

Policy Brief:
**The Impact of
COVID-19 on
Latin America
and the Caribbean**

JULY 2020

Executive summary

Latin America and the Caribbean has become a hotspot of the coronavirus (COVID-19) pandemic, exacerbated by weak social protection, fragmented health systems and profound inequalities. COVID-19 will result in the worst recession in the region in a century, causing a 9.1% contraction in regional GDP in 2020.¹ This could push the number of poor up by 45 million (to a total of 230 million) and the number of extremely poor by 28 million (to 96 million in total), putting them at risk of undernutrition. In a region which experienced a significant number of political crises and protests in 2019, increasing inequalities, exclusion and discrimination in the context of COVID-19 affect adversely the enjoyment of human rights and democratic developments, potentially even leading to civil unrest, if left unaddressed.

Prior to the pandemic, the region's development model was facing severe structural limitations: high inequality, balance-of-payments constraints, and exports concentrated in low-technology sectors resulting in recurrent exchange-rate and debt crises, low growth, high informality and poverty, vulnerability to climate change and natural disasters, and loss of biodiversity. Negative social indicators were and continue to be aggravated by extremely high rates of **homicide** and gender-based violence, including femicide.

Recovery from the pandemic should be an occasion to transform the development model of Latin America and the Caribbean while strengthening democracy, safeguarding human rights and sustaining peace, in line with the 2030 Agenda for Sustainable Development. The costs of inequality in the region have become untenable. The response requires rebalancing the role of states, markets and civil society, emphasis on transparency, greater accountability and inclusiveness to support democracy, strengthening the rule of law and protecting and promoting human rights. The root causes of inequality, political instability and displacement need to be addressed. These steps, in turn, demand social compacts for legitimacy and support, a strong commitment to the fight against corruption and organized crime, as well as an effective, accountable and responsive presence of the state throughout the territory. The peacebuilding gains made in the past three decades need to be preserved and deepened.

Equality holds the key for the successful control of the pandemic and for a sustainable economic recovery in Latin America and the Caribbean. In the short run, equality helps to sustain income and aggregate demand. The focus on social inclusion counteracts the rise of xenophobia and stigmatization of marginalized groups. The active contribution of youth needs to be

¹ Unless otherwise stated, all data in this policy brief is from the Economic Commission for Latin America and the Caribbean (ECLAC).

recognized, supported and leveraged, as close to 17% of the Latin American and Caribbean population is between the ages of 15 and 24.² In the economic recovery, equality is crucial to boost growth and productivity both directly — through access to education, food, health and opportunities for all — and indirectly, by preventing the concentration of economic and political power that constrains, captures and distorts public policies.

In Latin America and the Caribbean, building back better implies building back with equality.

Gender equality and the empowerment of women needs to be at the core of the response:

Women have been disproportionately impacted by the pandemic; largely employed in the informal and hardest-hit sectors, their ability to absorb economic shocks is less, while they have also taken on greater care demands at home as well as being more exposed to increased violence in a region with high rates of gender-based violence already. Every effort should be made to guarantee full-fledged rights of women, girls and lesbian, gay, bisexual, transgender and intersex (LGBTI) people, including the right to a life free of violence, exploitation and discrimination, the right to health and education, employment, wages and social protection, the promotion of economic autonomy and political participation.

The policy response to COVID-19 should get us closer to the vision of the 2030 Agenda for Sustainable Development across four key dimensions anchored in human rights:

- *Social*, based on equality and universal social protection for all, regardless of sex or gender, age, race or ethnicity, language, religion, legal or migratory status, or any other status or personal circumstance.
- *Economic*, based on the creation of decent jobs sustained by enhanced local technological capabilities.
- *Environmental*, based on the protection of nature and the environment for present and future generations.
- *Political*, based on democracy, rule of law, transparency, gender equality, conflict prevention, accountability, participation and access by civil society and local communities to information in all the phases of design, implementation and evaluation of public policy.

Policy recommendations for the short term:

- **Consider exploring mechanisms to provide people living in poverty with basic emergency incomes. This could include the possibility of providing the equivalent of one national poverty line.**³ In order to address food insecurity and malnutrition, these measures could be complemented, when necessary, by **anti-hunger grants** for those living in extreme poverty.⁴
- Full access to economic and humanitarian assistance and basic services should be ensured for all in need thereof, especially for informal workers, women, youth and those in the most vulnerable situations: children, older persons, Afrodescendants, indigenous peoples, persons with disabilities, LGBTI persons, internally displaced persons, migrants, refugees and minorities, as well as women who have experienced intimate partner violence, sexual violence or other forms of gender-based violence.

2 UN, World Population Prospects 2019 [online database] <https://population.un.org/wpp>.

3 ECLAC estimates that, on average for the region, this line is approximately US\$ 140 per month.

4 ECLAC estimates that the extreme poverty line is approximately US\$ 67 per month on average for the region.

- **Consider implementing measures to preserve skills and managerial and productive capabilities** to allow production to respond when demand recovers, including emergency subsidies to micro, small and medium-sized enterprises (MSMEs), especially to cover labour costs. Policies should facilitate equal access to information and communication technologies (ICT), tools and platforms. In the case of larger firms, financial support could be provided with conditionalities, such as protecting employment, investing in research and development (R&D), green investments and refraining from distribution of dividends among shareholders.
- **The immediate international multilateral response should be extended to the middle-income countries.** This group, which includes most Latin American and Caribbean countries, faces structural constraints, yet has been largely excluded from cooperation in the form of emergency liquidity response, concessional funding, trade exemptions, deferral of debt service payments and humanitarian assistance. These instruments are especially urgent for tackling the rising external public debt of Caribbean small island developing States (SIDS). Debt sustainability should be pursued by fostering sustainable and inclusive growth, not by austerity that halts investment. International financing should be expanded, including a major allocation of special drawing rights (SDRs), accompanied by initiatives for debt relief or debt standstill and innovative financing mechanisms such as the Debt Relief/Swap for Climate Adaptation for the Caribbean.⁵

Policy recommendations for building back with equality:

- **Fostering comprehensive welfare systems,** with revamped social protection schemes and universal access to health care and education for all, free of discrimination and irrespective of legal or migratory status. It should comprise targeted measures to protect the most vulnerable groups.
- Fostering sustainable **industrial and technological policies (SDG 9), including** measures to encourage a low-carbon growth path, reallocate informal workers into decent jobs, promote the transition to renewable energy, build capabilities in health and in digital and green technologies, and reduce vulnerability to new shocks. Investments in research and development (R&D) and cooperation with universities, the scientific community and the private sector are crucial for resilience and recovery.
- Strengthening progressive tax systems that allow for enhanced domestic resource mobilization (SDG 17) while ensuring that the fiscal effort relies on redistributive taxes, while curbing tax evasion and avoidance.
- **Preserving strategic natural terrestrial and maritime ecosystems while reducing territorial inequalities, including through** conservation of biodiversity and more inclusive agricultural and forestry systems that are oriented towards local communities and products, as well as respectful of indigenous peoples' right to their traditional lands.
- **Regional economic integration** to support productive diversification, economic resilience, and regional cooperation in financing research, science and technology.

⁵ See ECLAC, "Debt for Climate Adaptation Swap Initiative for Caribbean SIDS" [online] https://www.cepal.org/sites/default/files/news/files/19-00814-debt_initiative_flyer-web.pdf.

