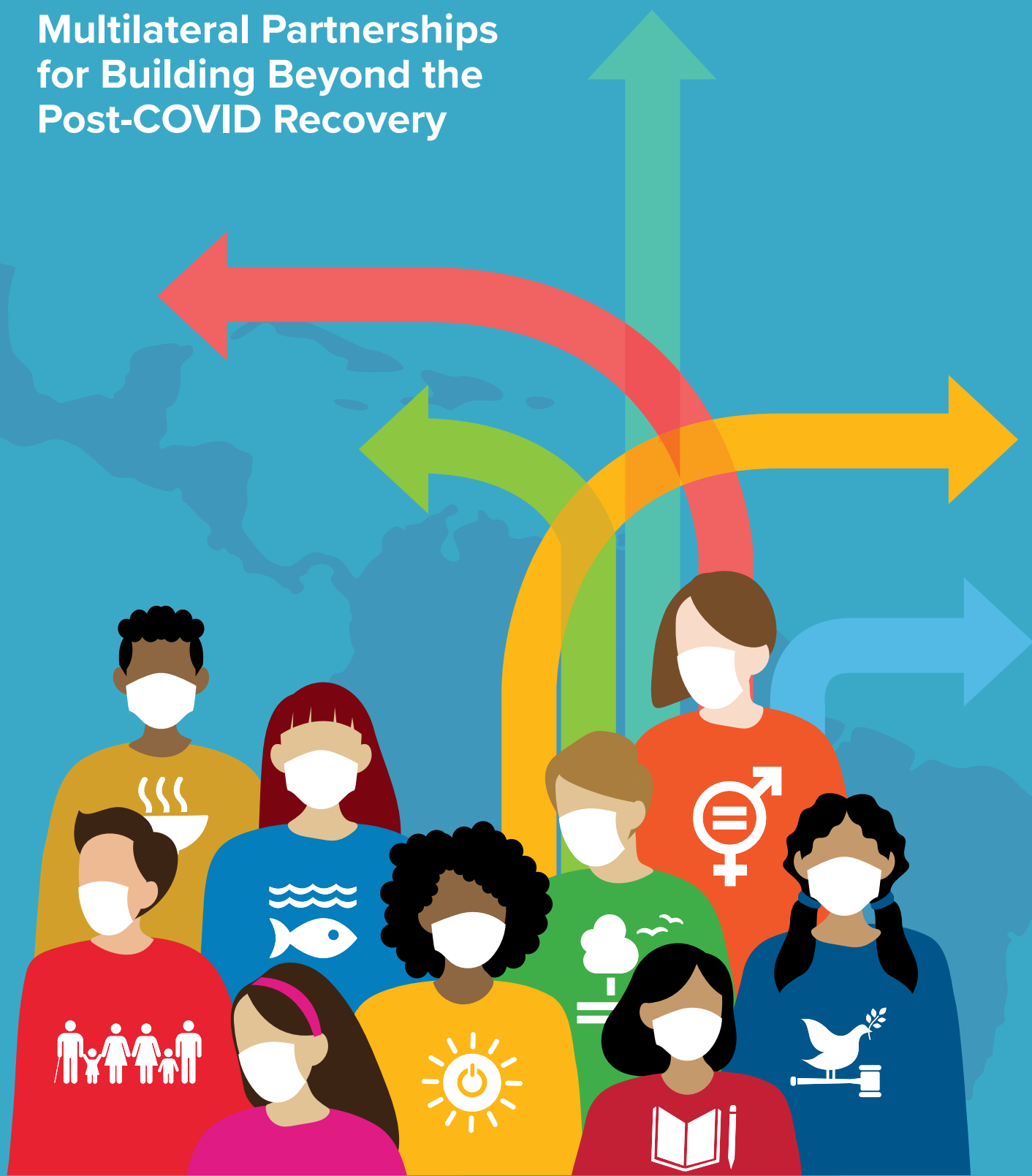




Executive Summary

Recovery Paths for Latin America and the Caribbean:

