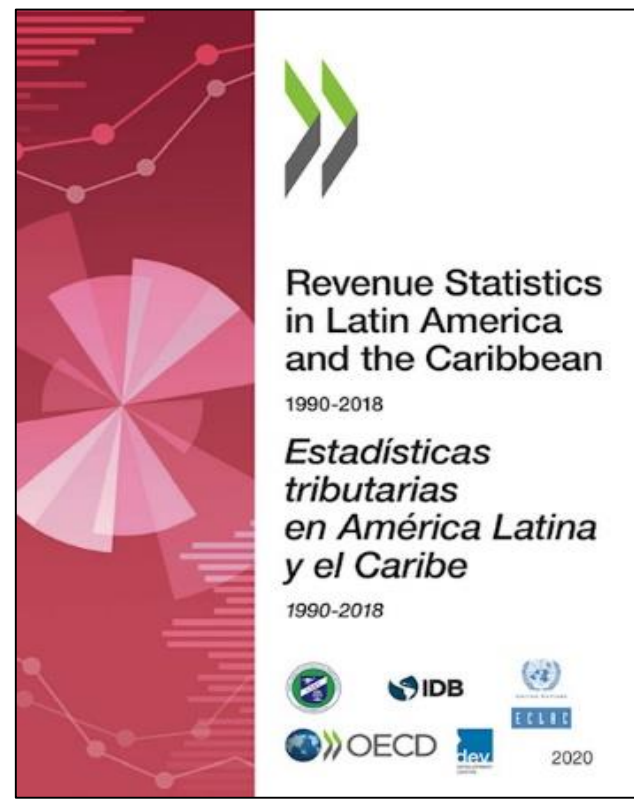
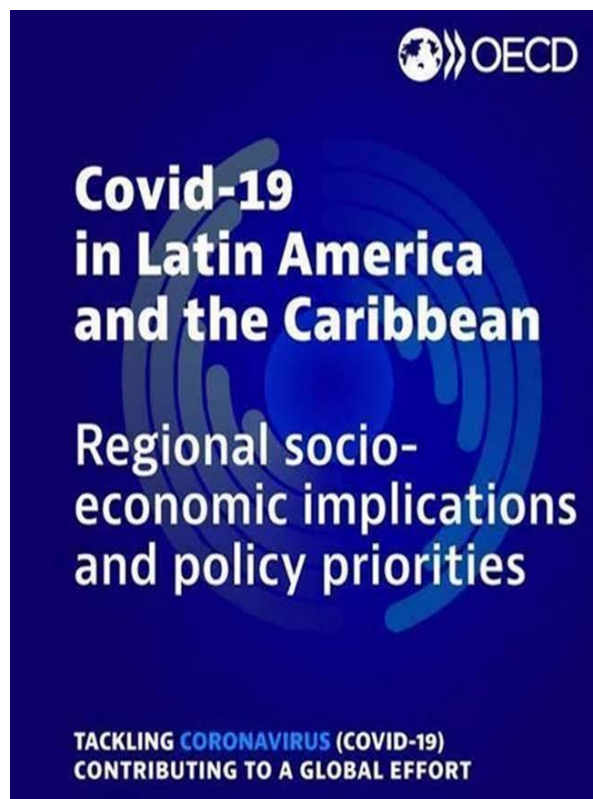
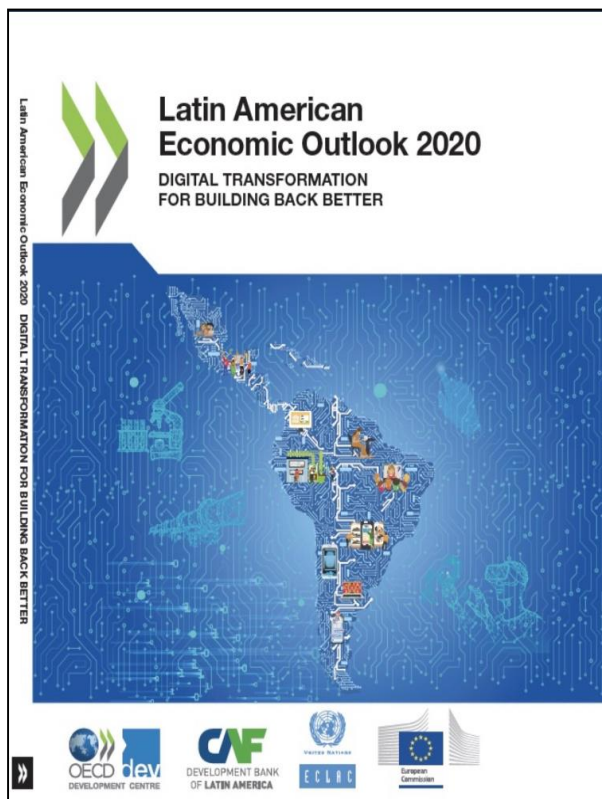
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Conseil d'orientation stratégique IHEAL
Paris, January 20 2021



Latin America and the Caribbean and the Covid-19 crisis



Access to all our publications / events on LAC:

<https://www.oecd.org/dev/americas/>

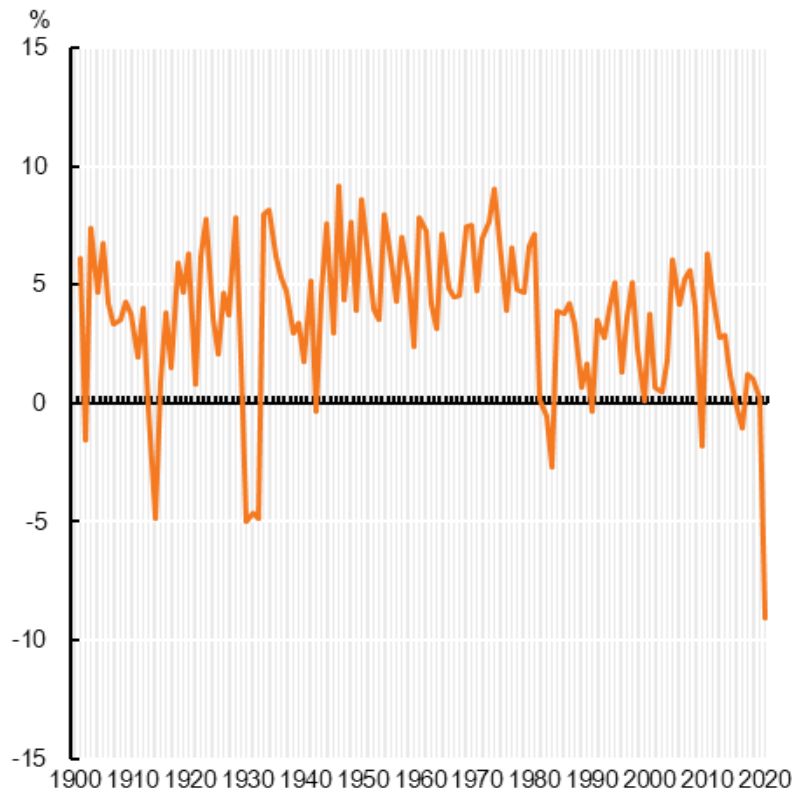
<http://www.latameconomy.org/>



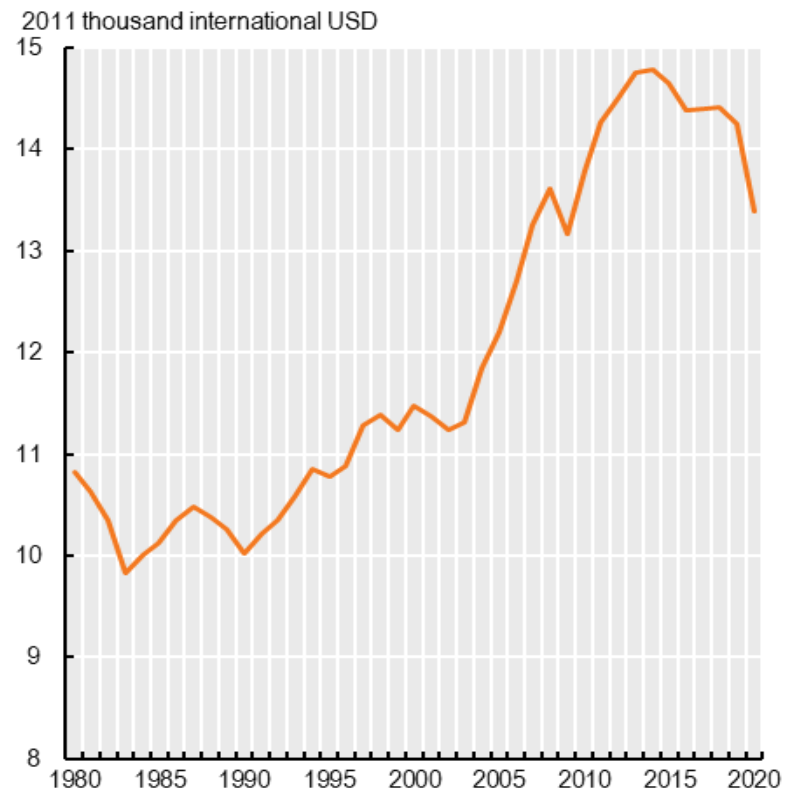
The impact of this crisis on economic activity and social conditions is particularly severe for the LAC region

Annual GDP growth rates and GDP per capita levels in LAC

Panel A. GDP growth in Latin America



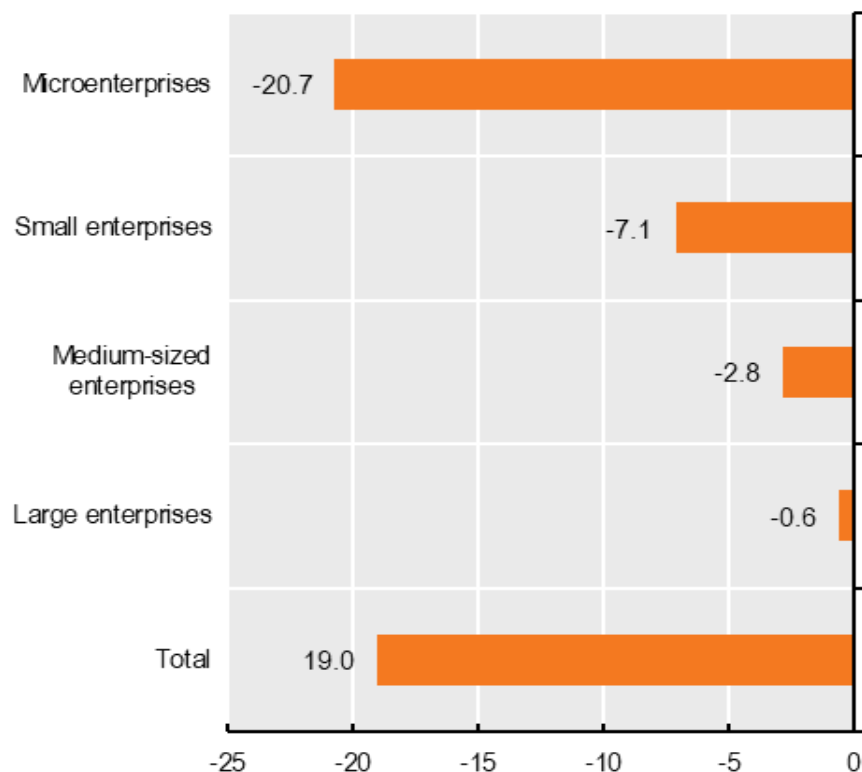
Panel B. Gross domestic product per capita, constant



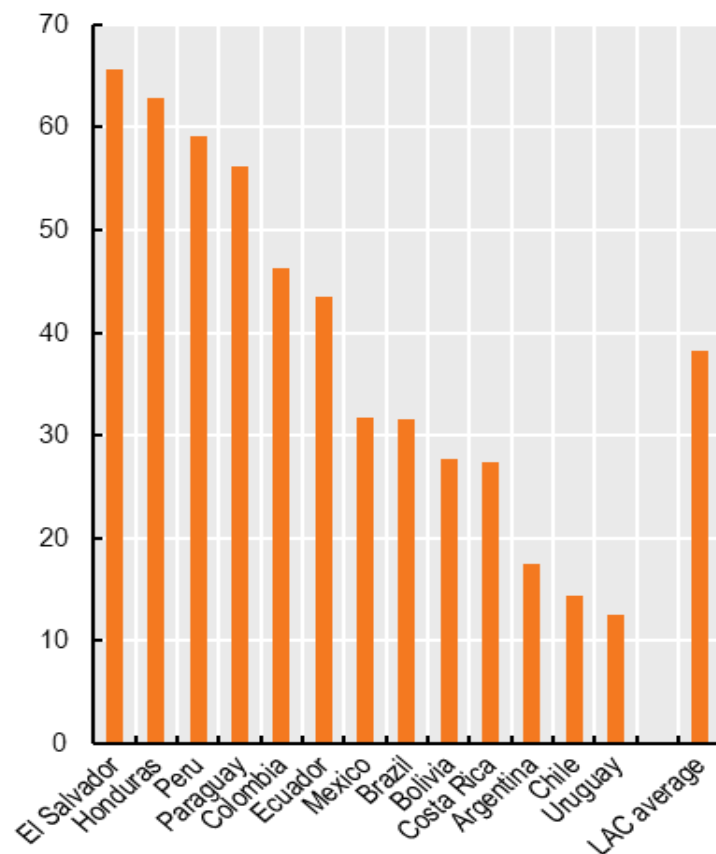


The impact of this crisis is asymmetric and affects mostly the vulnerable groups

Panel A. Firms likely to close as a result of the coronavirus (Covid-19) crisis, by size (%)



Panel B. Workers without labour-based social insurance and main social assistance schemes (%)