- **Strengthening democratic governance, the rule of law, accountability and transparency,** sustained by a social compact to ensure the legitimacy, inclusivity and effectiveness of public policy, as well the involvement of local communities and civil society, including women’s organizations and youth.
- **Environmental sustainability, underpinned by the 2030 Agenda, should be the basis for relaunching multilateral cooperation, particularly in developing countries.**

Economic recovery will require a strong multilateralism and international cooperation. Crucial global challenges – such as climate change, human mobility, pandemics or the fight against illicit capital flows – demand new forms of governance. A just transition to a zero-carbon economy, that in many cases will require investments to promote environmentally friendly technologies and economic sectors, should be a critical component of the recovery.

I. Introduction

COVID-19 represents a massive health, social and economic shock with an immense human toll for the countries of Latin America and the Caribbean. It is expected to result in the deepest recession in living memory. At a moment when trust in public institutions is already historically low, governments are grappling with how to implement emergency measures while preserving the democratic fabric, safeguarding human rights and sustaining the gains of peace. The intensity of the shock is aggravated by the development model followed by the region for decades. The pandemic exposed the fragility of this model, exacerbated its many inequalities and transformed chronic difficulties into an acute crisis demanding urgent attention.

The response to the COVID-19 pandemic should go beyond short-term emergency measures to embrace an entirely new set of health, economic, social and industrial policies. Recovery from the pandemic should aim at building back better, which implies building back with equality, redefining the development model towards one anchored in human rights and factoring in the environmental dimension, aligned with the 2030 Agenda and the Sustainable Development Goals (SDGs).

The countries of Latin America and the Caribbean have social and economic specificities that amplify the crisis, including the region's

distinctively high and persistent inequality. Even though most of its countries are classified as middle-income, the region's income inequality implies that a large share of the total population is poor or highly vulnerable to falling into poverty. Specialization in low-technology sectors (intensive in natural resources or cheap, low-skilled labour, or both) produces repeated current account deficits that constrain growth and fiscal space. Emissions per capita are, on average, lower than in other regions, but emissions associated with land-use change and deforestation have been on the rise. The region is also highly vulnerable to natural disasters, caused or aggravated by climate change, particularly in the Caribbean. Moreover, gender inequalities persist in the region, with low participation rates of women in the labour market and three times higher unpaid care work burden than for men.

The pandemic could be an occasion for collective reflection on restructuring the development model and resetting the future in four directions: (i) building a comprehensive welfare system in the region that is inclusive, just and gender-responsive; (ii) transforming production patterns by strengthening domestic technological capabilities, particularly in the digital and green energy sectors, and encouraging a zero-carbon growth path; (iii) protecting the environment and the integrity of critical ecosystems; and (iv) strengthening democracy, transparency and

accountability in public policy, centred on human rights. This restructuring is a road map towards achieving the SDGs: it would allow sustainability and employment (decent work for all) to advance hand in hand, in a mutually reinforcing process.

The response to the crisis and policies for building back better needs to be anchored in equality and democracy. The crucial role of the state and its institutions in response and recovery requires

a high degree of legitimacy and political support and the active participation of civil society, women's organizations and human rights defenders is critical. With social conflicts becoming more acute, building back better demands a new social compact that protects fundamental rights, upholds the rule of law, ensures universal welfare and economic resilience.

II. COVID-19 is causing the region's worst health, economic, social and humanitarian crisis in a century

A. Health impacts

1. LATIN AMERICA AND THE CARIBBEAN HAS BECOME A COVID-19 HOT SPOT

Several Latin American and Caribbean countries show some of the highest numbers of absolute and per capita cases worldwide. With fragmented and unequal health systems, they are ill-prepared to handle a health and human crisis of this scale. Participation in health insurance plans was low.⁶ Lack of access to quality health care and information is especially acute in rural and remote areas, affecting particularly indigenous peoples. Other barriers affecting indigenous peoples' access to health is the lack of an intercultural approach that encompasses native languages and customs, which is critical, inter alia, for indigenous women's sexual and reproductive health.⁷

Urban transmission of COVID-19 is of special concern to Latin America and the Caribbean as the world's most urbanized developing region. 80% of its population lives in cities and 17% is concentrated in six megacities,

with populations of over 10 million each.⁸ Latin American and Caribbean cities are marked by inequality, with one in every five urban residents in the region living in slums,⁹ where overcrowding and poor access to water and sanitation raise the risk of contagion.

The region is reliant on extraregional imports of medical products essential for treating COVID-19, with less than 4% of imports sourced from within the region itself.¹⁰ International cooperation remains critical in the fight against COVID-19. General Assembly Resolution 74/274, which aims to ensure global access to medicines, vaccines and medical equipment to face COVID-19, represents a milestone in this regard.

2. RESPONSE TO THE HEALTH CRISIS

Governments of the region have reoriented public resources to address gaps in health services. Production capabilities have been adapted to meet demand for supplies that cannot be met through imports, including mechanical ventilators and PPE.

6 Participation for employed people aged 15 and above was only 57.3% in 2016. Among the poorest income decile, this coverage was only 34.2%.

7 On the health infrastructure in LAC, see the Global Health Observatory Data (<http://www.who.int/gho/database/en>) and PAHO, Core Indicators 2019: Health Trends in the Americas.

8 United Nations, *World Urbanization Prospects: Highlights*, Population Division, New York, 2019.

9 Global Urban Observatory, <https://unhabitat.org/guo>.

10 ECLAC, "Restrictions on the export of medical products hamper efforts to contain coronavirus disease (COVID-19) in Latin America and the Caribbean", *COVID-19 Reports*, May 2020.

Policy recommendations to address the health crisis

- Ensure access to testing and care for all in need. The protection of populations with vulnerabilities, including persons with disabilities, people on the move, indigenous communities and older persons, should be afforded special attention, as laid out in the series of UN [policy briefs](#). Health care for pre-existing conditions such as diabetes, high blood pressure and HIV/AIDS, among others, should remain accessible.
- Ensure that health services essential for responding to the needs of survivors of violence against women and girls, including sexual and reproductive health services, are prioritized with adequate resources.
- Consider removing trade restrictions, including tariffs, sanctions, quotas and non-tariff measures, that affect the deployment of medical equipment, medicines, inputs for food manufacturing and other essential goods to fight COVID-19 and its direct impacts on health and well-being, [as requested of leaders of the G20](#).
- In the recovery, increased investment in health systems will be vital. Achieving universal access and coverage, as well as improving health-care infrastructure, is necessary for the region's public health preparedness and to ensure basic rights to health. A care economy is urgently needed to reduce the burden of unpaid care work, which falls disproportionately on women.¹¹
- Identification and care of the most vulnerable people and regions in the first instance, and appropriately timed reopening measures. Investing in testing and contact

tracing, risk management measures and transparent communications to prevent new waves of infections is crucial.

B. Economic impacts

1. KEY FACTS IN MACROECONOMICS AND TRADE

When the pandemic hit the region, its economies were already experiencing serious difficulties. In the preceding six years (2014–2019), economic growth had been the lowest (0.4%) recorded in since 1951. In addition, fiscal space contracted and public debt increased in Latin America, from about 30% of GDP in the period 2009–2011 to over 45% in 2019. In the Caribbean, the average debt was 68.5% of GDP in 2019. As a result of a series of external shocks, compounded by structural weaknesses and vulnerabilities and high exposure to natural disasters and the impacts of climate change, some Caribbean SIDS are among the most indebted economies in the world.

