The 2030 Agenda for Sustainable Development in Latin America and the Caribbean: perspectives during the current COVID-19 crisis

Virtual meeting of the Community of Practice for Countries that are presenting their Voluntary National Review in the High-level Political Forum on Sustainable Development in 2020

12 May 2020

Alicia Bárcena
Executive Secretary, ECLAC
Eight key messages

1. Before COVID-19, Latin America and the Caribbean was growing slowly, with limited fiscal space and increasing social conflict.

2. COVID-19 is affecting the region through domestic and external impacts: a standstill in domestic economic activity coupled with a deep recession in the world economy.

3. The repercussions will cause the most severe recession in the region since 1914 and 1930.

4. The slump in international trade will exacerbate the recession.

5. Unemployment is expected to rise sharply, increasing poverty and inequality.

6. The countries of the region have announced significant public measures, which must be strengthened and require greater funding. Need for access to low-cost financial resources, together with debt service relief and, possibly, debt forgiveness.

7. Fiscal policy must play a key role in coping with health investment needs and mitigation of productive and social costs.

8. Reopening national economies and flexibilization of productive standstill requires a fine balance between COVID-19 trajectory and socioeconomic considerations where health consideration must be at the center.
Transmission channels of COVID-19 crisis will affect the regional economy

- A drop in trade with key trading partners
- A fall in commodity prices
- Disruption of global value chains
- Less demand for tourism services
- Expected decline in remittances
GDP of Latin America and the Caribbean to shrink by more than 5% in 2020

LATIN AMERICA: PROJECTED GDP GROWTH RATES, 2020a
(Percentages)

THE CARIBBEAN: PROJECTED GDP GROWTH RATES, 2020
(Percentages)

Source: CEPAL
* Central America includes Cuba, Haiti and the Dominican Republic
High debt and rising interest payments limit public expenditure

LATIN AMERICA AND THE CARIBBEAN (31 COUNTRIES):
GROSS PUBLIC DEBT OF CENTRAL GOVERNMENTS, 2000–2019
(Percentages of GDP)

LATIN AMERICA (16 COUNTRIES): INTEREST PAYMENTS, CAPITAL EXPENDITURES AND HEALTH SPENDING OF CENTRAL GOVERNMENTS, 2010–2019
(Percentages of GDP)

Source: ECLAC.
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Fiscal space drastically narrowed by the low tax burden and tax evasion

Tax evasion and avoidance amount to 6.3% of regional GDP, which is:

- Half of central government social spending
- 4 times the spending on non-contributory social protection programmes (conditional cash transfers + non-contributory pensions + labour inclusion: 1.47% of GDP)
- More than the average central government expenditure on education and health

Source ECLAC, on the basis of official figures.
Note: Simple averages. Does not include Dominica. Figures for 2019 are projections based on budget documents or official estimates at end-2019.
Caribbean countries are spending between 1 and 4% of GDP to tackle the COVID-19 crisis

- **Limited fiscal packages focused on:**
  - Social security programs: cash transfers to unemployed, salary relief grants and food cards to children affected by school closure.
  - Loan deferrals and liquidity support for SMEs, individuals and corporations, particularly in the tourism sector.

- **Increased health care spending on:**
  - Testing and treatment of COVID-19 severe and critical cases.
  - Enhanced public health surveillance.

### SIZE OF FISCAL PACKAGES (Percentage of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Size of Fiscal Package (Percentage of GDP)</th>
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<tbody>
<tr>
<td>Antigua and Barbuda</td>
<td>4.4</td>
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<tr>
<td>Bahamas</td>
<td>0.5</td>
</tr>
<tr>
<td>Barbados</td>
<td>1.1</td>
</tr>
<tr>
<td>Belize</td>
<td>0.7</td>
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<tr>
<td>Grenada</td>
<td>1.6</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1.2</td>
</tr>
<tr>
<td>Saint Kitts and Nevis</td>
<td>4.2</td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>2.4</td>
</tr>
<tr>
<td>Saint Vincent and the Grenadines</td>
<td>3.3</td>
</tr>
<tr>
<td>Suriname</td>
<td>1.4</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: ECLAC.
High level of debt and interest payments limit public expenditure

THE CARIBBEAN (13 COUNTRIES): GROSS PUBLIC DEBT OF CENTRAL GOVERNMENTS, 2000–2019
(Percentages of GDP)

- Caribbean economies have the highest debt ratios in the world.
- Reductions in production and income and increases in borrowing will further increase debt burdens.
- Regardless of an increase in public debt, decreases in GDP will raise debt ratios which can affect credit ratings and cost of borrowing.
- Debt is rooted in external shocks, compounded by impact of natural disasters and inherent social and economic structural weaknesses.