Multilateral Partnerships
for Building Beyond the
Post-COVID Recovery



United Nations Development Programme

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Produced in Panama

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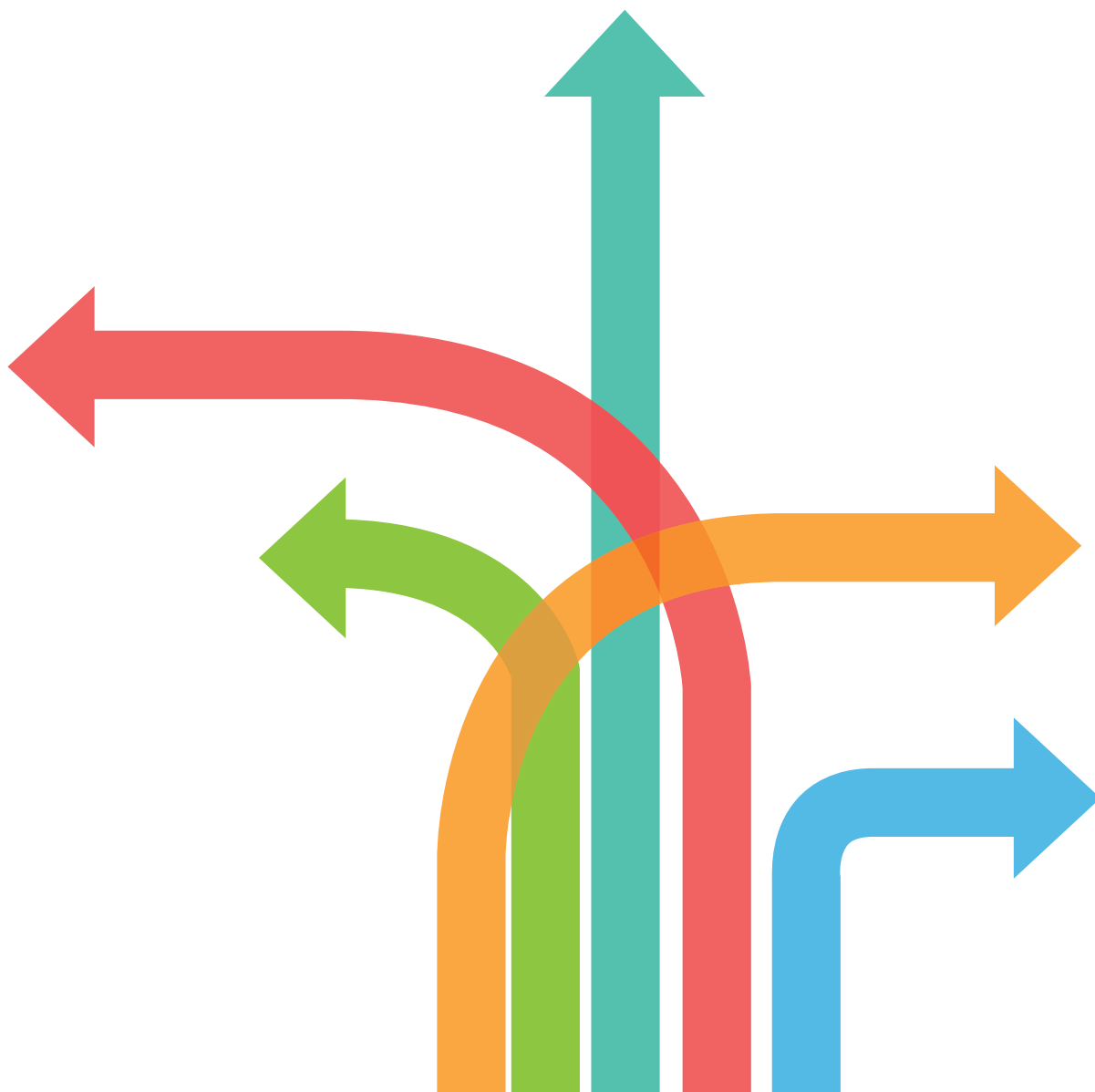
Recommended citation: XXX

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Introduction

As one of the most vulnerable regions in the world, the effects of the COVID-19 pandemic were particularly amplified in the Latin America and the Caribbean (LAC) region. Health systems struggled to cope. The virus ran rampant throughout the region, leaving a disproportionate number of victims compared to other regions, and unveiling a range of structural weaknesses in the under resourced health sector, including financing, health information systems and service provision capacity.