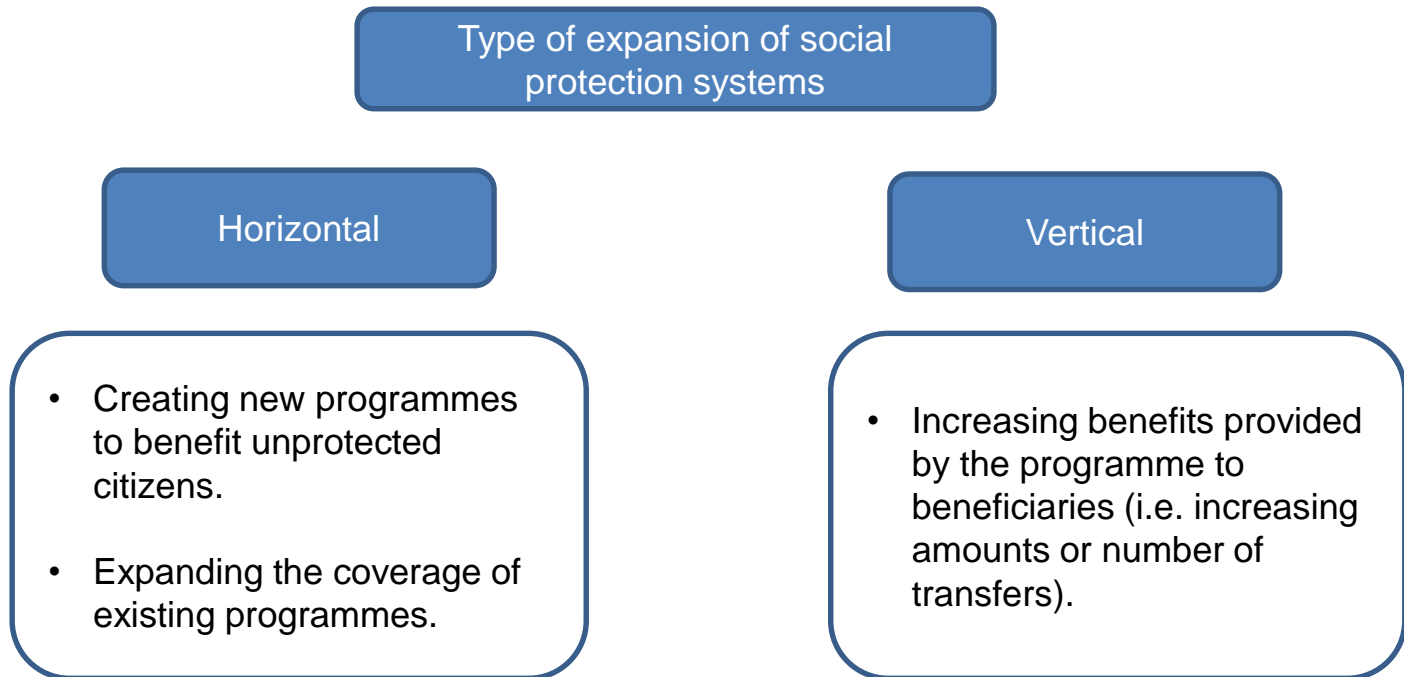


Source: Latin American Economic Outlook 2020, based on ECLAC (2020d), "Sectors and businesses facing COVID-19: Emergency and reactivation", Special Report COVID-19 No.4 and Basto-Aguirre, Nieto-Parra and Vázquez-Zamora (2020), Informality in Latin America in the post COVID-19 era: Towards a more formal "new normal"?, Vox Lacea.



Protecting the poor and preventing vulnerable populations from falling into poverty has been faced by an expansion of social protection mechanisms

Latin American countries have taken additional social protection actions targeting poor population but also **vulnerable, informal and independent workers**.





These new programmes are an opportunity to expand social protection systems

Selected programmes

Country	Program name	Coverage	Type of expansion	Estimated/ Announced Coverage
Argentina	Extra Cash transfer: 1) Asignación Universal por Hijo (AUH) 2) non-contributory pensions	Informal, unemployed, vulnerable independent parents. Non-contributory pensions recipients.	vertical	4.4 million people + 1.6 million non- contributory pensions recipients
	Ingreso Familiar de Emergencia	Households that depend completely Informal and independent between 18 and 65 years old (excluding other programs) and unemployed	horizontal	3.6 million households
Bolivia	Bono contra el hambre	People over 18 years old without salary who are beneficiaries of the Bono Juana Azurday, Bono Universal or disabled people	vertical	4 million people
	Bono Universal	All Bolivians between 18 and 60 years of age without fixed income (They cannot be beneficiaries of other programs)	horizontal	4 million people
Brazil	Auxilio emergencial	Low income Informal independent workers	horizontal	70 million people
	Bolsa Familia	Inclusion of 1.2 million poor households	horizontal	1.2 million households (the program covers in total 14.3 million households)
Chile	Bono Covid	60% of the most vulnerable population (2 million without formal employment)	horizontal	3 million people
	Ingreso Familiar de emergencia (IFE) I and II	Households receiving informal income and are part of the 60% more vulnerable population. Households with beneficiaries of solidarity pensions	horizontal	3.2 million households



These new programmes are an opportunity to expand social protection systems

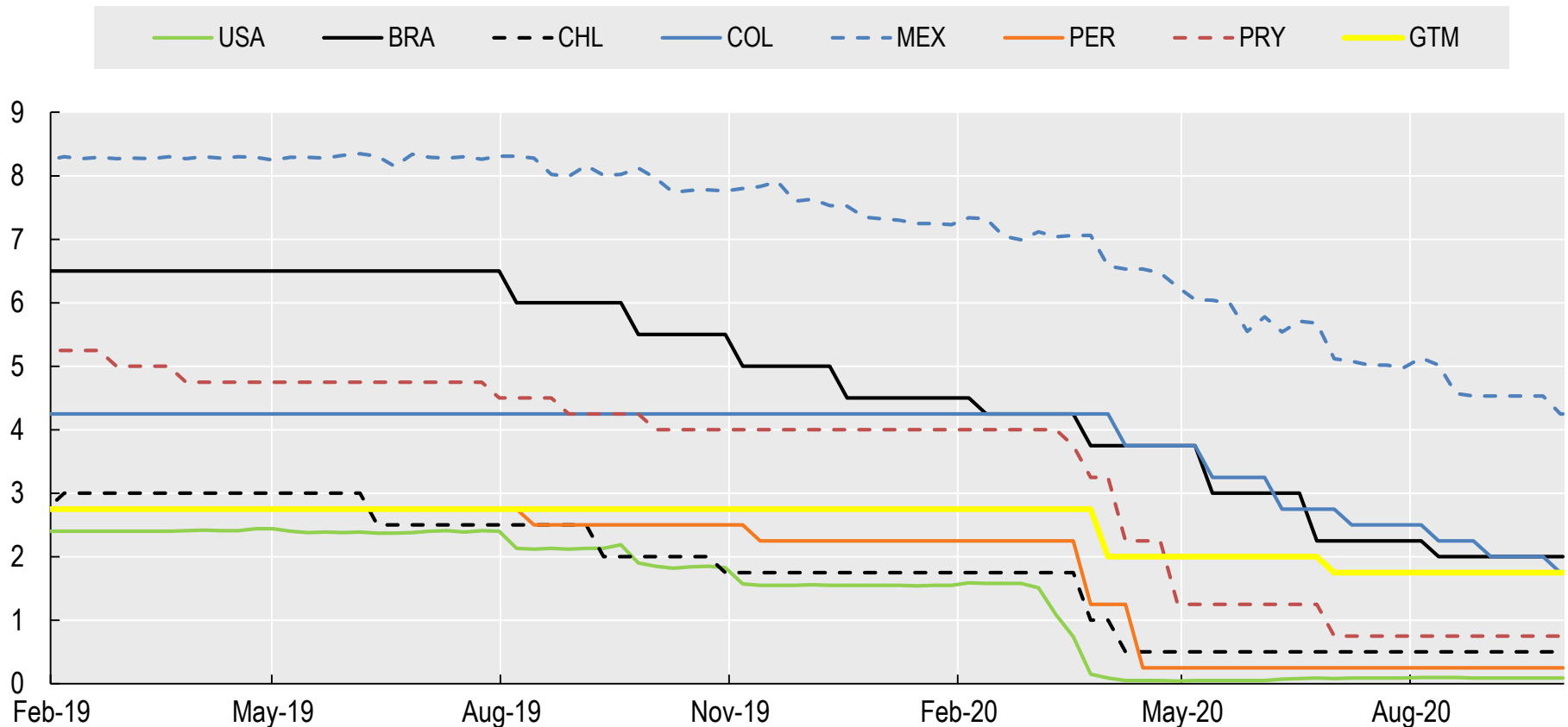
Selected programmes

Country	Program name	Coverage	Type of expansion	Estimated/ Announced Coverage
Colombia	Extra income for beneficiaries of existing social protection programs	Beneficiaries of existing programs	vertical	3.3 million households
	Ingreso Solidario	Poor or vulnerable Households that are not beneficiaries of any other social assistance programs, focusing on informal workers and unemployed	horizontal	3 million households
Costa Rica	Bono proteger	Workers whose income has been reduced by the pandemic and informal independent workers	horizontal	612,000 people
	IMAS extraordinary subsidy	People in poverty not covered by other programs	horizontal	30,000 households
El Salvador	Subsidio alimenticio por emergencia del COVID-19	Households without income	horizontal	1.5 million households
Mexico	Programa de Apoyo para el Bienestar de las Niñas y Niños, Hijos de Madres Trabajadoras	Parents or guardians of children between 1 and 6 years old	vertical	n.a.
Paraguay	Subsidio Pytyvõ	Informal self-employed or SME workers	horizontal	1.5 million people
Peru	Bono independiente	Own account workers and informal workers	horizontal	780k households
	Bono familiar universal	Households in poverty or extreme poverty in urban and rural areas beneficiaries of JUNTOS or solidarity pensions	vertical	2.5 million households
Uruguay	4 extra payments of Asignacion familiar Plan de equidad	Families in a situation of socioeconomic vulnerability covered by the program	vertical	768k people
	Operativo canasta	Informal workers without social security	horizontal	210k people



Most central banks in the region have eased monetary conditions but the monetary space is now limited

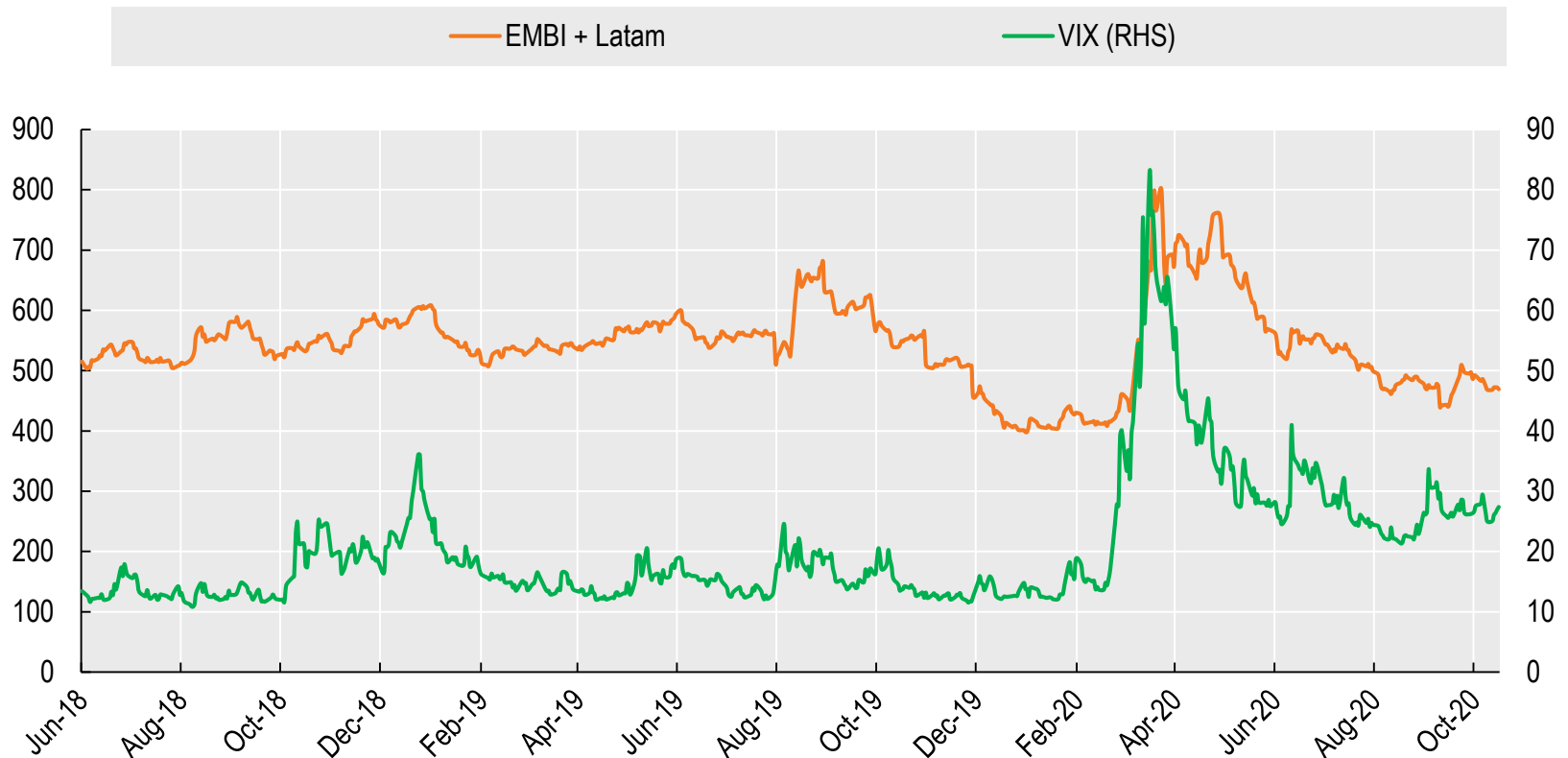
Monetary policy interest rates for selected countries (%)





High liquidity in international markets: financing has continued to sovereign debt