Source: ECLAC.
The Caribbean most affected by the collapse in tourism

LATIN AMERICA AND THE CARIBBEAN: SHARE OF TOURISM IN GDP AND EMPLOYMENT, 2018
(Percentages)

Source: ECLAC.
There are considerable inequalities in access to health systems

- **Social expenditure on health** in the Caribbean is 2.9% of GDP, well below the 6% suggested by the Pan American Health Organization and the World Health Organization.

### Public and out-of-pocket health expenditure, 2017

**Percentages of GDP**

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Expenditure</th>
<th>Out-of-Pocket Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRENADA</td>
<td>2.03%</td>
<td>2.03%</td>
</tr>
<tr>
<td>ANTIGUA AND BARBUDA</td>
<td>2.13%</td>
<td>2.13%</td>
</tr>
<tr>
<td>SAINT LUCIA</td>
<td>2.23%</td>
<td>2.23%</td>
</tr>
<tr>
<td>SAINT KITTS AND NEVIS</td>
<td>2.35%</td>
<td>2.35%</td>
</tr>
<tr>
<td>BAHAMAS</td>
<td>2.53%</td>
<td>2.53%</td>
</tr>
<tr>
<td>SAINT VINCENT AND THE GRENADINES</td>
<td>2.89%</td>
<td>2.89%</td>
</tr>
<tr>
<td>GUYANA</td>
<td>2.96%</td>
<td>2.96%</td>
</tr>
<tr>
<td>BARBADOS</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>SURiname</td>
<td>3.65%</td>
<td>3.65%</td>
</tr>
<tr>
<td>TRINIDAD AND TOBAGO</td>
<td>3.71%</td>
<td>3.71%</td>
</tr>
<tr>
<td>DOMINICA</td>
<td>3.82%</td>
<td>3.82%</td>
</tr>
<tr>
<td>BELIZE</td>
<td>3.84%</td>
<td>3.84%</td>
</tr>
<tr>
<td>JAMAICA</td>
<td>3.87%</td>
<td>3.87%</td>
</tr>
</tbody>
</table>

Source: ECLAC, on the basis of World Health Organization Global Health Expenditure Database.
Unemployment in the region is expected to surge by more than during the financial crisis: adding some 12 million to the unemployed.

**LATIN AMERICA: GDP GROWTH AND CHANGE IN UNEMPLOYMENT**
(Percentage points)

**LATIN AMERICA: ECONOMICALLY ACTIVE POPULATION, UNEMPLOYED PEOPLE AND UNEMPLOYMENT RATE**
(Number of people)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
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<tbody>
<tr>
<td>Economically active population</td>
<td>322,421,908</td>
<td>326,849,019</td>
</tr>
<tr>
<td>Number of unemployed people</td>
<td>26,148,377</td>
<td>37,719,817</td>
</tr>
<tr>
<td>Change in number of unemployed</td>
<td>11,571,440</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>8.1</td>
<td><strong>11.5</strong></td>
</tr>
</tbody>
</table>

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

Increase of 3.4 percentage points in the unemployment rate
The GDP decline and higher unemployment will increase the number of poor by almost 30 million

LATIN AMERICA: POVERTY AND EXTREME POVERTY IN THE SCENARIO OF A 5.3% DECLINE IN GDP AND A 3.7 PERCENTAGE POINT INCREASE IN UNEMPLOYMENT IN 2020

<table>
<thead>
<tr>
<th>(Millions of people)</th>
<th>(Percentage of the population)</th>
</tr>
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<tbody>
<tr>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>People living in poverty</td>
<td>People living in extreme poverty</td>
</tr>
<tr>
<td>180</td>
<td>29.7</td>
</tr>
<tr>
<td>62</td>
<td>10.3</td>
</tr>
<tr>
<td>186</td>
<td>30.3</td>
</tr>
<tr>
<td>67</td>
<td>11.0</td>
</tr>
<tr>
<td>214</td>
<td>34.7</td>
</tr>
<tr>
<td>83</td>
<td>13.5</td>
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</tbody>
</table>

^ Projection.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
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ECONOMIC IMPACTS OF COVID-19 IN LATIN AMERICA AND THE CARIBBEAN

Direct impacts on health systems

Measures to limit direct costs: quarantine and social distancing

Indirect impacts on supply and demand

Extraordinary burden on insufficient and fragmented systems

Unequal access to medical treatment by income, health insurance and place of residence

Suspension of domestic production

Higher unemployment

ECONOMIC IMPACTS OF COVID-19 IN LATIN AMERICA AND THE CARIBBEAN

Medium- and long-term impacts

• Bankruptcies
• Downturn in private investment
• Weaker economic growth
• Less integration into value chains
• Erosion of productive capabilities and human capital

Short-term effects

Higher unemployment and more precarious working conditions
Lower wages and incomes (contraction of consumption)
Increasing poverty and extreme poverty
Health systems: higher costs, fragmentation and inequalities of access
Countries in the region have taken immediate measures to contain the virus and protect the workforce and household income

- Travel restrictions and monitoring measures for travellers, flight bans and border closures.
- Distance learning and homeschooling with asymmetries in connectivity.
- Social distancing, with the closure of restaurants, bars, cinemas, promotion of teleworking and reduced office hours.
- Strengthening of the capacity of the health sector: beds, mobile hospitals, medical supplies (2.5 beds / 1000 people).
- Protection of the workforce and income.
- Social protection to reduce the social impact on people with the lowest incomes.
- Financial and special support to SMEs and other companies.