The United Nations University – Institute on Comparative Regional Integration Studies (UNU-CRIS), jointly with the United Nations Development Programme (UNDP), wrote this research paper on the potential multilateral partnerships to support the post-COVID-19 recovery in the Latin America and the Caribbean (LAC) region.



Socioeconomic impact of COVID-19 in the LAC region

Economic impacts

To prevent the worsening of the contagion, several countries around the world implemented lockdowns and serious restrictions on mobility that required the suspension of economic activity and the disruption of domestic and international supply chains (Barrientos, 2020). At the same time, the pandemic intensified pressure on the austerity agenda and created an increased need for higher levels of public expenditure (Cimini et. al., 2020).

The economic crisis triggered by the pandemic hit hard countries in the Region. The World Bank, the International Monetary Fund (IMF) and ECLAC already projected a fall of gross domestic product (GDP) in the region between 6 percent and 8 percent (ECLAC, 2020c; Werner et. al., 2021; World Bank, 2021c).

The service sector, particularly firms focused on tourism, entertainment, construction, transport, and hospitality, were hardly affected which, in turn, had severe impacts on employment. ECLAC and UNICEF estimated that more than 2.7 million formal businesses will cease to exist, due to the containment measures and restrictions of movement put in place by governments. Both effects combined could cause a loss of 8.5 million jobs (ECLAC & UNICEF, 2020). Youth, elderly, women and informal workers were the most affected, according to ECLAC.

The volume of exported goods decreased by 20 percent while imports decreased by 25 percent. The most affected countries were those that had stronger commercial relationships with United States, Europe and intraregional trade (ECLAC, 2020i; Alvarez et al., 2020).



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Social Impacts

Poverty

The most impactful effect of the COVID-19 pandemic in the region is the sharp increase in the poverty rate of between 4 percent and 7 percent during 2020 (ECLAC, 2020a). It has been projected that the number of poor people in the region will increase by 30 million, and 16 million will fall into extreme poverty by 2020 (UNDP, 2020b; Lustig & Tommasi, 2020).