Fiscal capabilities in the region are limited and have very little or no redistributive impact, albeit with variations across countries. The limited fiscal space is strongly correlated with the low tax burden and regressive tax structure. In 2018, general government tax revenues in the region averaged 23.1% of GDP, well below the average of 34.3% of GDP for OECD countries. Tax evasion and avoidance and illicit flows further limit the fiscal space. Tax non-compliance in Latin America stood at US\$ 325 billion in 2018, equivalent to 6.1% of GDP.

ECLAC estimates that GDP could fall in Latin America and the Caribbean by 9.1% in 2020. The external drivers of this are an expected fall in exports (20%¹²), a decline in remittances

¹¹ Household Survey Data Bank, ECLAC.

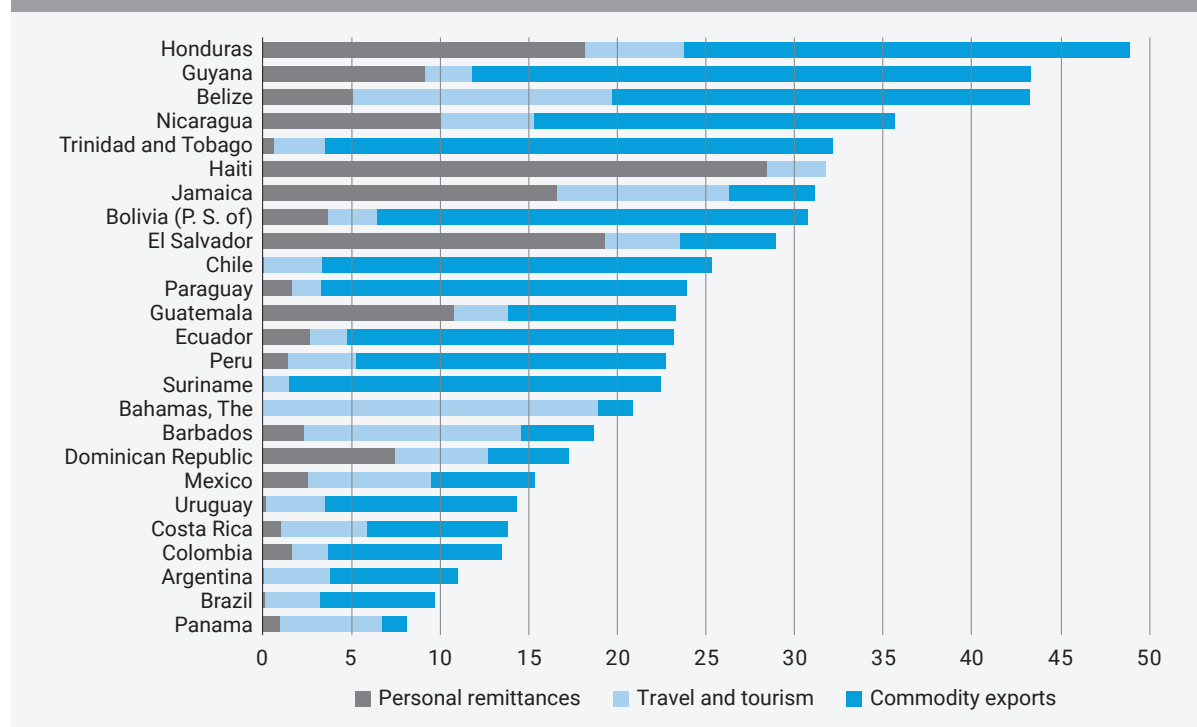
¹² ECLAC estimate.

to the region (of around 20%¹³) and lower demand in the tourism sector (during the first four months of the year tourist arrivals fell by 35% in Central and South America, and 39% in the Caribbean¹⁴) (see figure 1), which will hit the Caribbean particularly hard. Women will be especially affected, as they are more likely than men to work in accommodation and food services (60% of employees), a proxy measure of employment in the tourism sector.

The external shock is compounded by an internal shock produced by social distancing and lockdown measures, primarily affecting the service sector, and especially the informal

sector, which represents a significant share of total employment in Latin America and the Caribbean. Many informal workers have relatively limited savings capacity to cope with periods of inactivity, nor do they have access to income substitution mechanisms such as unemployment insurance, associated with formal work. In addition, the shock is expected to have a disproportional impact on women, who are overrepresented in informal work, self-employment and the service sector (transport, business and social services), which currently employs 78% of women in the labour market.

FIGURE 1: CONTRIBUTIONS OF COMMODITY EXPORTS, REMITTANCES, AND TOURISM AND TRAVEL TO GDP, 2014–2018¹⁵ (% of GDP)



¹³ World Bank (<https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>).

¹⁴ UNWTO World Tourism Barometer and Statistical Annex, Update June 2020.

¹⁵ Source: UN, on the basis of data from the World Bank (<http://datatopics.worldbank.org/world-development-indicators>) and the World Travel and Tourism Council (<https://wtcc.org>).

2. ECONOMIC RESPONSES

National policy responses have sought to increase public resources for the health sector, protect households (especially those in the most vulnerable situations), safeguard production capacity and employment, and stave off a liquidity crisis. The scale of the fiscal effort has already surpassed the stimulus implemented during the 2008 global financial crisis.¹⁶

3. POLICY RECOMMENDATIONS: THE SHORT TERM

- Macroeconomic policies, including fiscal policies, that support basic consumption by individuals and households and prioritize the most vulnerable.
- Stronger national public care systems that, together with private initiatives in this sector, promote redistribution of unpaid care work within the families, facilitate women's participation in the labour market and create new job opportunities.
- Strengthened fiscal systems with more progressive tax structures, while considering new ways to tax the digital economy and to improve and widen the set of corrective taxes related to the environment, such as carbon taxes, and to public health.
- Monetary authorities could consider promoting financial stability by deploying measures such as foreign-exchange interventions, capital controls when necessary, easing pressure on dollar demand through international central bank cooperation, such as swap arrangements (which proved successful in maintaining dollar liquidity during the global financial crisis), and using special drawing rights (SDRs) to increase reserves.

Liquidity can also be provided through public banks, including national and multi-lateral development banking institutions.

- Consider ways of supporting MSMEs to prevent their bankruptcy. This could include measures such as direct liquidity injections, cash transfers, access to credit, or reductions in overheads. Government guarantees, direct interventions, capitalization, nationalization, investment in R&D and tax deferrals could also be considered.

4. POLICY RECOMMENDATIONS FOR THE ECONOMIC RECOVERY

- Current expenditure should give way to increased capital expenditure for effective recovery, in close coordination with industrial policies, generating crowding-in effects on private sector investment. Public debt-to-GDP ratios should fall through GDP growth rather than through public spending cuts.
- Countering tax avoidance and tax evasion, along with regional and global coordination on fiscal and financial information exchange mechanisms.
- Extending public investment in health infrastructure in a way that is compatible with the objective of universal health care, in line with the Political Declaration of the high-level meeting on universal health coverage, adopted in 2019.¹⁷
- A big push for sustainable development may accelerate economic recovery and redirect investments towards zero-carbon sectors. This may also contribute to reutilization of idle industrial capacity. Investments in sustainable infrastructure, access to clean water, and environmental services that

¹⁶ ECLAC, "Measuring the impact of COVID-19 with a view to reactivation", *COVID-19 Special Report*, No. 2, 21 April 2020.

¹⁷ <https://undocs.org/en/A/RES/74/2>.

boost employment (such as reforestation and the restoration of ecosystems) can contribute to attaining these objectives. The historically low prices of oil offer an opportunity to withdraw fossil fuel subsidies, while at the same time taking measures to cushion the impact on the poor.