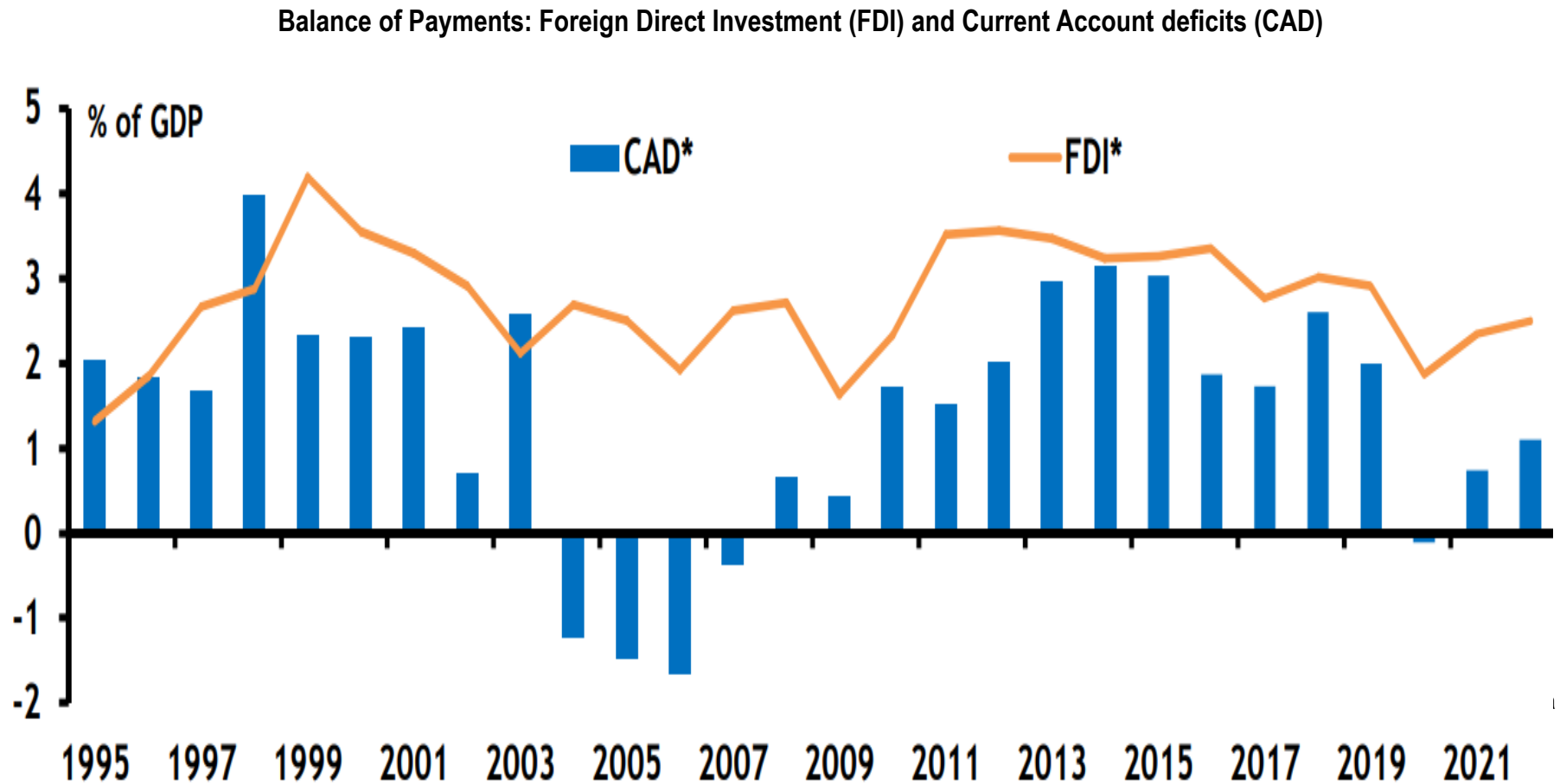
LAC Emerging Markets Bond Index (EMBI) spreads and CBOE Volatility Index (VIX)



Source: Latin American Economic Outlook 2020 <https://doi.org/10.1787/e6e864fb-en>, based on Bloomberg.



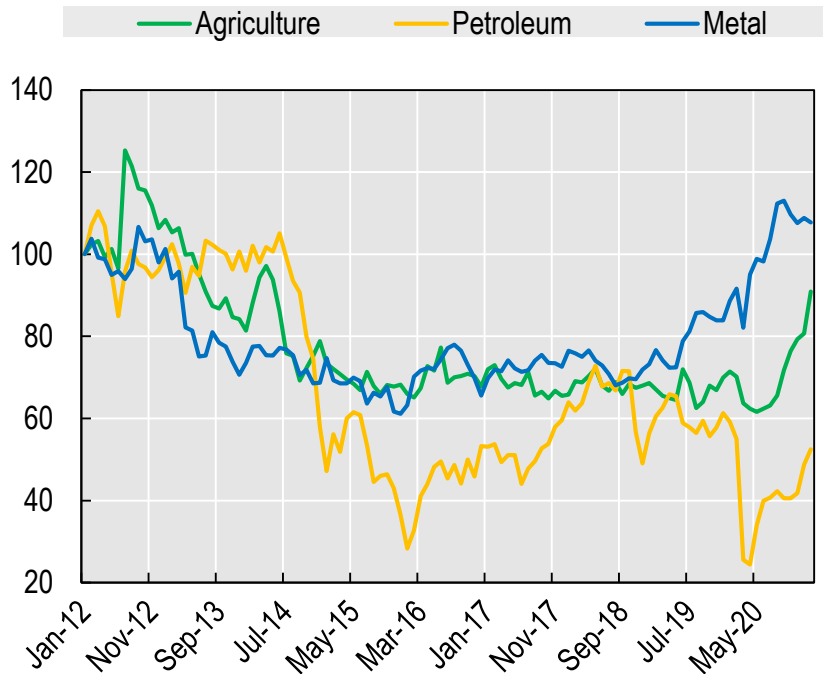
From deficit to surplus on the current account in 2020





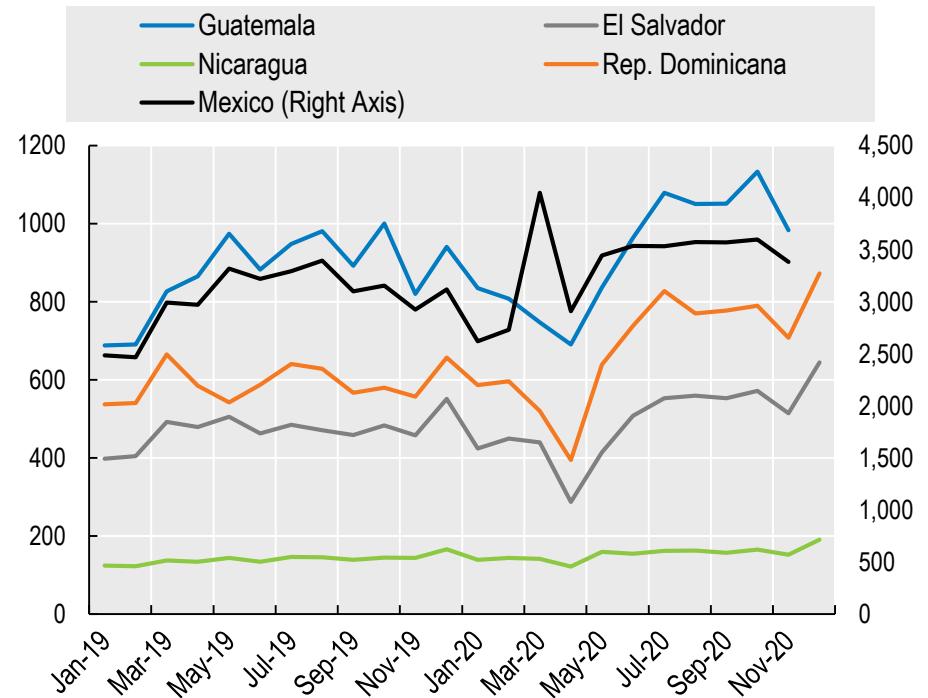
From deficit to surplus on the current account in 2020

Commodity prices (Base 100 = Jan 2012)



Source: Datastream

Family Remittances, in million USD

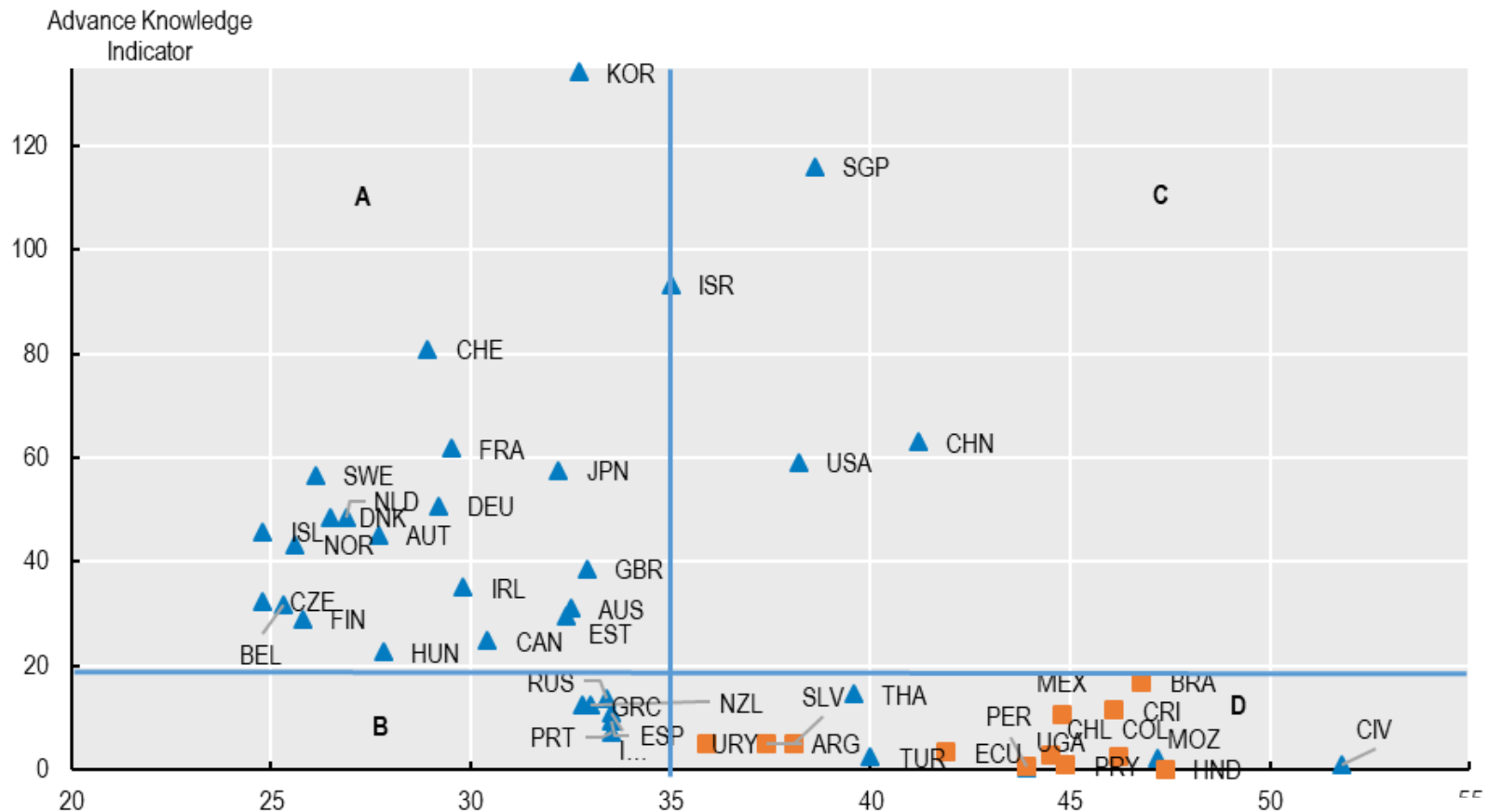


Source: Central Banks of selected countries.



A key structural challenge for the recovery: Latin America is in the group with high inequalities and low technology adoption

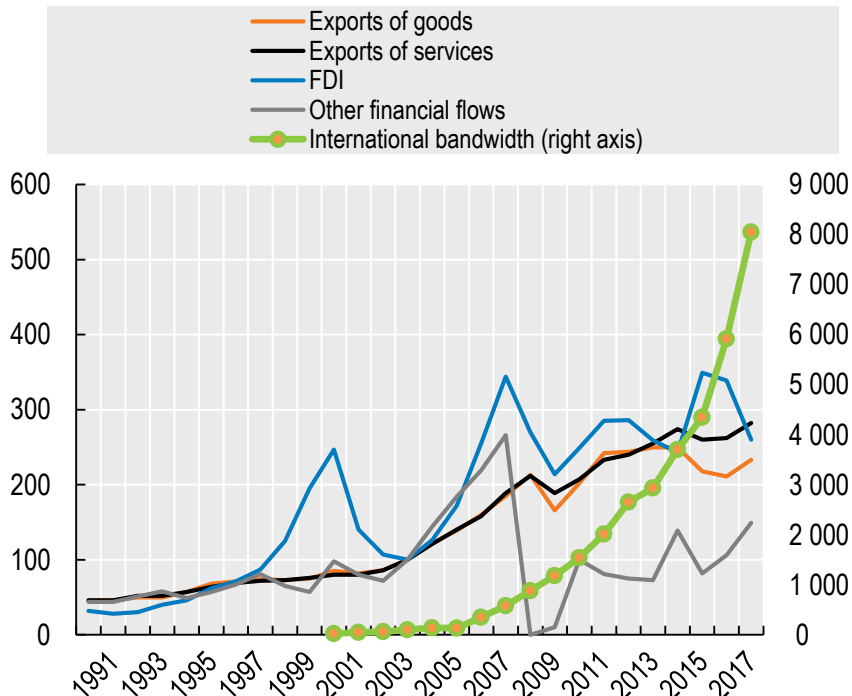
Advance knowledge indicator and the Gini Index



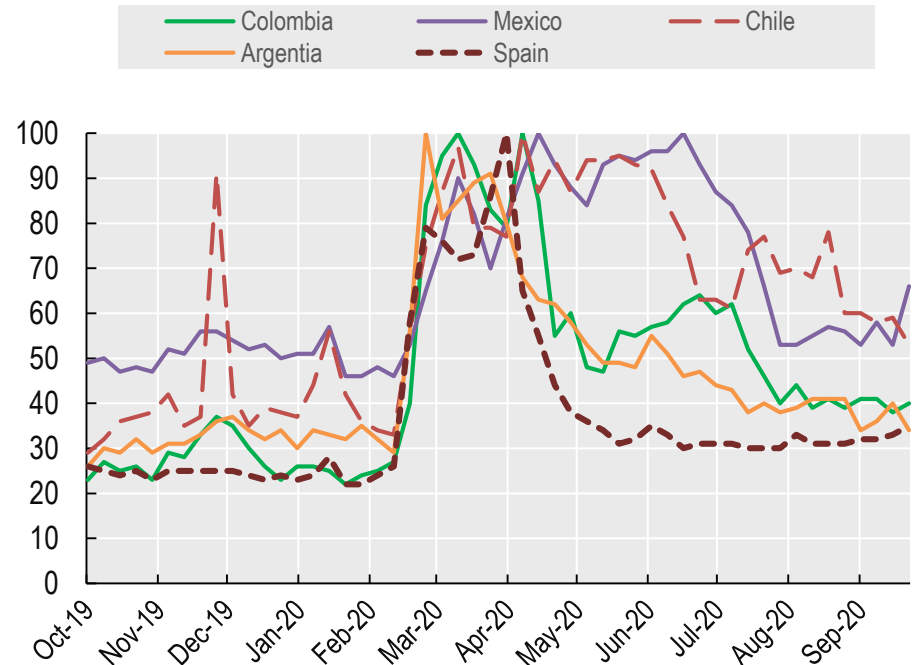


The digital transformation: from an opportunity to an indispensable element to boost development

