Development in transition in times of pandemic: the role of data for renewed and stronger cooperation

Alicia Bárcena
Executive Secretary
Economic Commission for Latin America and the Caribbean (ECLAC)

7 April 2021
KEY MESSAGES

- Beyond per capita GDP as a measure of development progress
- Definition of development-in-transition countries
- Towards a new development pattern and a paradigm shift in International cooperation
- Proposals
Beyond GDP
NEW APPROACHES TO DEVELOPMENT COOPERATION

- Since 2017, ECLAC, the European Commission and the OECD Development Centre have been championing a new narrative, that reinterprets development and seeks to strengthen the role of cooperation, to leave no one behind: development in transition
  - Development is an ongoing process, that is not adequately measured through income levels
  - Multidimensional measures are needed
  - All countries, regardless of their income levels, face development challenges

- ECLAC has proposed an approach to complement the per capita income criterion: the structural gap approach
  - It enables identification, quantification and prioritization of the long-term obstacles that prevent middle-income countries from achieving equitable and sustainable long-term levels
Income is not a good proxy for development, especially for development-in-transition (DiT) countries

- It does not reflect the capacity to save, or to access or mobilize resources to finance development.
- The countries have different capacities to mobilize domestic resources and access external capital markets.
- Graduation from ODA does not guarantee access to other sources of financing.
- Capacity to mobilize resources depends on: economy size, socioeconomic development, structural characteristics and the external sector
- The size of the economy can be a major constraint on the mobilization of domestic resources
- Countries, like those in the Caribbean, that are exposed to extreme natural phenomena require additional solidarity and support to address climate asymmetry.
THE CONCEPT OF DiT SHOWS UP A SERIES OF TRAPS AND STRUCTURAL VULNERABILITIES

**Productivity trap**
- Unsophisticated exports
- Little integration into GVC
- Low-productivity MSMEs

**Environment trap**
- Carbon-intensive development pattern
- Depletion of natural resources
- Low-tech production structure

**Global trends**
- Climate change
- Demographic shifts
- Digital transformation
- Geopolitics

**Social vulnerability trap**
- Vulnerable strata
- Labour informality
- Volatile income and savings
- Little training and low productivity

**Institutional trap**
- Fragmentation of public services
- Insufficient capacities
- Low tax morale
- Scant public resources
NEW METRICS FOR EVALUATING DEVELOPMENT STATUS

Tools have been developed to capture the “non-linearity” and “multidimensionality” of development challenges, with a view to designing and implementing better policy responses, and in order to identify programming and financing elements available to rethink development strategies.

**ECLAC**
- **STRUCTURAL GAPS APPROACH**
  - Analysis of structural obstacles to development across 12 indicators

**OECD**
- **MULTIDIMENSIONAL LIVING STANDARDS**
  - Focus on:
    - Income, education, health, work

**UN**
- **HUMAN DEVELOPMENT INDEX**
  - Health, education, economic conditions
Paradigm shift in cooperation to create a new development pattern
UNCERTAINTY IN INTERNATIONAL COOPERATION

- Weakening of multilateralism and return of protectionism
- Undermining, and in some cases renunciation, of a multilateral cooperation agenda
- Graduation of middle-income countries at risk of exclusion from the international cooperation system

Urgent need to develop DiT indicators to mobilize the cooperation and funding required to meet the SDGs and confront the emergency of the pandemic.
The rise in debt in middle-income countries is a major stumbling block to an effective response to the urgency of the pandemic:

- Middle-income countries represent 75% of the world’s population, 62% of people living in poverty and roughly 30% of global aggregate demand.
- Middle-income countries account for 96% of developing country public debt (excluding China and India). Debt distress and potential default in middle-income countries can have repercussions in financial markets.