- Consider investing in local infrastructure and services and expanding the coverage and quality of non-motorized transport infrastructure and mass-transit systems, including the electrification of urban mobility.
- Industrial and technological policies can play a crucial role in the new development model, including to drive zero-carbon sectors. The importance of such policies for resilience and growth has increased under the current circumstances, particularly in digital technologies. Cooperation between national governments, universities and other actors in science and technology, and investments in R&D, can be strengthened to develop domestic capabilities and ensure all people have the right to benefit from science and its applications.
- Policies should promote meaningful participation by women and youth, and address gender bias barriers in the most technologically advanced and emerging sectors, including technology, medical supplies and pharmaceuticals.

C. Social and humanitarian impacts

1. POVERTY AND INEQUALITY

Latin America is one of the most unequal regions in the world and the differential impacts of COVID-19 risk making this situation worse.¹⁸ The sharp drop in economic activity is expected to lift the unemployment rate from 8.1% in 2019 to 13.5% in 2020. The poverty rate is expected to rise by 7.0 percentage points in 2020, to 37.2%, while extreme poverty is expected to rise by 4.5 percentage points, from 11.0% to 15.5%, which represents an increase of 28 million people.

Women are overrepresented in poor households in the region: in 2018, for every 100 men between the ages of 25 and 59 living in poverty, there were 113 women in the same situation.

The pandemic is exacerbating existing food insecurity caused by environmentally driven food shortages, political turmoil, and dwindling purchasing power. Latin America and the Caribbean has seen an almost three-fold rise in the number of people requiring food assistance. The number of people experiencing acute food insecurity could increase by 11.7 million to 16.0 million people in 2020 because of the pandemic.¹⁹ Haiti and the Central America Dry Corridor are areas of particular concern. The approaching hurricane season in the Caribbean presents an additional risk.

These trends also imply a rise in inequality. The Gini index is expected to increase with the pandemic by between 1.1% and 7.8% in several countries in the region. Although the region comprises mainly middle-income countries, middle-income households account for a small and vulnerable share of the total population. In the past decade, the middle-income segments have expanded in Latin America and the Caribbean, changing the region's social and political landscape.

¹⁸ In 2018, the Gini coefficient of Latin America was 0.465, the highest of any region of the world.

¹⁹ World Food Programme (WFP). WFP Global Response to COVID-19: June 2020. Baseline and projected numbers include moderately and severely food insecure Venezuelan migrants in Colombia, Ecuador, and Peru.

FIGURE 2: POPULATION LIVING IN POVERTY AND EXTREME POVERTY, 2019 AND 2020 (%)²⁰

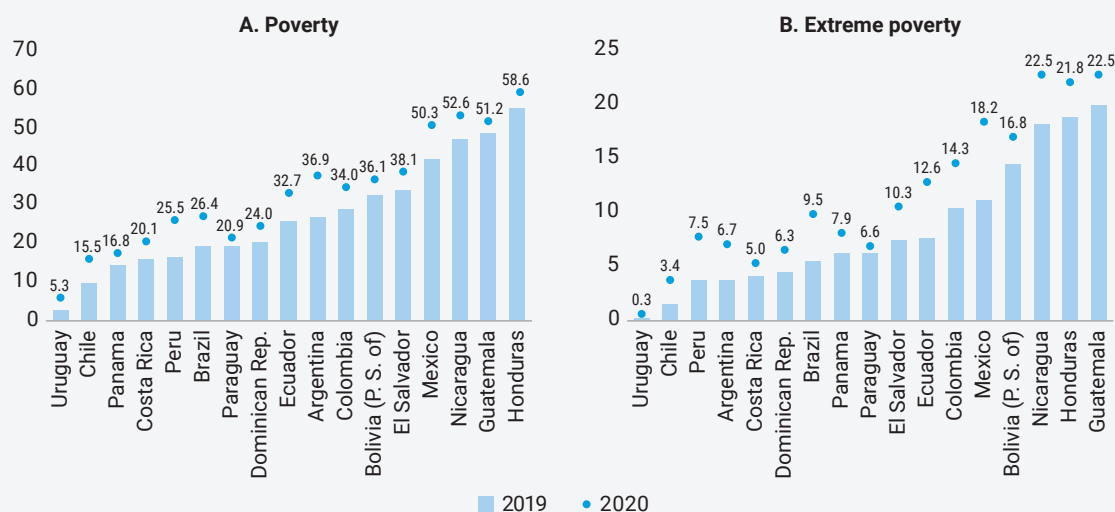
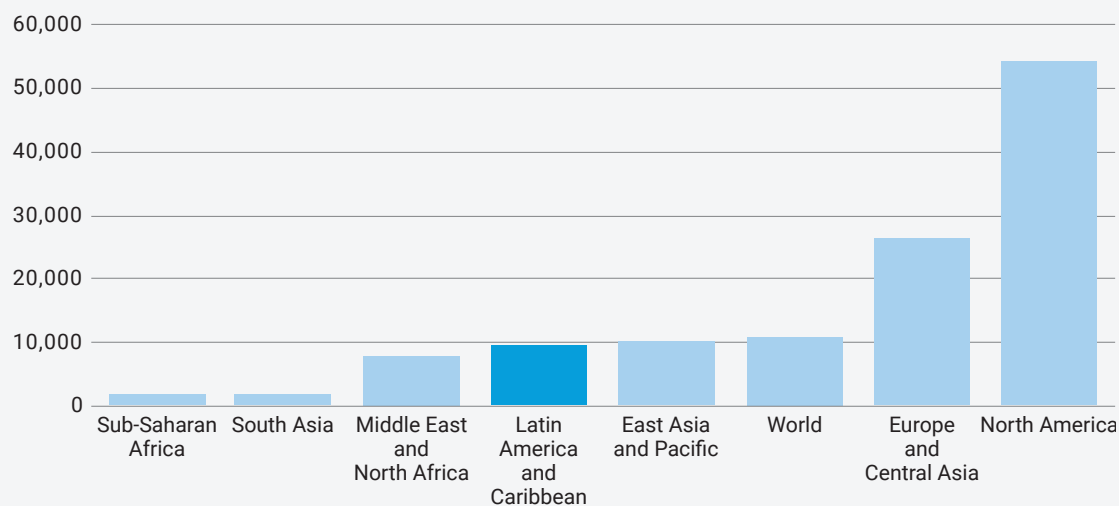