Trade, investment and financial trends vs. international Internet traffic capacity, 1990-2017
(Index 2003 = 100)



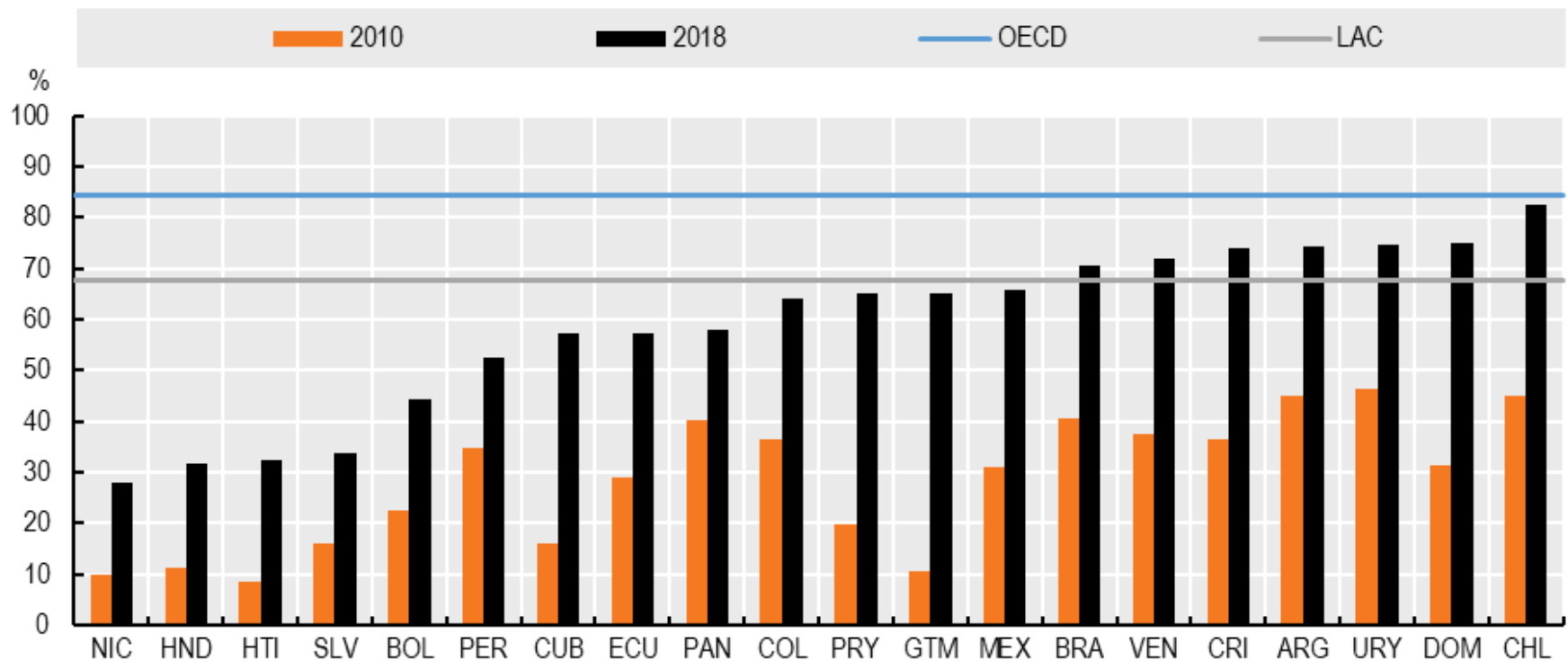
E-commerce in the time of Covid-19
Popularity in terms of searches in Internet (0-100)





In 2018, 68% of the population used the Internet regularly, almost twice the share in 2010, but still below OECD (84%)

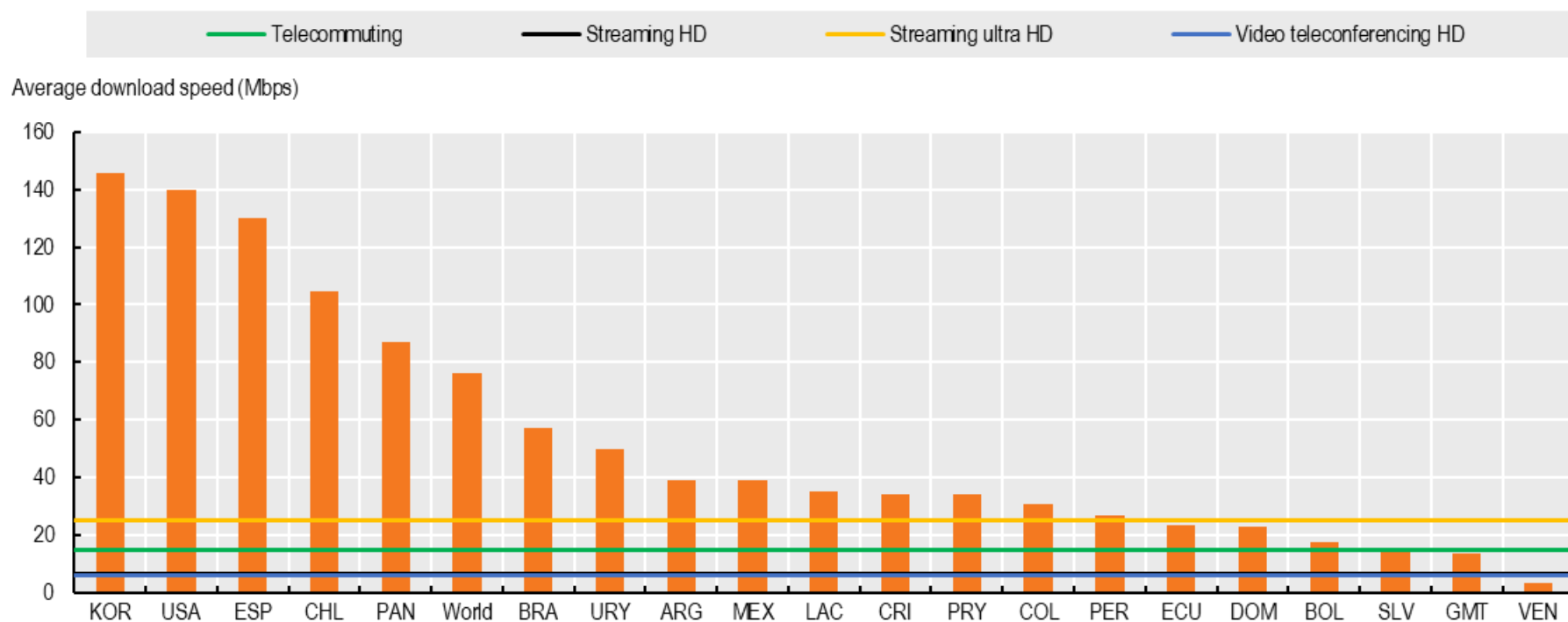
Percentage of Internet users in selected Latin American and Caribbean countries, 2010 and 2018 (or latest)





Despite improvements, connection speeds are below the world average in most countries of the region

Fixed broadband download speeds in selected countries compared to bandwidth requirements for Internet services, March - July 2020



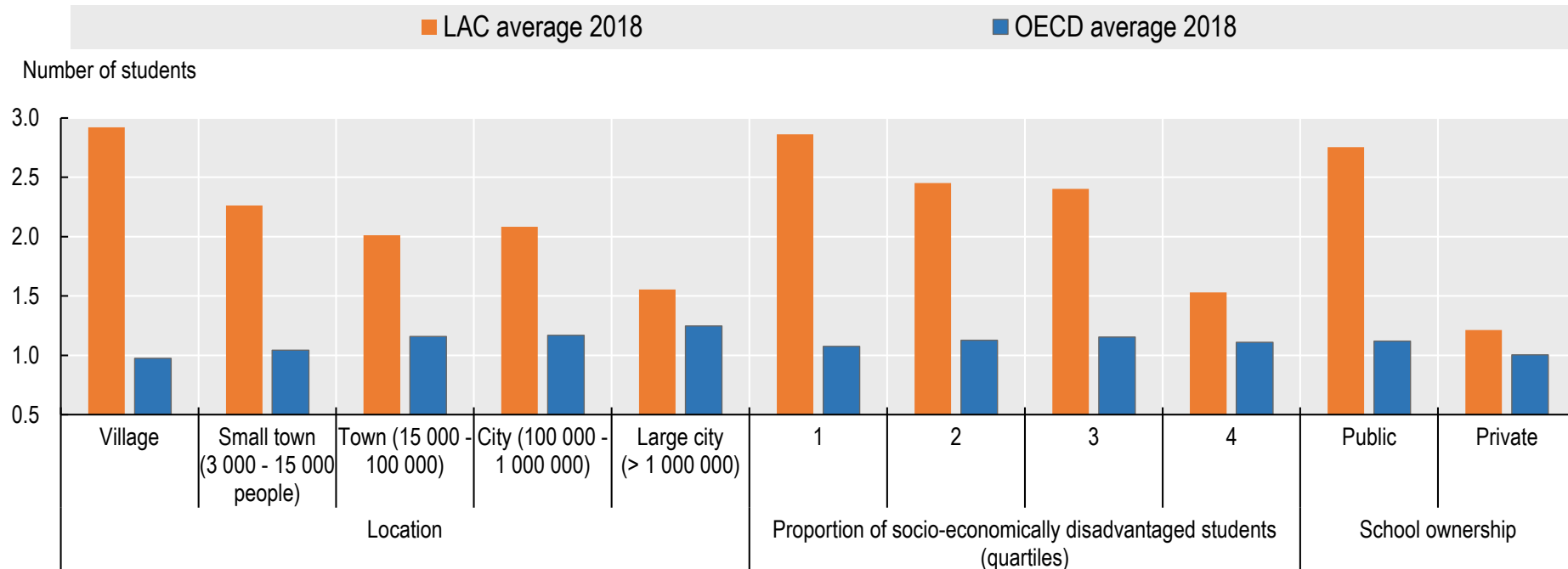
Note: HD = high definition. Mbps = Megabytes per second. The Ookla measure reflects wired or wireless broadband speed achievable 'on-net'. It neither fully represent the overall Internet experience and each provides only a partial view on of Internet speed. Nevertheless, it provide a useful partial indicator available for both OECD and non-OECD countries. Fixed broadband download speed data is a monthly average from March to July, 2020.

Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>.



There is large variation in access and connectivity within LAC schools, in several respects

Number of students per computer and per Internet-connected computer by socio-demographic characteristics, LAC and OECD averages, 2015 and 2018

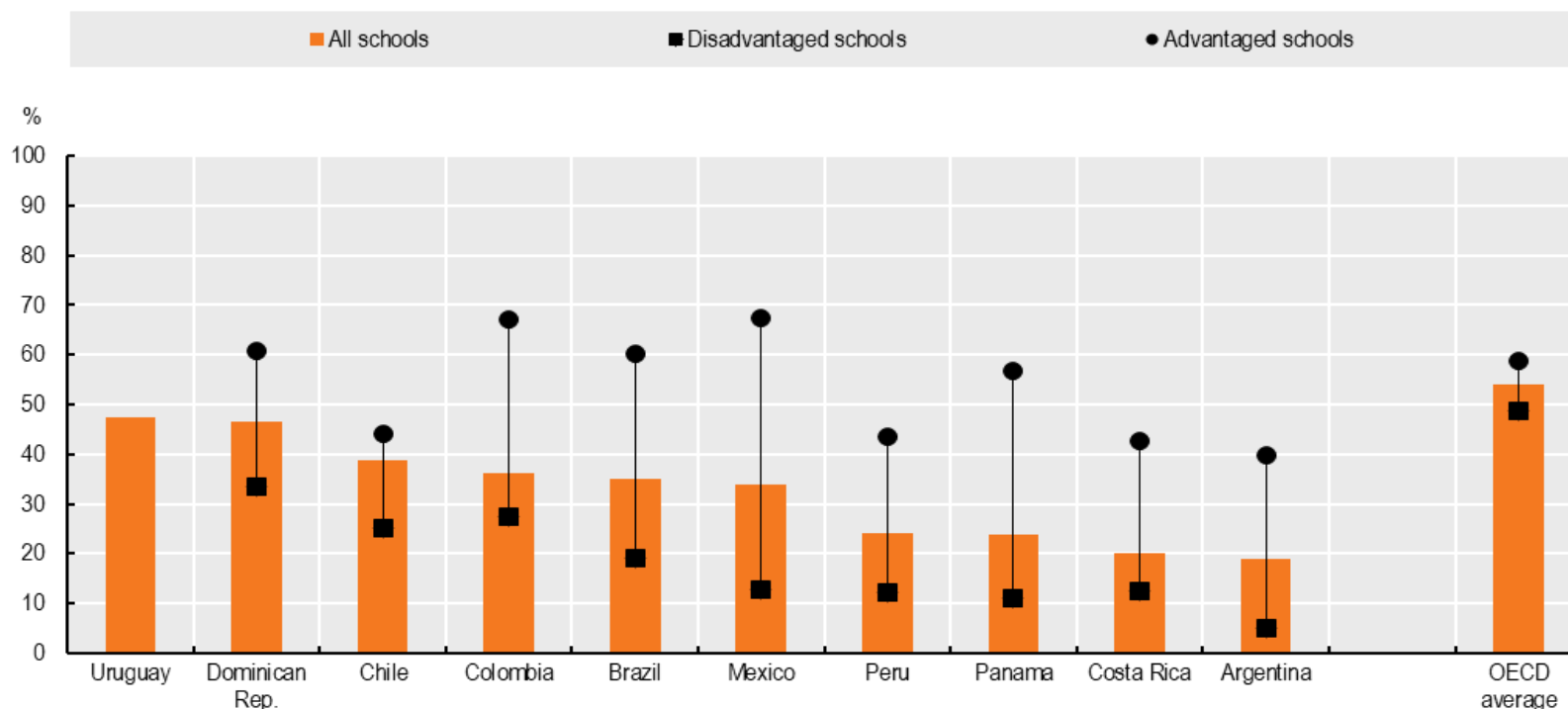




Only a few schools in Latin America were sufficiently prepared for digital learning before the pandemic

Availability of an effective online learning support platform by school status

Percentage of students in schools whose principals agreed or strongly agreed that an effective online learning support platform was available, PISA 2018



Note: Socio-economically disadvantaged (advantaged) schools are those in which the average socio-economic status of students is in the bottom (top) quarter of the PISA ESCS among all schools in the country/economy. The difference between disadvantaged and advantaged schools in Uruguay is not statistically significant.