Fiscal space will have to be expanded:

- Access to new financing sources and mechanisms.
- Low-cost, flexible and agile credit lines
- Moratorium, forgiveness, restructuring and/or relief of debt and the related interest
- Coordination of multilateral organizations to grant loans at favorable interest rates and provide debt relief, especially for heavily indebted countries, postponing payment deadlines or forgiving the debt.
- Exceptional measures to face an unprecedented crisis. There will be no progress without international coordination and solidarity.
The uneven progress on the SDGs is at odds with the comprehensive spirit of the 2030 Agenda, particularly in the face of the pandemic.
### Warning signs just 10 years from 2030

Progress with 72 statistical series for the indicators for the 17 SDGs in the region

<table>
<thead>
<tr>
<th>SDG</th>
<th>No. of series</th>
<th>Degree of progress</th>
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<tbody>
<tr>
<td></td>
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<td><strong>Target already reached</strong></td>
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<td>4</td>
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<tr>
<td></td>
<td></td>
<td><strong>Target likely to be reached on the current trend</strong></td>
</tr>
<tr>
<td></td>
<td>15</td>
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<td></td>
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<td><strong>Target likely to be reached only with more public policy intervention</strong></td>
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<td>8</td>
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<td></td>
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<td><strong>Target likely to be reached only with significant public policy intervention</strong></td>
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<td>13</td>
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<tr>
<td></td>
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<td><strong>Progress towards the target stalled</strong></td>
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<td>27</td>
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<td></td>
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<td><strong>Regression from the target</strong></td>
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<td>5</td>
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</table>

Source: ECLAC.
Even before the pandemic, extreme poverty would only have been possible to eradicate with strong redistribution of income and high GDP growth.

Latin America: projected regional extreme poverty rate in 2030 with different scenarios of per capita GDP growth and changes in income distribution, not including the impact of COVID-19.

Source: ECLAC, on the basis of household survey databank (BADEHOG).
A preliminary estimate of the potential impact of COVID-19 on extreme poverty in 2020 suggests that the target of SDG 1 will not be met.

Latin America: projection of the extreme poverty rate to 2030 in various scenarios of per capita GDP growth and income distribution change, and a simulation of the impact of COVID-19 on extreme poverty in 2020.

Source: ECLAC, on the basis of household survey databank (BADEHOG)
Latin America and the Caribbean is committed to the 2030 Agenda

<table>
<thead>
<tr>
<th>Year</th>
<th>Colombia</th>
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<th>Chile*</th>
<th>Argentina*</th>
<th>Mexico</th>
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<td>2018</td>
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<td>2020</td>
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</tbody>
</table>

Number of VNRs per year: 3, 11, 8, 4, 10
Total VNRs in LAC: 3, 14, 22, 26, 36
Total number of LAC countries: 3, 14, 19, 21, 25

% of the 33 LAC countries: 9%, 42%, 58%, 64%, 76%
Countries with more than 1 VNR: 3, 5, 12

* Present a second time
Advancing towards the Decade of Action

- The policies to implement the 2030 Agenda are more relevant than ever.
- **New challenges for the VNR process** and the means of implementation for the 2030 Agenda, including the situation of vulnerable groups as a result from the pandemic.
- **Assessing** the impact of public policies is vital.
- To support medium and long-term monitoring, ECLAC has created two platforms:
  - The SDG Gateway
  - The COVID-19 Observatory:
    - An effort of ECLAC in collaboration with UN Resident Coordinators;
    - It presents updates on national measures taken by countries in the region and other knowledge products of interest.
Alicia Bárcena
The 2030 Agenda for Sustainable Development in Latin America and the Caribbean: perspectives in the current COVID-19 crisis

The 2030 Agenda in the post-COVID-19 world requires more regional integration and cooperation

- We need a new development model beyond “Business as Usual” with a focus on welfare and environmental sustainability.

- The region’s future should be shaped based on the new economic geography to reduce dependence on imported manufactures and food and develop regional value chains.

- There is a need for industrial policies that allow the region to strengthen production capabilities and create new strategic sectors.

- In order to have an impact on the new global economy, the region must advance towards greater integration in production, trade and technology.

- An integrated market of 650 million people will serve as a buffer against shocks originating outside the region.

- This market would provide the scale required to make new industries viable and promote production networks and joint technological research among countries and subregions.

- Public certainty must be established on the basis of a new universal social protection system including basic income.

- Inclusive and sustainable international governance based on the 2030 Agenda and other SIDS agenda.
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