FIGURE 3: PER CAPITA GDP, BY REGION, 2018
(dollars at constant 2010 prices)²¹



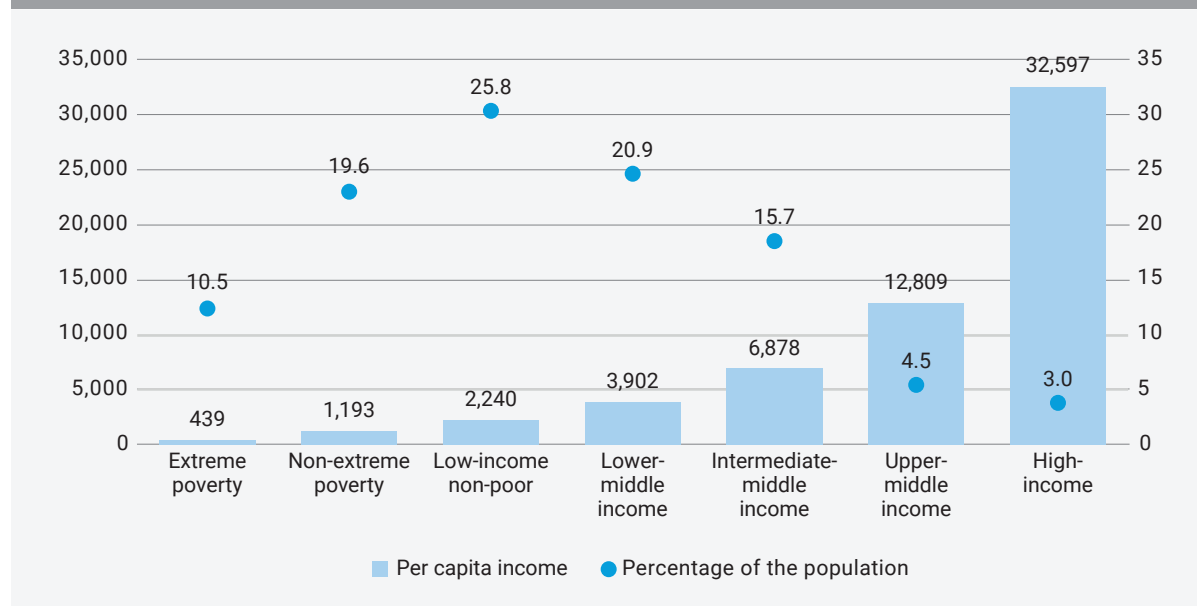
²⁰ Source: ECLAC, Household Survey Data Bank. Figures for 2020 are projections. The potential effects of the measures announced to mitigate the impact of COVID-19 are not included. The results only reflect the impacts of labour market deterioration. If the impact of the fall in remittances is considered, the effects are much worse.

²¹ Source: ECLAC, on the basis of World Bank: <http://datatopics.worldbank.org/world-development-indicators>.

However, most of this growth has occurred in the low- and lower-middle-income strata, where households are highly vulnerable to negative shocks and may easily fall back into poverty. In 2019, 77% of the Latin American

and Caribbean population belonged to low- or lower-middle-income groups (per capita income of less than three times the poverty line), with no savings to withstand a crisis.

FIGURE 4: LATIN AMERICA: SHARE OF POPULATION AND AVERAGE YEARLY PER CAPITA INCOME, BY INCOME STRATUM, 2017
(Percentages and dollars at constant 2010 prices)²²



2. MOST AFFECTED POPULATIONS

The pandemic is having asymmetrical health and socioeconomic impacts based on age, gender, sexual orientation, ethnicity and migration and refugee status, among other factors. Across the region, there is increasing stigma, discrimination and hate speech targeting minorities, health personnel and those suspected of carrying the virus. Public policies need to address these asymmetries and combat racism, xenophobia and discrimination, based on human rights in the fight against COVID-19.

Older persons are at significant risk of death and severe disease owing to COVID-19 (particularly those aged over 80, about 2% of the region's population). About 13% of the region's population (85 million people) are over the age of 60.²³

Women and girls are especially hard hit by the pandemic. Women spend thrice the time that men do on unpaid domestic and care work each day – between 22 and 42 hours per week before the crisis. In spite of women's wider presence on the front lines of the crisis (they account for 72.8% of persons employed in the health-care sector), their income in this sector is

²² Source: ECLAC. The figure includes data from 18 countries: Argentina, Venezuela, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Bolivia and Uruguay.

²³ UN, World Population Prospects 2019 [online database] <https://population.un.org/wpp>.

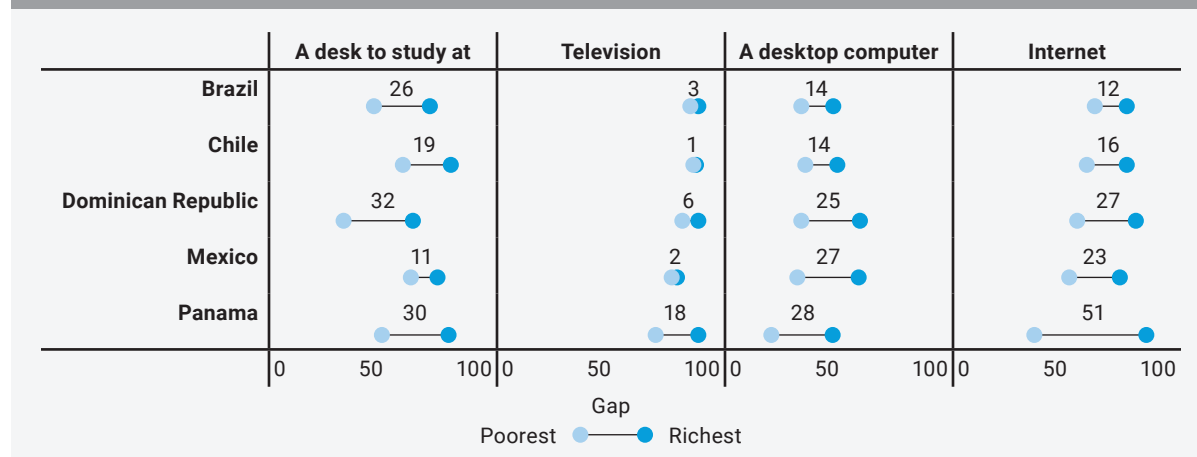
25% lower than that of their male counterparts. Confinement, school closures and sick family members have placed additional pressures on women as primary caregivers. Domestic violence, femicide and other forms of sexual and gender-based violence have increased. Calls received by emergency helplines for women in Chile and Mexico, for instance, are reported to have increased by more than 50%.²⁴ It is critical to take all measures needed to put an end to domestic violence against women and girls.

Indigenous peoples and people of African descent (10% and 21% of the region's population, respectively) are also disproportionately affected, owing to worse socioeconomic conditions compared to the rest of the population, limited access to social protection, and high levels of discrimination in the labour market. Indigenous peoples are also more likely to live in areas with poor medical services and limited access to health infrastructure, water and sanitation. Their access

to information is also restricted as they often speak languages other than the official or majority languages. Indigenous peoples are nearly three times as likely to be living in extreme poverty, with limited access to resources.²⁵ Communities living in voluntary isolation are particularly vulnerable, and forcibly breaking their isolation poses severe threats, including to their life and health.

Although children and young people have been spared the worst health impacts to date, education has been interrupted across the region, with over 171 million students in Latin America and the Caribbean currently at home.²⁶ Schools have instituted distance-learning initiatives. Existing inequalities regarding study devices may exacerbate inequalities in education. Significant losses with respect to learning and human capital development risk deepening inequalities in the long term. The continuity of child-centred services with equity of access needs to be prioritized, as set out in the UN policy brief.²⁷

FIGURE 5: STUDENTS WITH ACCESS TO DIFFERENT STUDY DEVICES IN THE POOREST AND RICHEST INCOME BRACKETS, 2018 (%)²⁸



²⁴ United Nations Office on Drugs and Crime (UNODC).

²⁵ United Nations, "Indigenous peoples & the COVID-19 pandemic: considerations", Department of Economic and Social Affairs: https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2020/04/COVID19_IP_considerations.pdf.

²⁶ United Nations Development Programme (UNDP).

²⁷ United Nations, "The impact of COVID-19 on children" (https://unsdg.un.org/sites/default/files/2020-04/160420_Covid_Children_Policy_Brief.pdf). UNESCO, "Covid-19: school closures around the world will hit girls hardest" (<https://en.unesco.org/news/covid-19-school-closures-around-world-will-hit-girls-hardest>).

²⁸ Source: UNDP, based on the OECD Programme for International Student Assessment (PISA), 2018.