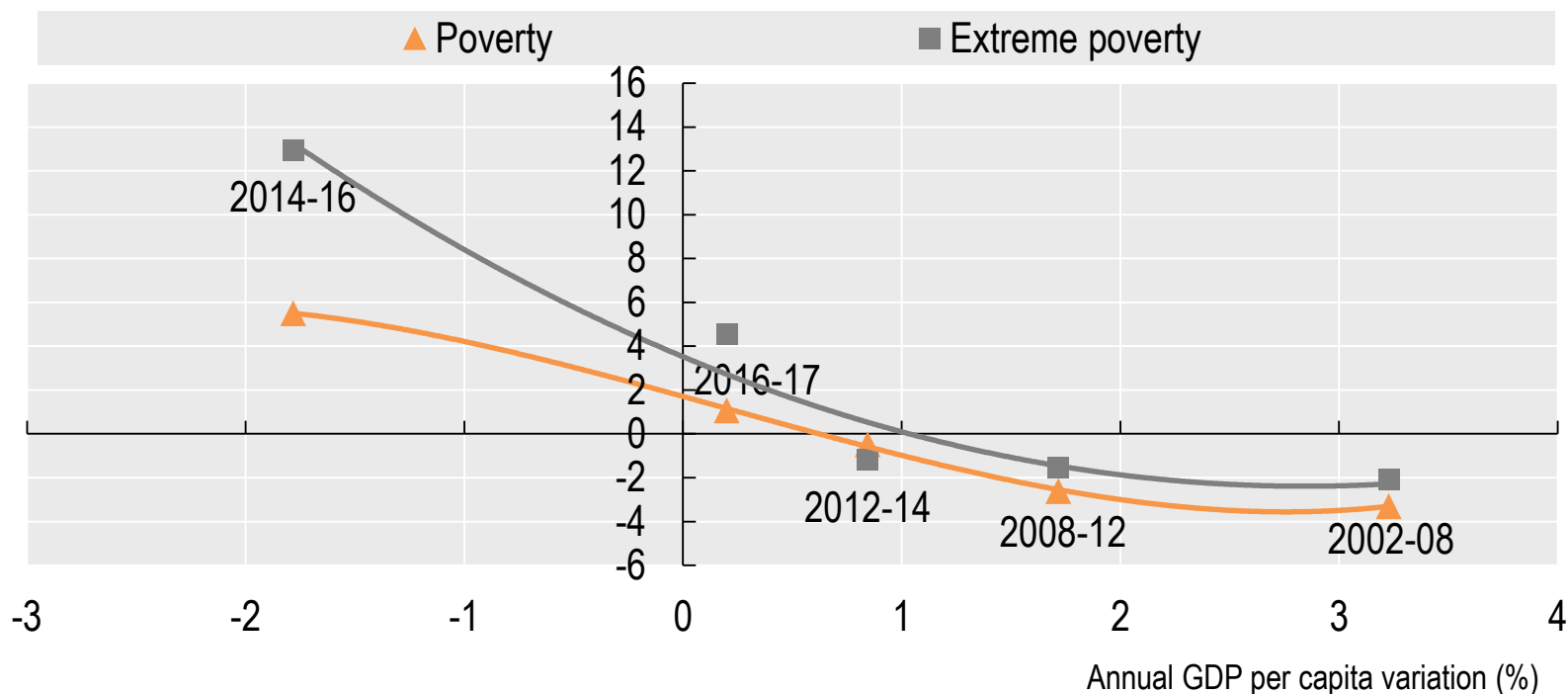
Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>.



Towards a social pact in LAC (I): Vulnerable economic performance affects considerably social dimensions

Variation in the number of people living in poverty and extreme poverty, and variation in per capita GDP, 2002-17

(Annual equivalent percentage rates)

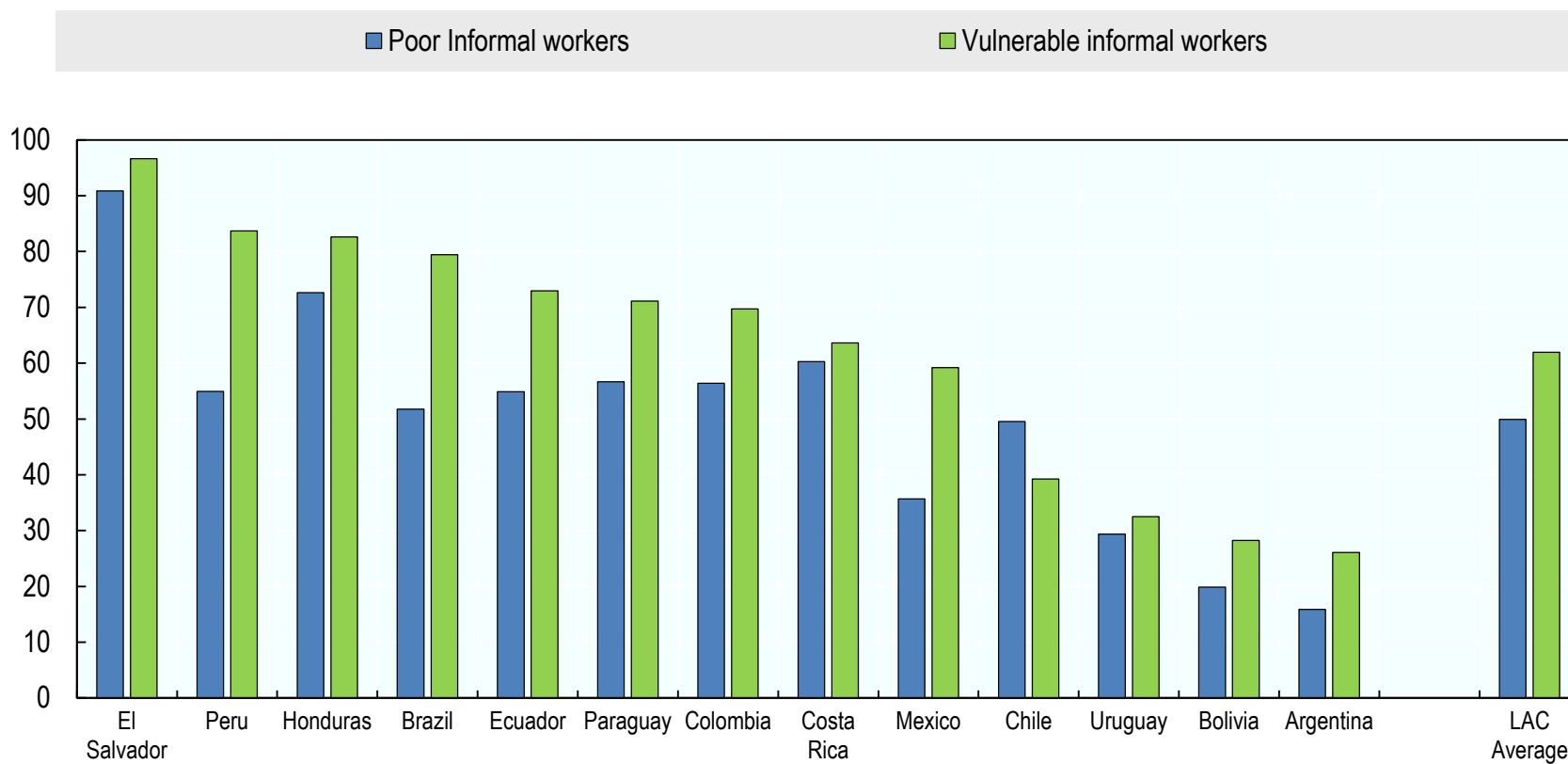


Note: Weighted average for the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.
Source: OECD et al. (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9ff18-en>.



To respond to informal workers not covered by traditional social assistance programmes: universality is needed

Informal workers not covered by main social assistance programmes,
by socioeconomic group (%)



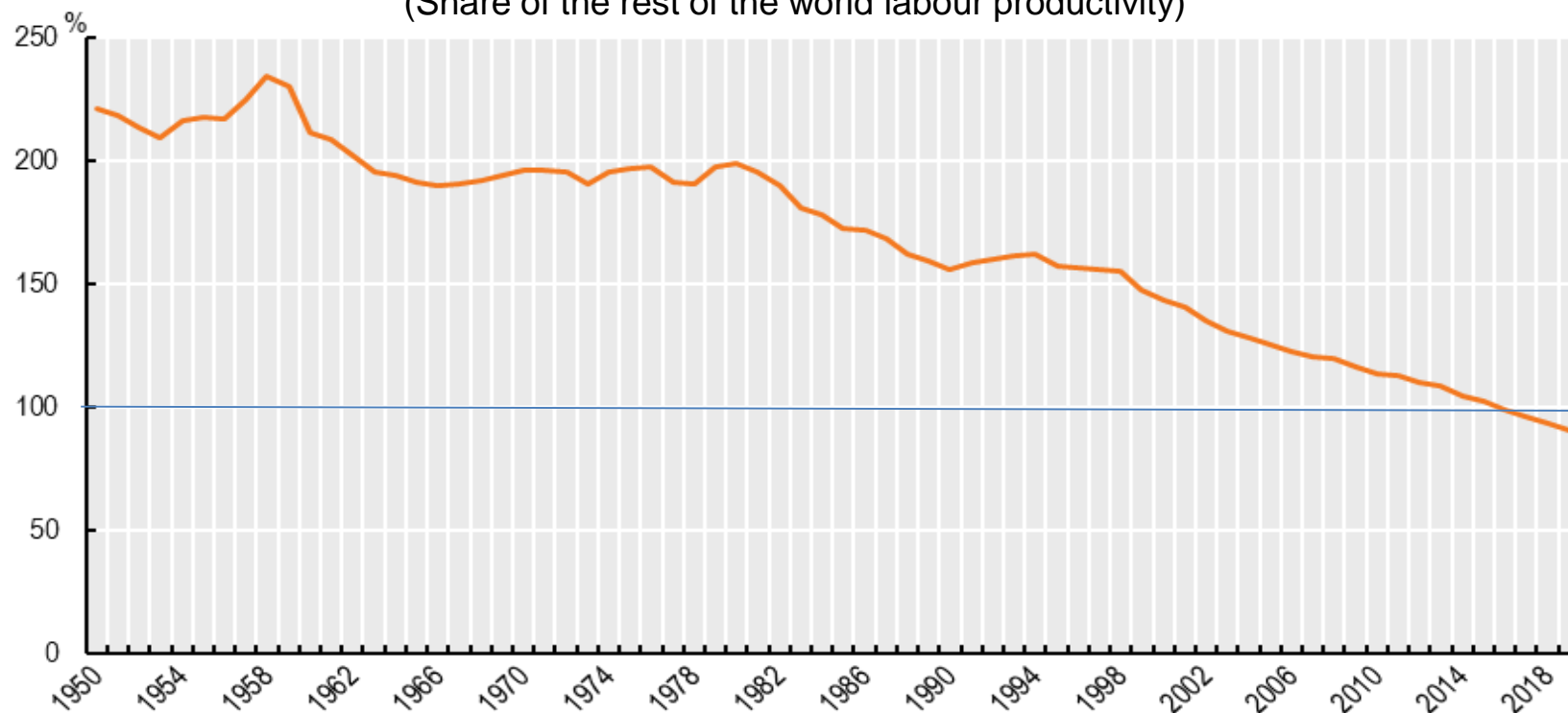
Source: OECD (2020), Latin America and the Caribbean: Regional socio-economic implications and policy priorities https://read.oecd-ilibrary.org/view/?ref=129_129904-k3xp17fqbl&title=COVID-19-in-Latin-America-and-the-Caribbean-Regional-socio-economic-implications-and-policy-priorities



Towards a social pact in LAC (II): Aggregate labour productivity shows reduced growth from 1950 onwards

Labour productivity of Latin American and Caribbean countries relative to the rest of the world, 1950-2019

(Share of the rest of the world labour productivity)



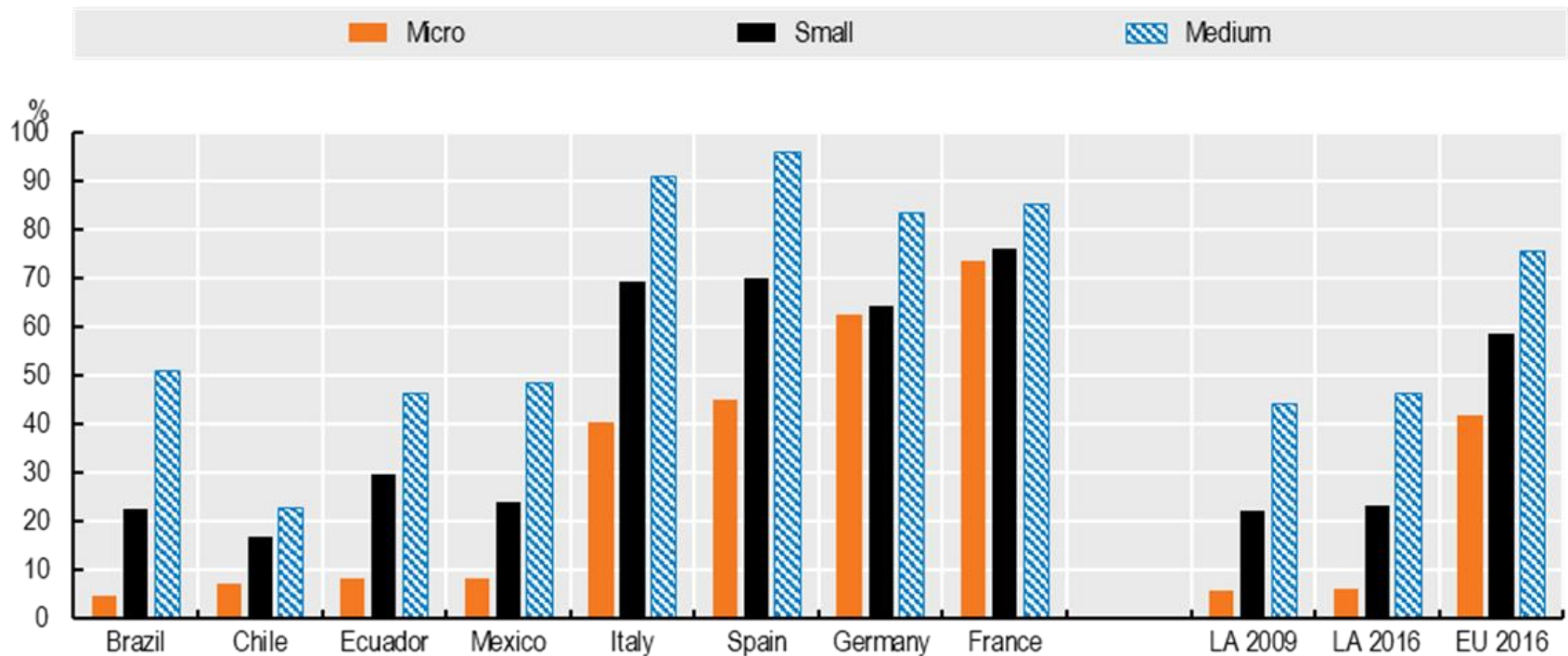
Note: Simple average of the 17 LAC countries covered by The Conference Board. Labour productivity is measured as the labour productivity per person employed in 2018 USD.

Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>.



Structural heterogeneity is observed in productivity by firm size

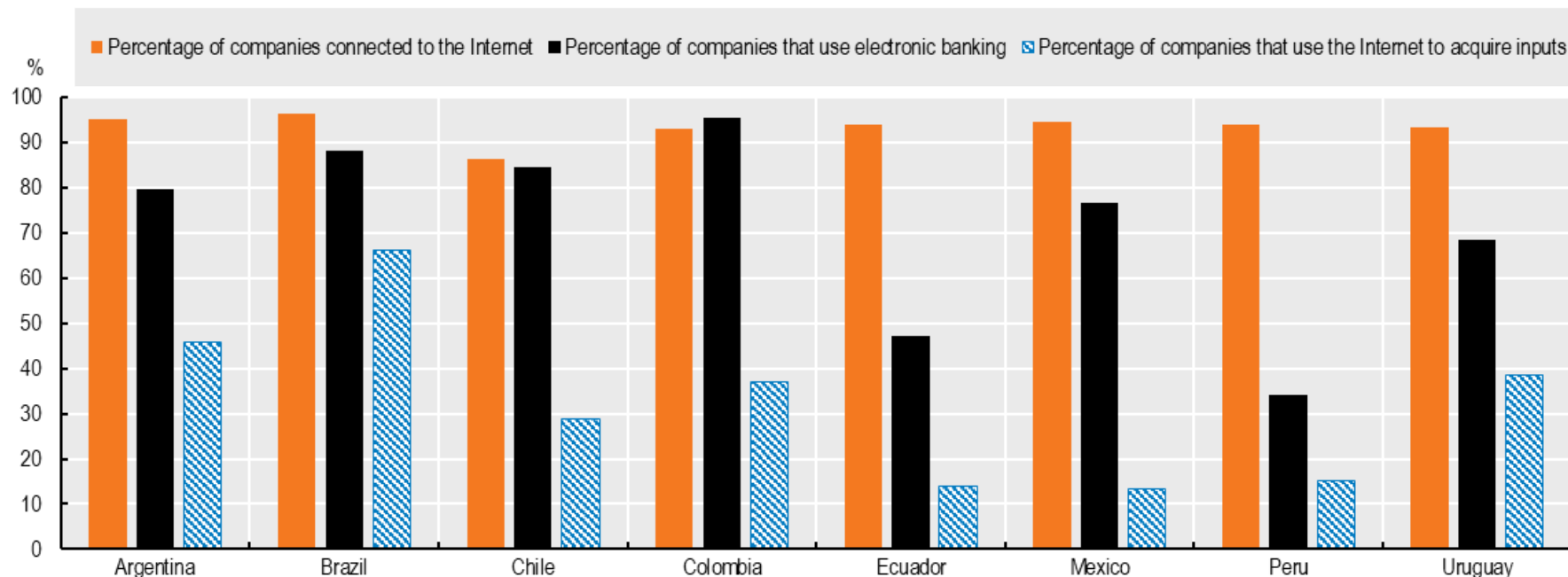
Productivity gaps by firm size compared with large companies in selected countries and regions





The region entered into the Covid-19 crisis with low levels of companies using digitalisation in their every day operations

Latin America: Digitalisation of the Supply Chain (2018)

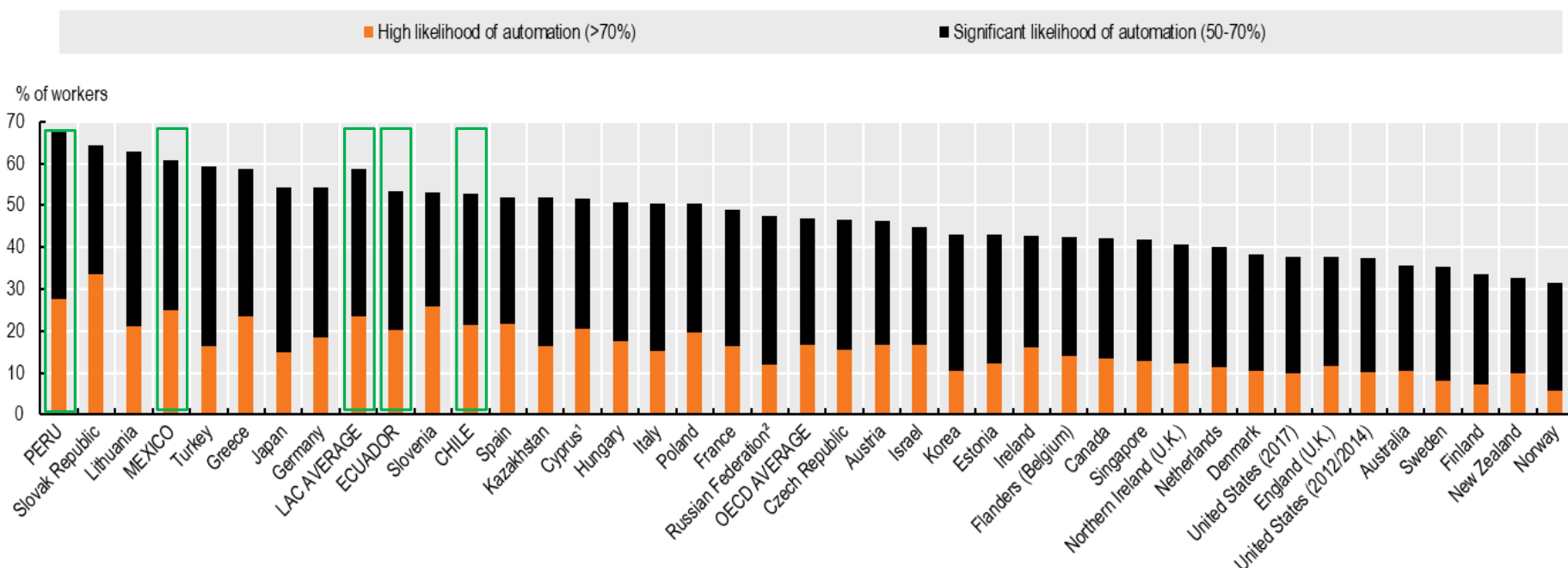


Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en> based on CAF (2020), El estado de la digitalización de América Latina frente a la pandemia del COVID-19, <https://scioteca.caf.com/bitstream/handle/123456789/1540/>



In most LAC countries, more than 20% of jobs are at high risk of automation

Percentage of workers by risk of automation (task analysis) in selected OECD and LAC countries



Notes: Occupations are at high risk of automation if their likelihood to be automated is at least 70%. Occupations are at risk of significant change if their likelihood to be automated is 50% to 70%. Estimates based on Nedelkoska and Quintini (2018). Values for OECD countries are simple averages.

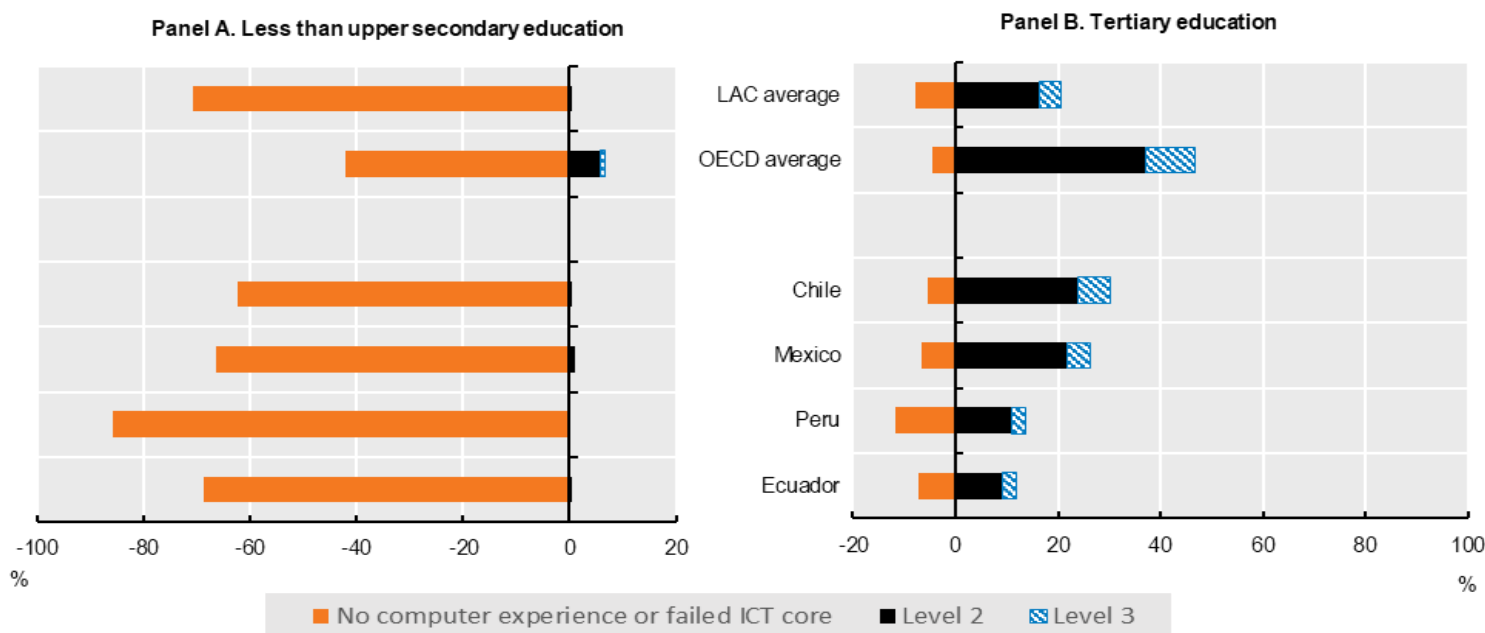
Sources: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>. based on OECD (2019), *Skills Matter: Additional Results from the Survey of Adult Skills*, OECD Skills Studies; OECD/PIAAC (2018), *Survey of Adult Skills* (database), www.oecd.org/skills/piaac/data/.



The region faces ICT skills deficit with respect to OECD, independent of the education level

Proficiency in problem solving by education level in selected Latin American countries

Percentage of low-educated and highly educated adults scoring at levels 2 or 3 in problem solving in technology-rich environments or having no computer experience (adults ages 25 to 65)



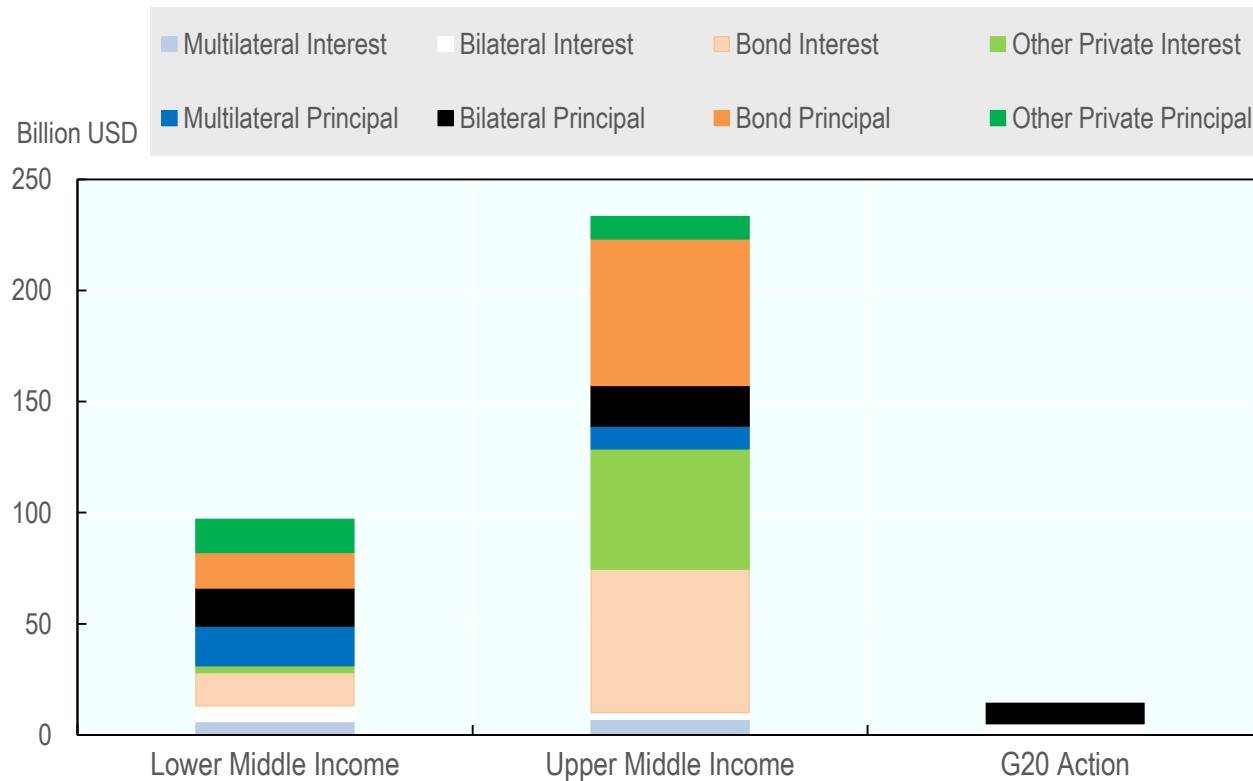
Notes: Adults are divided into one of the following mutually exclusive categories: opted out of the computer-based assessment; no computer experience; failed the ICT core test; below level 1, at level 1, at level 2 and at level 3 (of the problem solving in technology-rich environments scale). For detailed results for each category, see OECD (2019c).

Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>. based on own elaboration based on OECD/PIAAC (2018), Survey of Adult Skills (database), www.oecd.org/skills/piaac/data/.



Towards a social pact in LAC (III): a fiscal pact where global action is needed “A Global Marshall Plan”

Debt rollover needs of lower middle-income countries, upper middle-income countries and the G20 action (All payments due for a period of 12 months)

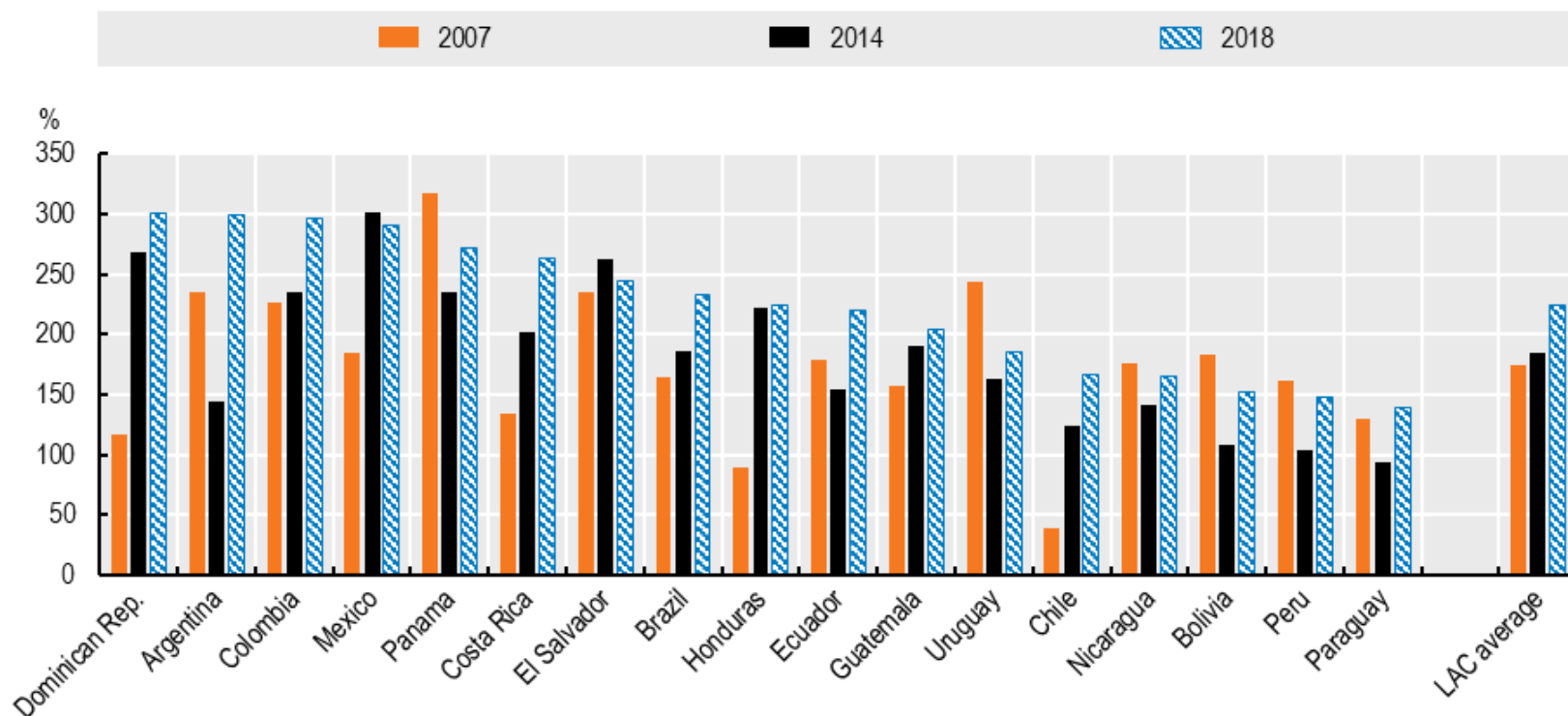


Source: Bolton, Buchheit, Gourinchas, Gulati, Hsieh, Panizza and Weder di Mauro (2020), “Exceptional measures for exceptional times”, OECD Development Matters Blog, <https://oecd-development-matters.org/2020/05/14/exceptional-measures-for-exceptional-times/>



Public debt-to-tax ratios increased in most countries

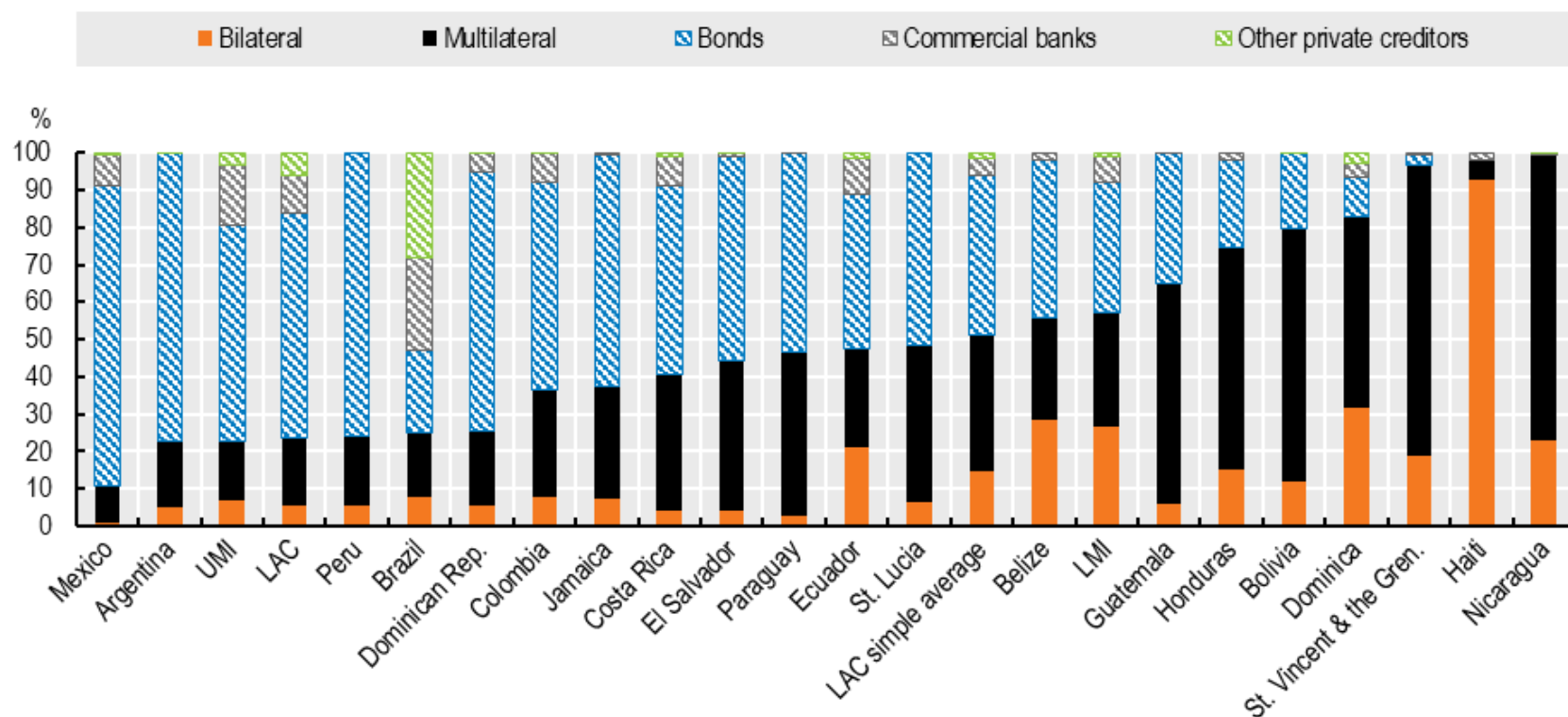
Debt-to-tax ratio (gross public debt) in selected Latin American countries, 2007, 2014 and 2018





How countries raise resources varies across the region

External public debt stock by creditor (public and private) in selected Latin American and Caribbean countries, 2018

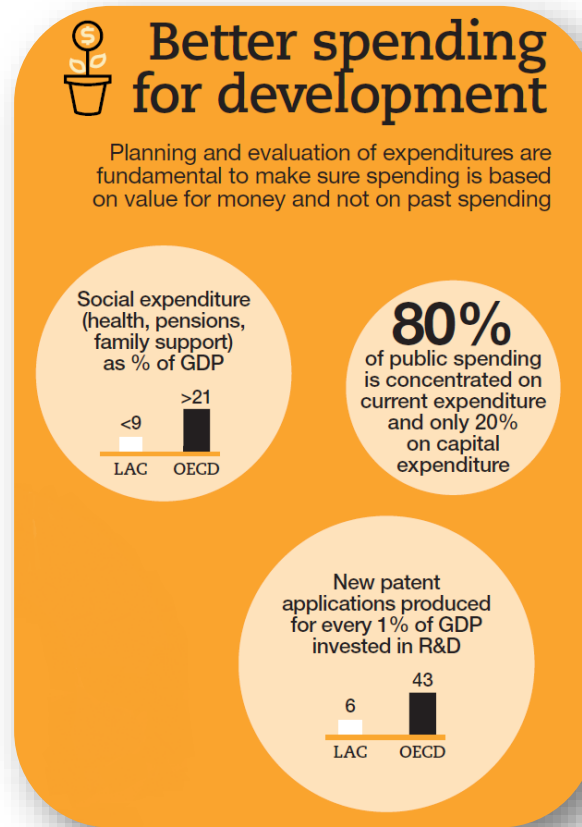


Notes: LAC simple average gives equal weight to all countries on their distribution of credit holders; LAC takes into consideration the amount issued by each LAC country. LMI and UMI are all lower-middle income and upper-middle income countries in the world.

Source: OECD et al. (2020), *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better*, OECD Publishing, Paris, <https://doi.org/10.1787/e6e864fb-en>.



To promote a sustainable recovery, more than ever there is a need to improve and increase public spending

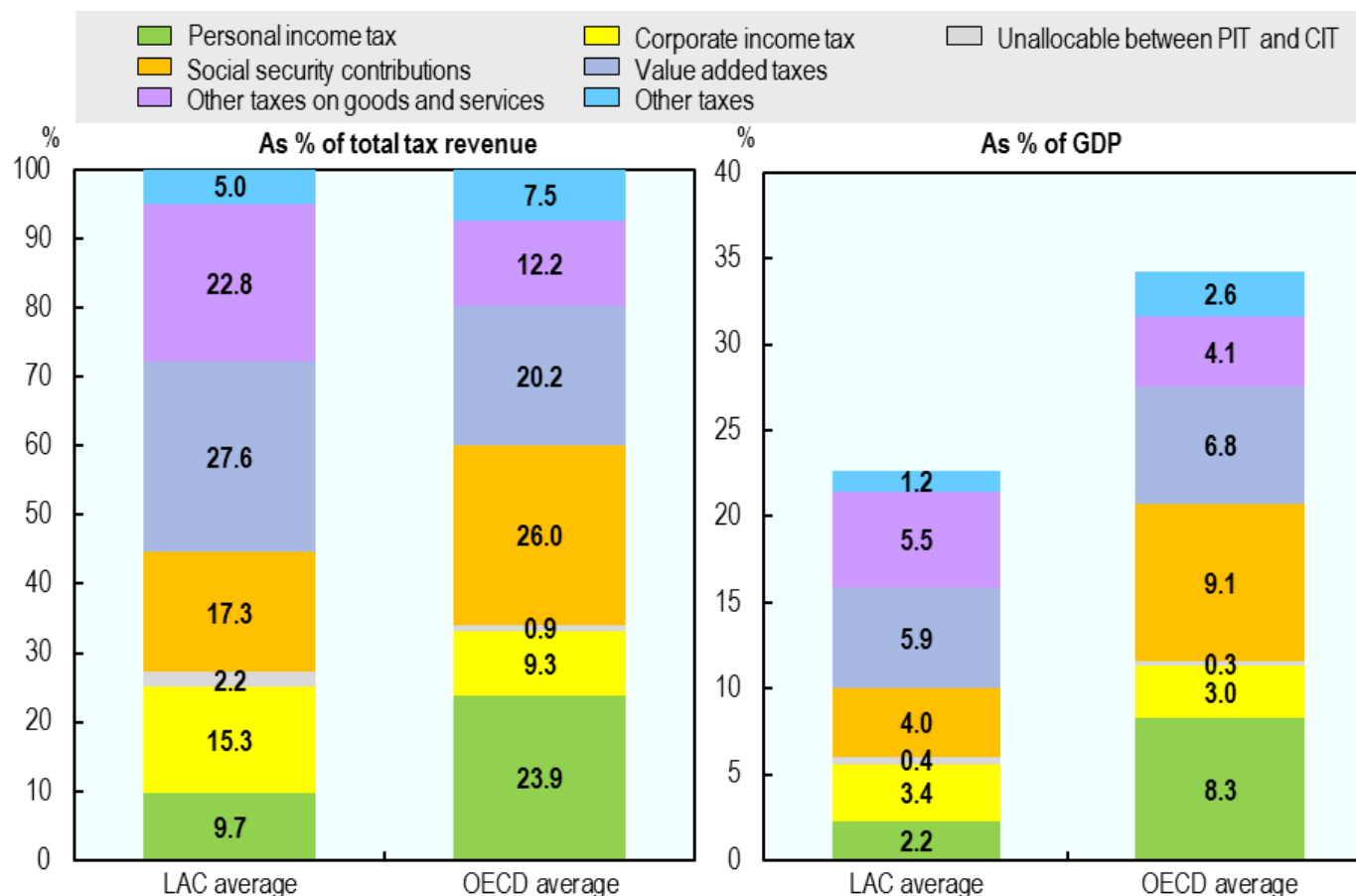


Source: OECD et al. (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9ff18-en>.