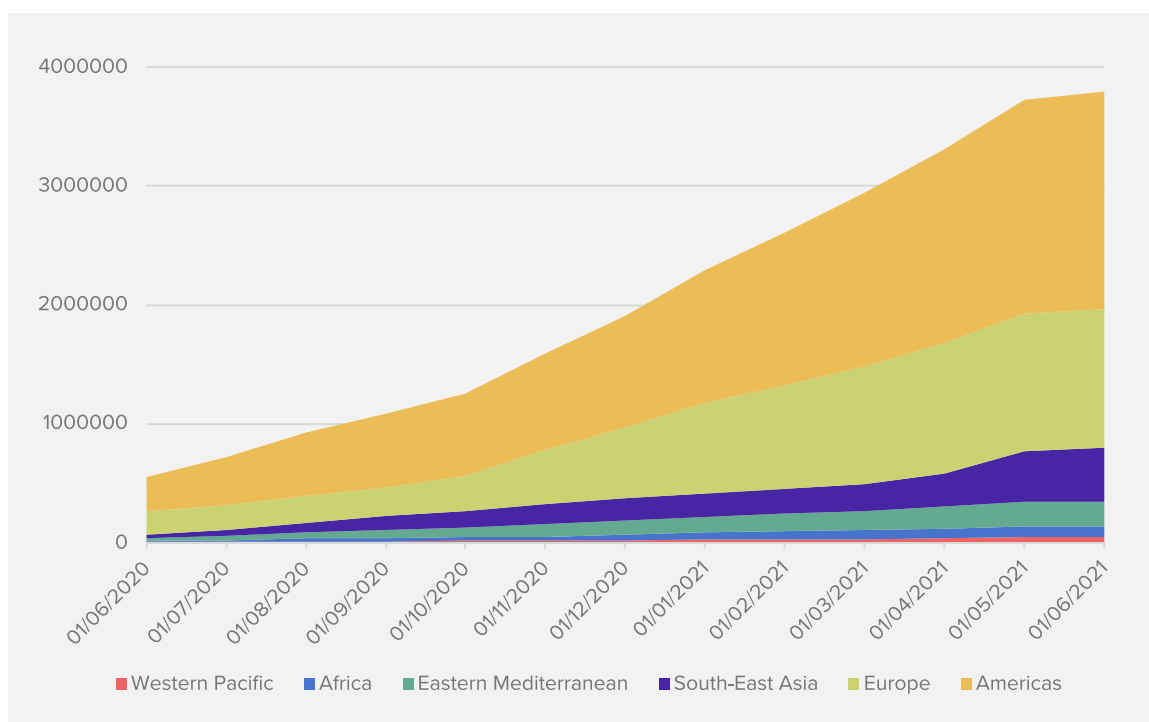
Health

The World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. On 14 October 2021, more than 239 million confirmed cases worldwide had been reported, and 4.9 million deaths.

As a side effect of the pandemic, the limited priority assigned to increase capacity to the first level of care compromised the continuity of programmes such as maternal and child health, mental health, health for elderly, non-communicable diseases (PAHO/WHO, 2020b), tuberculosis and HIV. With the surge in cases continuing and despite a significant increase in ICU capacity, many countries in LAC reached a breaking point in the hospital occupancy rate by January 2021 and struggled with the burnout of staff and stockout of supplies. (PAHO/WHO, 2021b). The lack of support for the primary care level further compromised access for vulnerable populations (indigenous, afro-descendants and remote rural communities).

Figure 1

WHO Coronavirus COVID-19 Dashboard, updated 13 June 2021, confirmed number of deaths by WHO region



Education

One of the most affected sectors due to lockdowns, curfews and limitations in mobility has been access to basic and secondary education. Compared with the rest of the world, LAC was the region that closed schools for the longest periods of time, with an average of 158 days of full school closures. The difficulties experienced by children and adolescents during 2020 and 2021 will cause lifetime earning losses, harm learning outcomes and have an impact on health, well-being, nutrition, and immunization (UNICEF, 2021; García-Jaramillo, 2020).

The unequal access to digital technologies within LAC will also increase the learning gap. In LAC 67 percent of urban households are connected to the Internet, while in rural areas only 23 percent (ECLAC, 2020n, p. 3).

Gender inequality

The negative impacts of the pandemic are distributed unevenly between women and men. The crisis has highlighted the unfair social organization and has unveiled the significant weight and value that unpaid domestic and care work represent for the global economy, which is normally carried out by women in an invisible and unrecognized way.

The pre-COVID-19 adolescent fertility rate in the region was a major social and health issue, especially among those in the lowest socio-economic quantile. According to ILO, adolescents' fertility rates is expected to rise from 61 to 65 live births per 1,000 women between 15-19 years on average, and even more for indigenous and afro-descendant populations (International Labour Organization (ILO, 2021).

Violence against women and children was already increasing before the pandemic hit the region. Since 2020, the demand of helplines focused on providing information and support to female victims of violence has increased in the region. Most of the countries in the region had a 30-50 percent spike of helpline calls between March and April 2020, just when the lockdown measures were imposed (López-Calva, 2020).



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Vulnerable populations

Migrant workers are identified as being at a higher risk of either being unemployed or being exposed to contagion. Characteristics of labour conditions of this population, plus increasing racism, stereotyping and xenophobia in the region means this group is experiencing a greater degree of vulnerability (ECLAC, 2020m).

COVID-19 also exacerbated the discrimination and barriers that had always been present for the **LGBTQI+** community in access to health care, alongside the socio-economic consequences of lockdowns and curfews. Some adopted measures even deepened transphobia, bi-phobia and homophobia.

Indigenous communities are at a higher risk of COVID-19 due to close-knit living arrangements, poor access to health care and informality, while **afro-descendants**, next to higher poverty rates, face a higher labour market informality. This negatively affects their inclusion in health insurance and corresponding health care, especially in LAC, where tax-based safety nets remain under resourced (Morrison, 2021).

.....

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LAC's responses to the pandemic

Economic Policy

Protection of employment and business.

Support provision to companies that had been strongly affected by the COVID-19 measures have been adopted by most governments in the region. Firms have been the target of subsidies destined to cover wages of employees, permission to reduce work hours and to negotiate holidays; funds to support SMEs have also been created, as well as subsidies to cover extra payments of formal low-income workers.