Persons with disabilities, who number 70 million in Latin America and the Caribbean, are at greater risk from COVID-19 and of poor diagnosis and treatment access, owing to the lack of information in accessible formats and poor accessibility to health facilities.²⁹

Homeless people are overexposed to the risk of contracting COVID-19 because of their lack of housing, food and access to health-care services.

Overexposure is also a concern for persons deprived of their freedom, owing to the high risk of infection in confined conditions, characterized by alarming high overcrowding and insufficient improvements in sanitization and health services. Despite some efforts of governments to reduce the incidence of the virus in detention centres, and to implement early release measures, thousands of detainees have been infected and dozens have died.

Refugees and migrants are often excluded from national social protection systems although they face profound challenges in accessing basic rights and services. Furthermore, most countries in the region have declared a state of emergency and have partially or completely closed borders and banned non-resident foreigners from entering their territory. Migrants and refugees have made an important contribution to destination countries as essential workers in the health sector and in food supply chains, often without proper health and social protection.³⁰

LGBTI people are overrepresented among the homeless, those living in poverty, those with compromised immune systems (HIV) and informal workers. Their access to health services and education may be limited because

of stigma and discrimination, or fears of violence or arrest. LGBTI people are also more likely to be subject to hate speech.

3. GOVERNMENT MEASURES TO INCREASE SOCIAL PROTECTION

Since mid-March, governments across the region have announced social protection measures in response to the sudden drop in worker and household incomes, particularly among the most vulnerable populations. As of 26 June 2020, 29 countries in the region had adopted 194 social protection measures to help households. The cash and in-kind transfers implemented in 26 countries to support families in situations of poverty and vulnerability during the crisis covered approximately 69 million households (286 million people, or 44% of the population). Projected expenditure over six months will amount to some US\$ 69 billion, about 1.4% of GDP for 2020.

Governments could consider exploring mechanisms to provide all people living in poverty with basic emergency incomes. This could include the possibility of providing the equivalent of one national poverty line. Based on the expenditure over the course of six months on pre-existing poverty reduction programmes (0.6% of GDP) and the emergency transfers already under way in the region (1.4% of GDP), additional spending to provide every person in poverty with a basic income equivalent to the national poverty line for six months would amount to 1.9% of GDP (see figure 6). In order to address food insecurity and malnutrition, these measures could be complemented, when necessary, by anti-hunger grants for those living in extreme poverty.

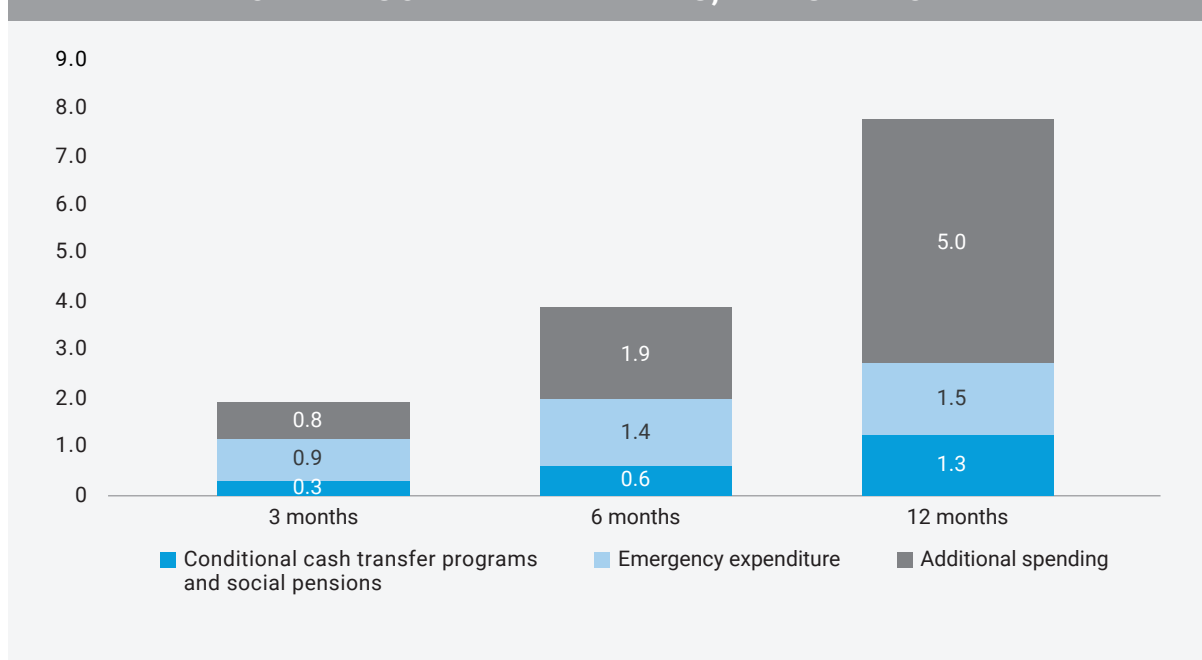
²⁹ United Nations, "Policy brief: a disability-inclusive response to COVID-19", May 2020 [online] https://www.un.org/sites/un2.un.org/files/sq_policy_brief_on_persons_with_disabilities_final.pdf.

³⁰ United Nations, "Policy brief: COVID-19 and people on the move", June 2020 [online] https://www.un.org/sites/un2.un.org/files/sq_policy_brief_on_people_on_the_move.pdf.

TABLE 1: SOCIAL PROTECTION MEASURES TAKEN IN RESPONSE TO COVID-19³¹

Cash transfers ³²	In-kind transfers	Provision of basic services	Social protection for formal workers	Other direct support to individuals or families
<ul style="list-style-type: none"> • New cash transfer programmes • Expansion of existing programmes (early disbursement, increased amounts, wider coverage) 	<ul style="list-style-type: none"> • Food • Medicines • Masks • Cleaning products 	Suspension or waiver of bill payment for: <ul style="list-style-type: none"> • Water • Electricity • Gas • Communications (telephone, Internet, TV) 	<ul style="list-style-type: none"> • Reduced exposure to COVID-19 (teleworking) • Income and employment protection (unemployment insurance, sick leave, bans on dismissal) 	<ul style="list-style-type: none"> • Tax relief • Loan and mortgage payment accommodations • Price control

FIGURE 6: ESTIMATED ADDITIONAL COST OF CASH TRANSFERS EQUIVALENT TO ONE POVERTY LINE TO ADDRESS THE IMPACT OF THE COVID-19 PANDEMIC, BY DURATION³³



³¹ Source: ECLAC.

³² Transfers for persons and households in situations of poverty and vulnerability, including informal workers.

³³ Source: ECLAC. The countries included are: Argentina, Venezuela, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Bolivia and Uruguay.

Governments need to prioritize continued and equal access to education for all children and young people, particularly those from the poorest households. Digital platforms for students and teachers that have been implemented in Colombia, Costa Rica, Peru and other countries have been acknowledged as good practices. Protocols that enable schools and childcare services to reopen as soon as possible and strategies to re-engage dropouts are crucial, recognizing the risk that thousands of students could drop out of school.

Efforts to reduce overcrowding in prisons should be bolstered. Measures could be taken to prevent further contagion among prisoners, such as early release for the most vulnerable (detainees with underlying health conditions or living with HIV, pregnant women and older persons) or for low-risk offenders. Now more than ever, pretrial detention should be a measure of last resort and governments should release every person detained without sufficient legal basis.