Key to improve the structure and levels of the taxation system

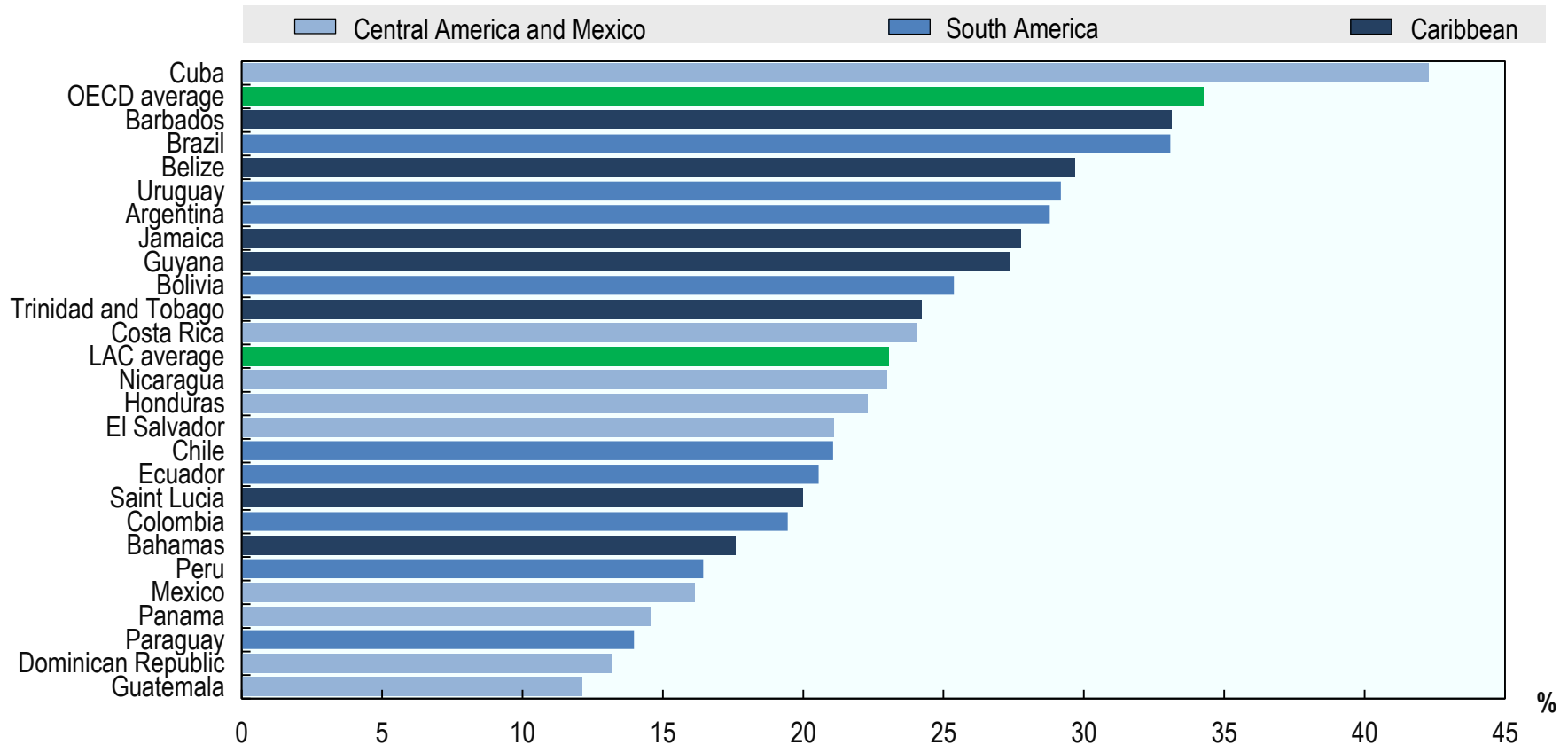
Tax revenue composition in LAC and OECD





Case by case for rethinking the fiscal pact: the *Americas Latinas*

Total tax revenues in LAC countries and OECD, 2018
(Percentage of GDP)



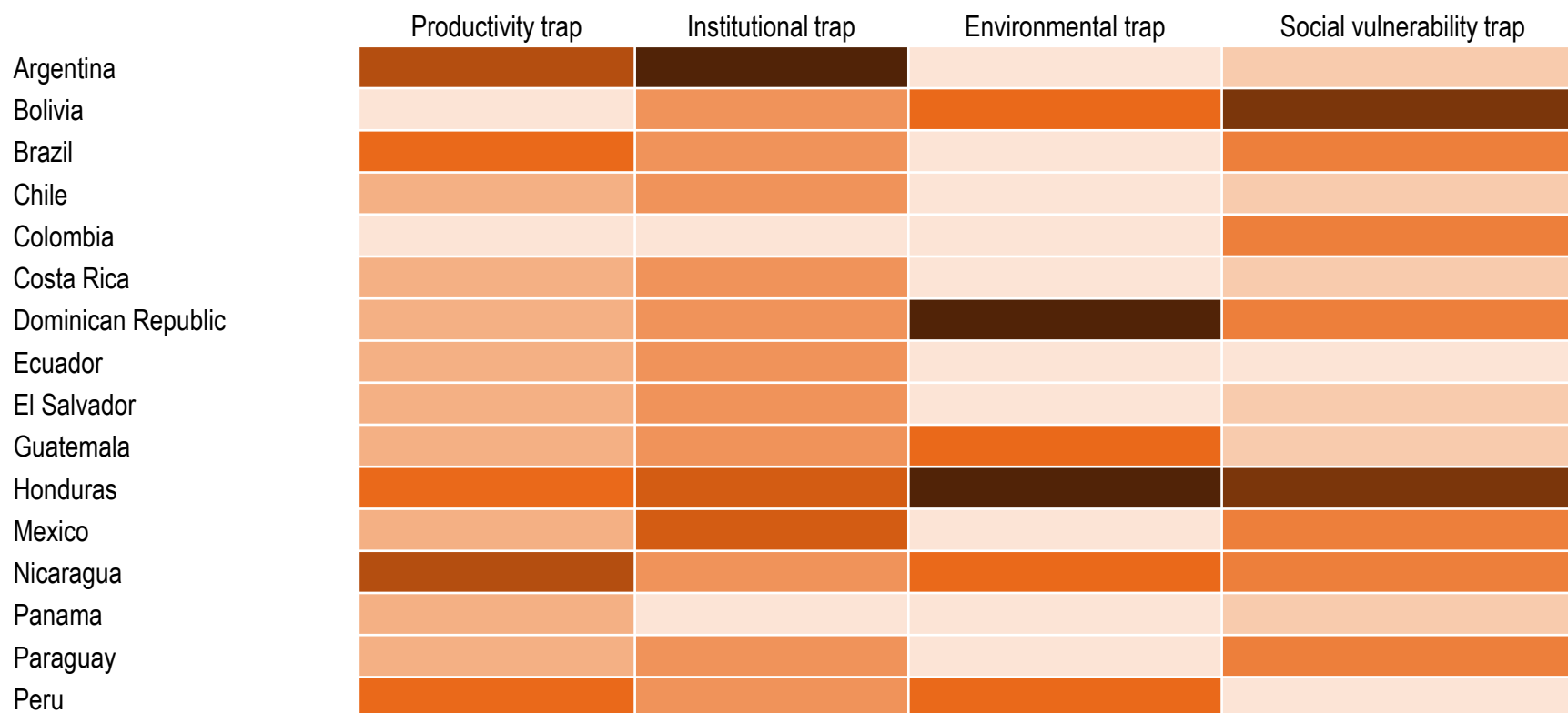
Note Countries are classified into regions following ECLAC's classification in the Economic Survey of Latin America and the Caribbean 2018 (Table I.4)

Source: OECD/UN-ECLAC/CIAT/IDB (2020), Revenue Statistics in Latin America and the Caribbean 2020, OECD Publishing, Paris, <https://doi.org/10.1787/68739b9b-en-es>.



Strategic objectives on development plans in the region: a comprehensive approach is needed

Latin America (16 countries): Intensity of specific topics in development plans



Note: The colours indicate the intensity of the topics included in the strategic objectives according to the challenges of the development in transition. As a colour darkens, its priority within the plan increases. The figure is based on the latest development plan (or its equivalent) approved by the end of 2018. See Annex 5.1 for the NDPs included in this analysis.

Source: OECD et al. (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9ff18-en>.



International co-operation with a new focus on development: key to implement the new social pact

Contribute to strengthen the domestic **capacities** to confront the new development traps

Focus of analysis: national vs. global – global public goods and international agreements



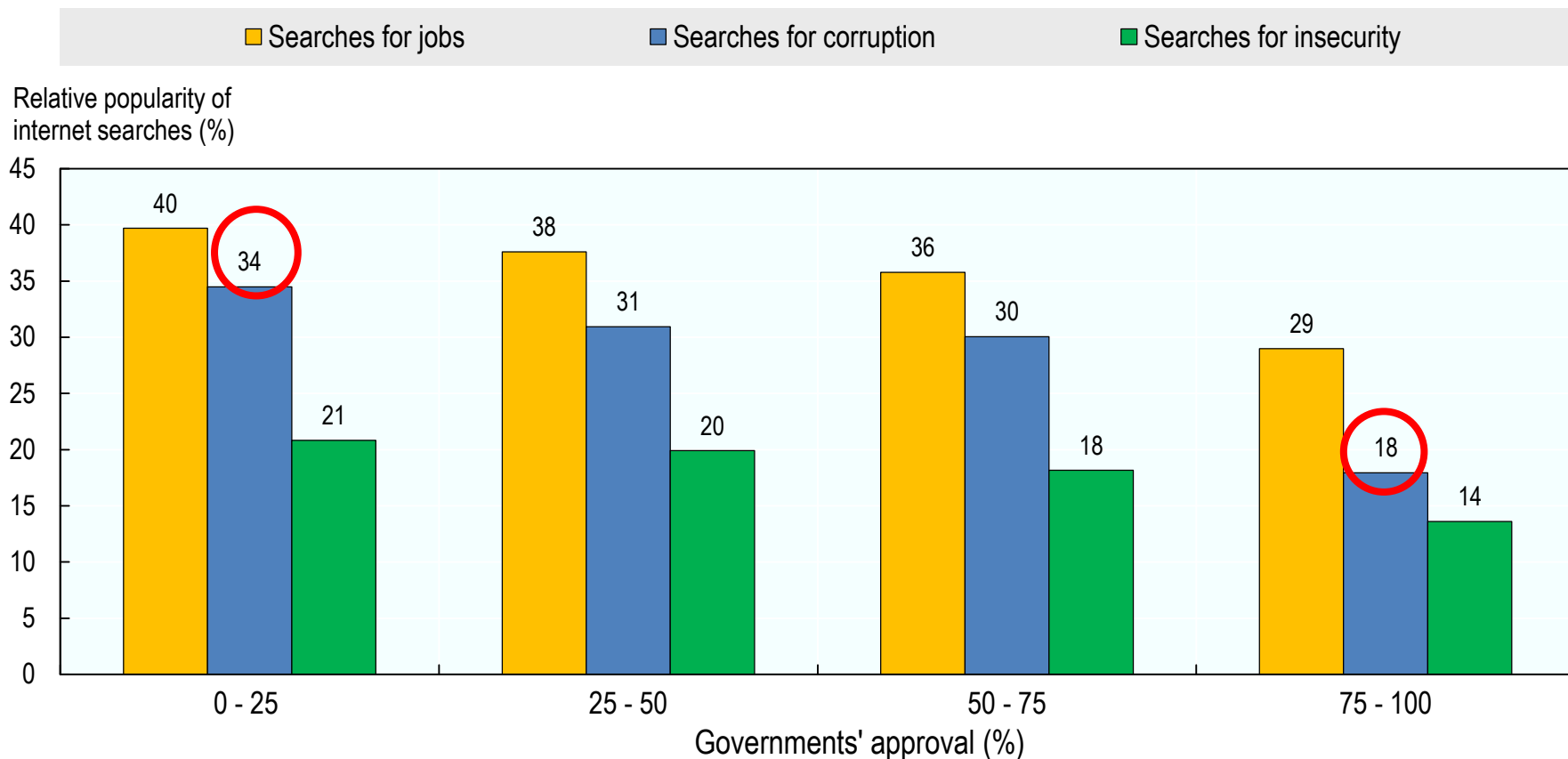
Institutional governance: co-ordination among co-operation and planning agencies

Relationship between countries: dialogue between pairs/ knowledge sharing – transfer of technologies



Understanding citizens' demands and building consensus across citizens: the involvement of all actors in the reform process

Popularity of searches in Google for corruption, jobs, and insecurity vs Governments' approval rates





The political economy of the reform and the electoral cycle

2021-22 election calendar

Country	Election type	Date
Ecuador	Presidential & Legislative	7-Feb-21
El Salvador	Legislative	28-Feb-21
Ecuador	Presidential 2nd round	11-Apr-21
Peru	Presidential & Legislative	11-Apr-21
Peru	Presidential 2nd round	6-Jun-21
Mexico	Legislative	6-Jun-21
Argentina	Legislative	24-Oct-21
Chile	Presidential & Legislative	21-Nov-21
Chile	Presidential 2nd round	19-Dec-21
Costa Rica	Presidential & Legislative	6-Feb-22
Colombia	Legislative	13-Mar-22
Costa Rica	Presidential 2nd round	3-Apr-22
Colombia	Presidential 1st round	29-May-22
Colombia	Presidential 2nd round	19-Jun-22
Brazil	Presidential & Legislative	2-Oct-22
Brazil	Presidential 2nd round	23-Oct-22

Source: National electoral commissions

Covid-19 in Latin America and the Caribbean

Regional socio-economic implications
and policy priorities

TACKLING **CORONAVIRUS** (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

Latin American Economic Outlook 2020 DIGITAL TRANSFORMATION FOR BUILDING BACK BETTER

The Latin American Economic Outlook (LEO) 2020 focuses on the role of digital transformation in helping to navigate through challenging times. The Covid-19 pandemic is having a profound impact on socio-economic conditions, accentuating the already complex scenarios faced by a region with significant structural weaknesses. This unprecedented crisis comes at a time of high expectations and reinforces the need to transform the very foundations of the development model in the region. The report explores how digital transformation can help to cope with the current socio-economic situation, boost productivity, strengthen institutions and achieve higher levels of inclusion and well-being. The LEO 2020 also highlights that international partnerships are fundamental to reaping the benefits of the digital transformation.

The LEO is a joint annual publication produced by the OECD Development Centre, the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC), the Development Bank of Latin America (CAF) and the European Union (EU). It is the first pillar of the EU Regional Facility for Development in Transition for Latin America and the Caribbean.



Latin American Economic Outlook 2020 DIGITAL TRANSFORMATION FOR BUILDING BACK BETTER



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