Public expenditure, fiscal, and monetary measures.

Some countries adopted an austerity programme in the public sector, while others opted for the postponement of tax payments and other types of contributions as a relief for both companies and households and to boost consumption internally (Mera, 2020; UNDP Country Office Paraguay, 2020; Ham, 2020; Barráez & Chirinos-Leañez, 2020; Alvarez et. al., 2020). Also, Central Banks reduced interest rates to warrant liquidity.

Social Policy

Health

Countries activated health sector emergency plans and measures to strengthen national health systems while in different stages of the pandemic. However, the underfunded, fragmented and inequitable LAC health systems were “in for a battering” (Pandemic Preparedness, 2020). The **Strategic Fund of the Pan American Health Organization (PAHO)** supported more than USD 145 million in COVID-19 diagnostic tests, personal Protective Equipment and the global access efforts within the “COVID-19 Vaccine Global Access (COVAX) Facility” through its Revolving Fund (PAHO/WHO, 2021d).

Social Assistance

Existing cash transfer programmes were increased in the region: not only more beneficiaries were included in the pre-existent programmes but also the amount of money transferred increased, and, at the same time, conditionalities were relaxed. Some countries implemented new programmes focused on supporting independent workers and vulnerable families.

Food security and nutrition

Food security and nutrition measures were adopted by most of the countries in the region, which focused on distributing basic food baskets or vouchers to provide access to food to those that had been laid-off, to vulnerable populations, children and families. Countries also expanded beneficiaries, by including informal workers or delivery of school feeding meals (ILO, 2021).

Housing and rent

Several programmes were implemented to cover different issues of poor and vulnerable households in 18 countries within the region. These included measures such as bans in the suspension of basic utilities like water and energy, prohibition of evictions for unpaid rents or mortgages, as well as the provision of cash transfers to provide payments of loans and rents, reductions and subsidies in utility bills and deferral of payments.

Social insurance

Pensions. Most of the countries focused on adjusting the programmes already in place, including the increased expenditure on the social pension fund, an exemption for pensioners allowing them to withdraw from their pension funds or the suspension of contributions to social security by employers and workers for a short period of time. Other programmes included an extra bonus for pensioners, the anticipation of payments, and the waiver of life-certification of pensioners.

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Unemployment benefit. Many of the 20 new programmes implemented in the region tried to support workers laid-off during the COVID-19 crisis on a temporary basis.

Education

Countries in the region implemented different types of measures to grant access to education despite the lockdowns and the halt of in-person learning, for example non-contributory financial aid for low-income parents to cover school fees in private institutions, the distribution of digital tablets for low-income households to grant access to on-line education and delivering printed parenting guides to government school parents with no Internet access (ILO, 2021).

Violence against women

During the COVID-19 pandemic many LAC countries declared that services to address violence against women were essential, while others also allowed the operation of judiciary services and the automatic extension of protective measures for women victims (ECLAC, 2020b).



Recovery Pathways

The effects of the pandemic

Due to the coronavirus pandemic, the Latin America and the Caribbean (LAC) region is experiencing a hard setback in the progress achieved during at least 10 years in terms of overcoming poverty, inequality, employment, education, health, gender equality, among other development goals. However, and despite its devastating socioeconomic effects, the COVID-19 pandemic could be an opportunity for structural change in the region.

The pandemic has made clear that countries and regions are globally interdependent. However, the COVID-19 pandemic has exposed the existing weaknesses of regional institutions in LAC. A crucial element of LAC's post-COVID recovery is therefore to ensure that regional integration is strengthened. Recovery can only happen jointly, and multilateralism is key in enabling recovery pathways.