When restrictions on freedom of movement or access to national territories are imposed, it is important to do so in a manner that respects international human rights, humanitarian and refugee law, in particular the prohibition of arbitrary detention and collective expulsion and the principles of non-discrimination and non-refoulement.³⁴ Inclusion of migrants and refugees in national COVID-19 response programmes should be aligned with policies regarding humanitarian visas and special temporary arrangements that ensure a minimum protection threshold, as well as with efforts to enhance access to asylum through simplified or accelerated refugee status determination procedures.

³⁴ United Nations, "Policy brief: COVID-19 and people on the move", June 2020 [online] https://www.un.org/sites/un2.un.org/files/sg_policy_brief_on_people_on_the_move.pdf.

³⁵ In particular the 2030 Agenda for Sustainable Development, the Social Protection Floors Recommendation (No. 202) of the International Labour Organization (ILO), the Regional Agenda for Inclusive Social Development (http://repositorio.cepal.org/bitstream/handle/11362/45330/1/S2000094_en.pdf), and the Global Compact on Refugees (UNHCR/Global Refugee Forum, "The role of the global compact on refugees in the international response to the COVID-19 pandemic", June 2020 [online] <https://globalcompactrefugees.org/article/role-global-compact-refugees-international-response-covid-19-pandemic>).

4. UNIVERSAL SOCIAL PROTECTION IN THE RECOVERY

- In the effort to reshape the development model in the recovery, countries could consider moving towards a permanent and unconditional universal basic income to satisfy basic needs. This could be implemented over time, in accordance with each country's situation. Given the increasing incidence of poverty among children, a universal child grant could be an appropriate stepping stone.
- In the recovery period, it will be vital to consolidate universal, redistributive and solidarity-based social protection systems that are rooted in a human rights-based approach to avoid discrimination or any disproportionate impact on vulnerable groups and ensure adequate access to all basic services. Guarantees for social well-being should be defined according to national capacities and in line with international standards.³⁵
- It will also be crucial to develop labour inclusion programmes for the direct creation of decent jobs, with a focus on the most poor and vulnerable and the aim to improve environmentally sustainable basic public services (e.g. water and sanitation), community infrastructure, housing, and care systems.
- When assessing social projects, the costs of the absence of a welfare state in terms of physical and mental health, education, productivity losses and violence should be considered.

D. Environmental impacts

1. THE ENVIRONMENTAL CHALLENGE REMAINS A PRESSING ISSUE IN LATIN AMERICA AND THE CARIBBEAN

The COVID-19 crisis has brought home the costs of lack of preparedness and failure to heed the scientific community, lessons with even greater stakes in the context of climate change. Moreover, recovery from the pandemic is a unique opportunity to transition to a more sustainable relationship between humans and nature. Latin America and the Caribbean is one of the most megadiverse regions of the world and possesses a vast natural heritage. In addition to being home to 8 of the world's 17 megadiverse countries, located in the Andes-Amazon basin and in Mesoamerica, it has unique ecosystems, marine biodiversity and two primary regions of crop diversity.

The Living Planet Index³⁶ for Latin America and the Caribbean shows a decrease of 89% in the abundance of species populations since 1970, the most dramatic loss in any biogeographical world area. Deforestation is a key source of the region's carbon dioxide (CO₂) emissions; in April 2020, deforestation in the Amazon had increased by 64% compared to April 2019.³⁷ Unsustainable deforestation, mining, and overfishing is depriving dependent and vulnerable communities of their livelihoods. The costs of insufficient climate action are on the rise, especially for small island developing states.

Legislation to protect the environment is being relaxed, and violence against environmental defenders, including those defending indigenous peoples, lands, territories and resources,

has increased. As deregulation exposes new territories and communities to deforestation, forced displacements, extraction of natural resources and the destruction of ecological systems, conflicts and violations of human rights become more frequent. In 2018, of the 164 globally recorded killings of environmental defenders, many of whom were indigenous persons, 83 took place in the region.³⁸

The focus on the pandemic should not result in the environment being neglected. With the exceptions of Suriname and Chile, Latin American and Caribbean countries have not yet updated their nationally determined contributions (which should be completed this year) on reducing CO₂ emissions.

The region has a valuable tool to seek people-centred solutions grounded in nature: the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement)³⁹. As the first regional environmental treaty that aims to safeguard the right of present and future generations to a healthy environment, the Escazú Agreement provides tools to address the most pressing environmental concerns. By enhancing access to data, knowledge, and information, and by engaging vulnerable groups, it upholds fundamental values of democratic life and fosters responsive public policies. When the agreement enters into force and is implemented, countries will be better placed to preserve their strategic natural heritage through more inclusive and community-oriented actions.

³⁶ <https://livingplanetindex.org/home/index>.

³⁷ National Institute for Space Research (INPE), Ministry of Science, Technology and Innovation of Brazil.

³⁸ Global Witness, *Enemies of the State?: How governments and business silence land and environmental defenders*, London, 2019.

³⁹ <https://www.cepal.org/en/escazuagreement>.

2. POLICY RECOMMENDATIONS FOR AN INCLUSIVE AND ENVIRONMENTALLY FRIENDLY RECOVERY

Investments in the recovery should focus on public infrastructure, such as smart electrical grids, sustainable transport, sanitation, smart cities and smart buildings, which are both more inclusive and more environmentally friendly. These policies will be the core of the big push for sustainability. Special consideration could be given to productive capacity that is idle as a result of the supply and demand shock.

The pandemic reminded us of the importance of basic necessities and services. Efforts should be made to strengthen regulations and effectively

implement universal access to drinking water, clean air, sanitation and adequate housing. These are investments in a meaningful recovery. In the short term, mitigating measures should be adopted to shore up these basic rights.

Recovering better from the pandemic should be a whole-of-society effort requiring transparency, accountability and multi-stakeholder partnerships and dialogues. The effective protection of environment defenders is key, as well as the rights of communities in territories which are being encroached upon by predatory extractive activities. Fighting the crisis should not come at the cost of relaxing standards of environmental protection or protection of human rights.

III. Reshaping the development model while strengthening democracy and human rights

A. More space for innovation in economic thinking and policy

Recovery from this pandemic should lead to greater equality, respect for nature and the environment, and the defence of democracy and human rights. The state has a critical role in shaping the response and moving towards a new model of sustainable development but all of society must be part of the effort. There is no place for marginalization and discrimination; recovery will be effective only if it adopts a human rights-based approach and is participatory, inclusive and transparent.

B. The need to protect and strengthen democracy, transparency and open debate in public policy

Democracy is relatively recent and hard-won in Latin America and the Caribbean, with many successful transitions from authoritarian rule. However, in recent years, citizens have grown distrustful of political representatives and institutions and have increasingly demanded that governments deliver solutions. High levels of inequality and weak or fragmented welfare systems reflect the region's authoritarian past, with highly concentrated economic structures that have a strong inherent bias and discrimination against certain groups defined by income, gender, age, race or ethnicity.

Inequality increases the risks from the virus and undermines response, as well as generating tensions that accentuate political conflict and erode the legitimacy of democratic regimes.

The impact of the pandemic may pose further challenges to democracy. First, it heightens inequality and makes differences between social groups more visible, which may reinforce the perception that democracy has failed to respond to the most urgent needs of vulnerable groups. Second, temporary measures introduced during the crisis, in particular those limiting the exercise of human rights, may restrict the participation and mobilization of civil society and its capacity to hold governments accountable. Emergency measures may allow powerful interest groups to instrumentalize the crisis and impose agendas that otherwise would not be accepted by society. As called for in the policy brief on COVID-19 and human rights, it will be important that any such measures are proportionate, time-limited and transparent.