### Why It is Urgent to Focus on Developing Countries in Transition

<table>
<thead>
<tr>
<th>Grouping</th>
<th>Millions of dollars</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low- and middle-income countries</td>
<td>2,923,874</td>
<td>100</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>118,111</td>
<td>4.0</td>
</tr>
<tr>
<td>Lower-middle-income countries (excluding India)</td>
<td>1,021,506</td>
<td>34.9</td>
</tr>
<tr>
<td>Upper-middle-income countries (excluding China)</td>
<td>1,784,258</td>
<td>61.0</td>
</tr>
<tr>
<td>Middle-income countries (excluding China and India)</td>
<td>2,805,763</td>
<td>96.0</td>
</tr>
</tbody>
</table>

CHALLENGES FOR A NEW DEVELOPMENT PATTERN IN LATIN AMERICA AND THE CARIBBEAN

- Highly-indebted region with limited access to capital markets and concessional financing
- Insufficient and reduced fiscal space: weak and inefficient taxation, tax evasion and illicit funds
- Inequality, poverty and scarcity of public goods
- Composition and dynamics of exports
- Weak productivity and competitiveness, significant structural heterogeneity, reprimarization and little innovation
- High environmental and climate vulnerability
- Weak intraregional integration: commercial, productive, infrastructural and social
A SHIFT IN THE DEVELOPMENT STRATEGY

- Production and employment growth essential
- New production models: digital technologies and biotechnologies, efficiency and productivity; profitability and resilience.
- Nature-based solutions: ecosystem measurements urgently needed
- Social and fiscal compact to build a new welfare state
- Economic recovery with sustainability and equality
- Strengthening and expansion of regional productive integration schemes

Tackle the crisis and implement a strategy to overcome structural weaknesses in economies and societies

Data required to address emerging needs
TOWARDS DEVELOPMENT-ENABLING COOPERATION

Online modalities, in line with countries’ development needs

Aligned global and national priorities

Active participation by the countries of Latin America and the Caribbean in the global agenda

More inclusive cooperation: collaboration between peers

Include new actors and forge new partnerships

Find multidimensional responses to complex challenges

Strengthen knowledge-based technical cooperation

Cooperation: a new facility, similar to experimental platform developed by European Commission for building DiT indicators
DRIVING THE RECOVERY THROUGH FINANCIAL STABILITY REQUIRES MECHANISMS FOR FINANCIAL COOPERATION WITH MIDDLE-INCOME COUNTRIES

- Debt relief and restructuring for countries vulnerable to weather events and climate change and with large interest payment burdens
- Three proposals:
  - Expand the Debt Service Suspension Initiative to vulnerable middle-income countries, such as those in the Caribbean and Central America.
  - **Debt relief for the Caribbean**: 12.2% of the subregion’s total debt, to create a Caribbean Resilience Fund with US$ 7 billion
  - Pursue the creation of an international mechanism for restructuring sovereign debt, to limit the uncertainty and risks that debt renegotiations entail.

PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT, (Percentages of the total and millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Middle-income countries (without China and India)</th>
<th>Middle-income countries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt relief and</td>
<td>96%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>restructuring</td>
<td>(2,805,763)</td>
<td>(118,111)</td>
<td>(2,923,874)</td>
</tr>
<tr>
<td>countries</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Potential insolvency problems for middle-income countries are a systemic risk for the global economy, requiring a coordinate worldwide response.

Source: ECLAC, on the basis of World Bank figures.
Measure to raise awareness

National capacity-building
- National accounts, basic economic and pricing statistics
- Environmental and ecosystem statistics
- Climate change and natural disasters
- Household surveys
- Geospatial instruments

Regional data and SDG follow-up
- Compilation and harmonization of regionally comparable data
- Dissemination of statistical information by ECLAC
- Development, adaptation and translation of methodologies

Platform for cooperation
- Committee on South-South Cooperation
- Statistical Conference of the Americas
- Regional facility involving European Commission, OECD Development Centre and ECLAC

DiT indicators with a multidimensional approach based on SDGs