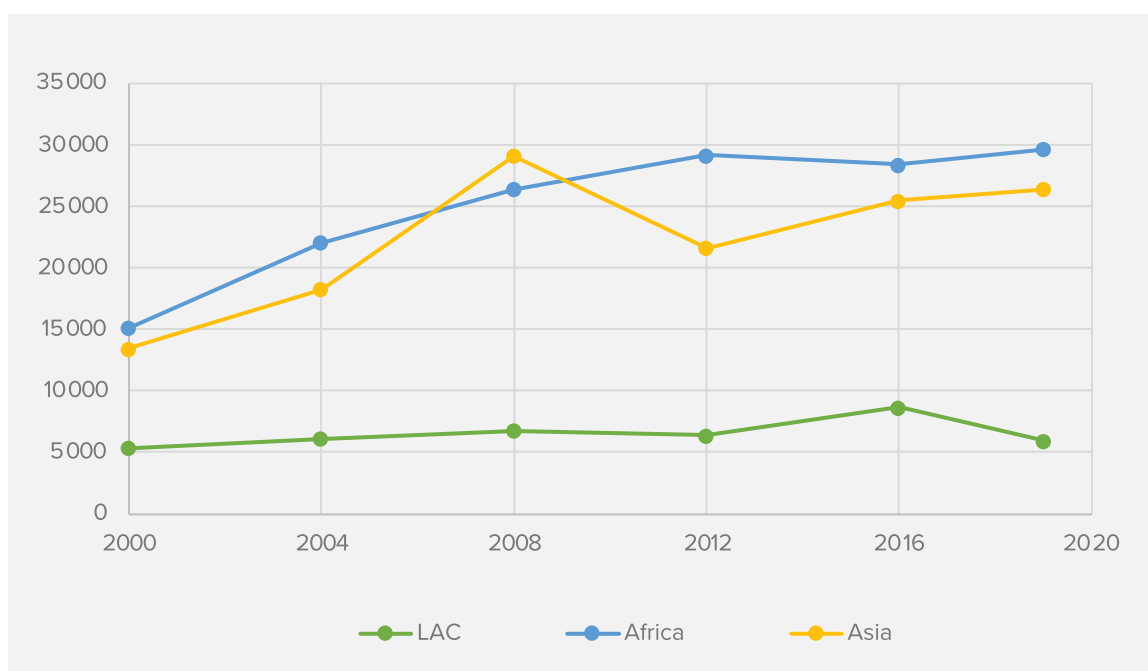
Official development assistance (ODA)

Over the past decades, the share of the LAC region as a destination of international cooperation has declined steadily in comparison to Africa and Asia. In 2019, the region accounted just for 5.3 percent of global net official development.

The pandemic has also triggered several changes in development partnerships. The overall trend regarding available resources remains uncertain, despite the mobilization of emergency funds to fight the pandemic, in particular, by EU institutions.

Figure 2

Aid (ODA) disbursements to regions (USD Millions)



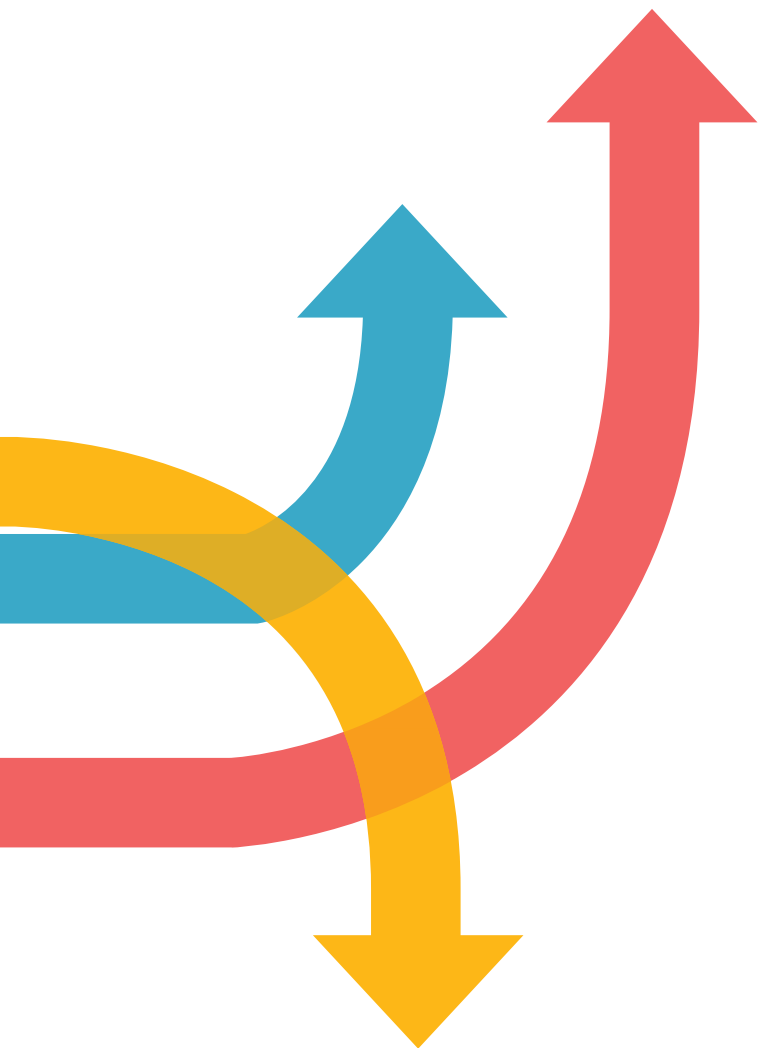
Source: OECD.Stat.