In recent years, trust in institutions has been on the wane in Latin America and the Caribbean. A wave of social unrest erupted in 2019, with protests across multiple countries of the region. Some of the preventive measures to mitigate the spread of the pandemic further fuelled social tensions and triggered protests to demand basic services. Allegations of corruption related to the misuse of COVID-19 emergency funds are already multiplying.

Reports have emerged of armed groups and criminal organizations taking advantage of the pandemic to reassert their control over territories. There has been a surge in gang violence, tensions have been inflamed between countries and along border regions, and peacebuilding efforts have been eclipsed by other priorities related to COVID-19.

In view of the fast-changing political landscape, the emergence of new social movements, and the potential effects of COVID-19 on democratic governance, the United Nations will seek new ways to advance human rights, the rule of law, inclusive democratic governance and strengthened civic engagement in the region. The pandemic accelerates the need for a continent-wide reflection on a new understanding of political participation in the age of new technologies and social movements, engaging meaningfully with women, youth and civil society.

POLICY RECOMMENDATIONS

- Political leaders and other political stakeholders should put differences aside, avoid polarization and work together on responding to the pandemic and seeking broad political agreements to build back with equality. Equal participation in decision-making processes of men and women and those most affected should be promoted.
- Governments should put in place safeguards to guarantee that emergency measures are implemented within the legal framework and under the rule of law. Human rights must be at the centre of state responses.⁴⁰ Supreme audit institutions and oversight mechanisms contribute to identifying potential risks in policies adopted and enforced, enhance transparency, and provide critical

information and disaggregated data for holding governments accountable.

- To promote transparency and enhance inclusiveness, governments should proactively publish information on the outbreak and on their responses to COVID-19, in accessible formats and through multiple channels, leveraging the potential of ICT, considering the needs of specific groups and vulnerable and at-risk populations, and protecting civil society and the media.
- Decisions with respect to elections, including altering electoral calendars and decisions fundamentally affecting the electoral process (including campaigning), should ideally be based on broad consultation. The need for an inclusive and participatory process is paramount to the credibility of any electoral event.
- The health crisis is a painful reminder that without appropriate urban governance mechanisms, including strengthened local capacities and coordination among multiple levels of government, the region's urban areas are unprepared for an intensification of climate-related crises.
- The Security Council has called, through its resolution 2532 (2020), for all parties to armed conflicts to immediately engage in a durable humanitarian pause to enable the safe, unhindered and sustained delivery of lifesaving aid. This builds on the Secretary-General's appeal for an immediate ceasefire, to focus on our shared battle against the pandemic and to help create conditions for effectively assisting the most vulnerable, while ensuring that no-one is left behind. Parties to armed conflicts in the Latin American and Caribbean region are strongly encouraged to adhere to these calls.

⁴⁰ United Nations, "The highest aspiration: a call to action for human rights", 2020, [online] https://www.un.org/sg/sites/www.un.org.sg/files/atoms/files/The_Highest_Aspiration_A_Call_To_Action_For_Human_Right_English.pdf.

IV. Multilateralism

Greater multilateral support and international cooperation are needed for an adequate response to the pandemic, which so far has been insufficient to meet the needs of Latin America and the Caribbean. As middle-income countries, many of the region's nations lack access to concessional financing, yet still face large gaps in their capacity to respond to the crisis. In addition, access to capital markets has become increasingly strained as non-resident portfolio capital outflows from emerging markets have reached unprecedented levels. The significant exchange-rate depreciation registered in some Latin America and the Caribbean countries reflects the severity of the situation.

The debt and financing initiatives of developed countries and international financial institutions have so far focused on low-income countries. It is important that international and regional financial institutions continue working to provide low-cost, expeditious lines of credit to meet countries' emergency financing requirements and to support all those in need, including incentives for women-owned MSMEs.

To increase the fiscal space, highly indebted countries in the region could seek debt relief or the deferral of payments with official bilateral and multilateral creditors. In addition, further

multilateral cooperation would be required in order to curb tax evasion and avoidance, as well as money laundering and illicit capital flows.

Beyond short-term debt standstill, international debt restructuring mechanisms that include private creditors are essential for solving the debt issues of middle-income countries. As part of debt reprofiling measures, official creditors could apply International Development Association terms to their current and future loans, extending grace periods, lengthening average maturities and lowering average interest rates. Creditors could also systematically include relevant state-contingent elements — pertaining to terms of trade shocks, disasters or other issues — to help countries better manage future shocks. Innovative mechanisms, such as the ECLAC's proposal to swap Caribbean external debt for annual payments into a resilience fund, can help to reduce debt burdens, while simultaneously addressing other urgent matters.

The liquidity problems in developing countries have been exacerbated by capital flight. In the current situation, Latin American and Caribbean countries need improved access to dollars, in coordination with short-term lending and a large issuance of special drawing rights (SDRs) by the International Monetary Fund, which would boost international liquidity and increase countries' capacity to address the external shock of the

pandemic and mitigate its effects. SDRs can also act as a financing instrument, helping to address more structural economic problems.

In what will probably be a less globalized world economy in the wake of the pandemic, strengthening regional economic integration, including regional financial cooperation instruments, could play a key developmental role in Latin America and the Caribbean in the years to come. Regional value chains based on local and national

providers of goods and services, focusing on the role of MSMEs and women entrepreneurs and producers, could be part of successful socio-economic recovery plans. An integrated market of 650 million inhabitants could provide an important insurance policy against supply or demand shocks originating outside the region.

V. Conclusion

The region is facing extraordinary shocks that have exposed and exacerbated the weaknesses of its social protection and health-care systems. One of the consequences of the previous development path is that these weaknesses have disproportionately affected those groups that were already in a situation of greater vulnerability, such as workers in the informal sector, domestic workers, one-parent families, indigenous peoples, Afrodescendants, persons with disabilities and LGBTI people. Within those groups, women are at an even greater disadvantage.

While Latin American and Caribbean countries have already adopted important measures to minimize the impact of the crisis, more is needed. Besides weathering the crisis, policy responses to stimulate the economic recovery would contribute to establishing a new development model, strongly anchored in human rights. The expanding role of public policy and the painful lessons of the crisis should revitalize efforts to promote sustainable and inclusive development. The “building back better” approach encapsulates this more ambitious objective, which in Latin America and the Caribbean also calls for building back with equality. Overhauling the development model will lay out a road map for attaining the SDGs as set forth in the 2030 Agenda.

The challenges ahead require ambitious, interconnected policies to relaunch growth upon a new basis, namely a big push for sustainability. It is very unlikely that these policies can be effectively implemented in a political context beset by social and political conflict, and in which concentrated power and short-term interests prevail. Rather, a process of recovery stemming from broad political agreements on public policy, transparency, the rule of law and democracy is necessary, with the active participation of civil society, especially women and marginalized groups. To attain these agreements, a new social compact is required. The pursuit of equality and social inclusion is central to the success of building a new social compact.

To ensure countries’ economic recovery, comprehensive welfare and inclusive social protection systems are necessary, as are the strengthening of industrial and technological policies to create high-productivity, decent jobs, as well as the capabilities needed for growth, sustainability and resilience. Equally, this requires a fresh look at the tax system to ensure progressiveness and combat tax evasion and avoidance. Democracy, accountability and the rule of law are in need of strengthening, as is the presence of the state, including areas controlled by armed groups and criminal organizations. In the international arena, the counterpart of this new development model is a revitalized multilateralism, underpinned by the 2030 Agenda for Sustainable Development.