The LAC region needs international cooperation to address deep structural issues that have a global dimension. These include:

1. A high and rising debt, enlarged with the pandemic, estimated at 79.3 percent of GDP in 2020 (ECLAC, 2020e), combined with a widening fiscal deficit that has tripled in 2020 to 9 percent of GDP (IMF, 2020a).

2. Substantial borrowing costs and foreign exchange volatilities, which have been exacerbated during the pandemic (OECD, 2020a).

To enable the LAC region to regain fiscal space, international partners can contribute through debt relief, and facilitating access to liquidity as well as lower future interest rates by stimulating public and private demand for LAC bonds linked to specific SDGs. For example, the EU has already taken concrete steps with the LAGREEN bonds programme, which could be scaled up for other policy areas.



LAC's cooperation partners

The development priorities of international partners have sought to align with the socio-economic policy priorities of LAC countries seeking to recover from the impact of COVID-19. There have been no major geographical shifts to cover all affected areas in the LAC region, but rather a reinforcement of existing bilateral relations.

Partners participate in the financing of a plethora of educational, social, and training programmes that partly operate in relative isolation. Few partners have developed specific strategy papers for the LAC as a region. Thus, for most donors, the region makes up only a small fraction of their development assistance.

Table 4

Selected focus areas of LAC cooperation partners

Partner	Selected focus areas	
EU	Energy transition, digital transformation, social cohesion, governance, security, migration, trade	    
Spain	Education, social cohesion, water, public private partnerships	    
Germany	Poverty reduction, good governance, SMEs	  
Sweden	Human rights, gender equality, rule of law	  
USA	Security, governance	
Japan	Economic development, disaster risk management, infrastructure	    
China	Infrastructure, agriculture, education	  
Russia	Technology, humanitarian aid, education	  
IADB	Infrastructure, social inclusion, good governance	   
WB	Capacity-building, value-chain creation, social inclusion	  
IMF	Capacity development, technical assistance, governance	  

Future steps

It is crucial that the LAC region mandates regional organizations such as ECLAC and UNDP RBLAC to define a multilateral strategy for social cohesion and inclusion, building on existing structures such as ECLAC's Socio-Economic COVID-19 Observatory. This should go together with a preference for development partners willing to increase their share of budget support targeted at social recovery, as donors orient their actions towards a strategic regional vision set by LAC.

Successful recovery policies require cooperation with a wide range of international partners that share the goals of addressing the flaws of previous development models and are committed to supporting the LAC region in its ambitions. Avoiding fragmentation of partnerships and of development initiatives is thus a key challenge for the region given the multitude of existing bilateral engagements. International partners and countries of the

region should work together to adapt and upscale the most effective national and local programmes throughout the region. Partners should therefore be flexible to engage beyond their traditional focus areas and contribute to a cohesive international partnership with the region that does not exclude individual countries.

Instead of a reinforcement of existing bilateral partnerships, international partners should consider adopting a collective approach to the region, while still providing leadership in their areas of respective strength to ensure the most stable and sustainable recovery for the entire region.

At a broader level, international partners should be encouraged to shift more assistance towards multi-donor funds to avoid fragmentation and the duplication of recovery efforts.



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