

ATLAS OF VULNERABILITY

THE PANDEMIC
IN LATIN AMERICA
AND THE CARIBBEAN

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TABLE OF CONTENTS

EXTERNAL SECTOR	5
FISCAL SECTOR	6
PRIVATE SECTOR	6
HEALTH SYSTEM PREPAREDNESS	6
EDUCATION	7
EMPLOYMENT AND SOCIAL SECURITY	7
FOOD AND NUTRITION	8
CLIMATE	8
GENDER	8
POVERTY	9
INEQUALITY	9
PHYSIOLOGICAL CONDITIONS	9
REFERENCES	10



Selected Findings

- For more than half of the countries, tourism dependence is higher than the world average.
- Regional governments paid an interest rate 7.5% higher than that paid by the U.S. to borrow from international markets.
- Tax revenue as a share of the economy is below the average in industrialized countries, except in one country. In 6 countries, it is less than half the average.
- Most countries registered excess mortality of more than 10%, with four countries exceeding 55%. The average excess mortality is 2.7 times higher than in OECD.
- Five countries have COVID-19 vaccination rates of under 5% and only three countries reached more than 40%.
- The rate of coverage of social insurance is less than 12% of the population in more than half of the surveyed countries, and only above 40% in one country.
- More than 75% of countries show less climate response capacity than the global average.
- More than 20% of people live in poverty in all but two of the countries, and poverty rates rose in all countries since the pandemic.

COVID-19 triggered a global economic crisis of a magnitude not seen since the Great Depression. The world economy contracted by 3.1% in 2020 (IMF, 2021). Lockdown and social distancing measures brought economic activity to a halt, disrupting supply and depressing demand.

The aggregate impact masks wide differences among countries. Advanced economies are already recovering with the support of stimulus funds and widespread vaccine distribution. They account for 90% of the more than \$12 trillion spent globally in fiscal measures to respond to the crisis.

Compared to advanced economies, developing countries have characteristics that make them more vulnerable to the health and economic crisis. These vulnerabilities are related to their economic structures and the limited range of tools they have available to respond (Djankov and Panizza, 2020). Developing countries will take longer to recover and, in a third of them, the losses of income per capita erase a decade or more of gains (UN, 2021a)

Pre-existing vulnerabilities in developing countries intensified the impacts of the pandemic and have gotten worse during it. For instance, high levels of poverty prevent access to sanitation, housing and healthcare, hampering efforts to limit the spread of the virus (UN, 2021b). Developing countries pre-existing poverty levels are higher than in advanced economies, and the World Bank projects 150 million people will join the ranks of the poor as a result of the pandemic by end 2021.

Jubilee USA and LATINDADD created this map and accompanying database as a tool to systematize and measure pandemic vulnerabilities in a holistic and multidimensional way. It covers 24 countries in the Latin America/ Caribbean region, with plans to incorporate additional developing countries in other regions.

The project deliberately chose to begin the map with a region where all countries are middle- or high-income. The results illustrate that vulnerabilities are not associated to income-per-capita or confined to one particular part of the income scale, but present in all developing countries.

At the same time, these countries have limited access to concessional financing and have been, for the most part, left out of debt suspension and relief initiatives in the response to the COVID crisis so far. They are also excluded so far from mechanisms to channel Special Drawing Rights from wealthy countries to vulnerable ones. The only concrete mechanism agreed so far is the Poverty Reduction and Growth Trust, a vehicle that only a few lower middle-income countries can access¹.

The neglect of middle-income countries from debt relief initiatives is serious as these are the countries with more access to financial markets, thus owing a greater share of debt to private creditors. As Stiglitz and Rashid (2020) show, debt service escalated more rapidly for countries borrowing from the private sector than for those that do not.

Latin America and the Caribbean is the region that suffered the largest pandemic-in-

¹ IMF members are considering an SDR channeling vehicle that could potentially be open to “vulnerable middle-income countries,” the Resilience and Sustainability Trust, though it is not clear to how many of them and under which conditions (Georgieva, 2021).

duced contraction in 2020 (IMF, 2021). It is also the region with the highest debt service to exports ratio, at 59%. (ECLAC, 2021a) Debt stock as a percentage of GDP is estimated to have gone from 68.9% to more than 79% from 2019 to 2020, making it also the most indebted region in the developing world (ECLAC, 2021b).

The map aims to stimulate reflection and debate on the international community's financial support measures so far, and how to better tailor them to the level of difficulty each country faces in pandemic response and recovery.

The data will also be a valuable tool for decisionmakers and practitioners developing and implementing public policies to make the recovery resilient and ensuring countries are better prepared to face public health crises, and their economic and development repercussions, in the future.

It includes indicators across 12 dimensions to illustrate developing country vulnerabilities and the gap in their ability to respond to economic, health and social impacts of the pandemic, vis-a-vis advanced economies. The 55 indicators cover the following dimensions: external sector, fiscal sector, private sector, health system preparedness, education, employment and social protection, food and nutrition, climate, gender, poverty, inequality and physiological conditions.

The rest of this paper presents highlights from the indicators in each of the twelve dimensions.

SELECTED FINDINGS:

EXTERNAL SECTOR

For more than half of the countries, tourism dependence is higher than the world average. Economies dependent on tourism were heavily hit due to the travel restrictions and reductions caused by the pandemic. A study found that the share of tourism in the economy was the single most important predictor of the growth shortfall triggered by the COVID crisis (Milesi Ferretti, 2021).

In a third of countries, remittances represent more than 8% of the economy. Although remittances fell significantly in the first stages of the pandemic, with the World Bank projecting they would fall by 20%, they rebounded in the last part of 2020 (World Bank, 2020). Remittances only fell by a 1.6% in 2020 compared to the year before (World Bank, 2021). However, because of their short term impacts the vulnerability map includes this indicator.

For the surveyed countries, commodity dependence is higher than the average in industrial countries, in some cases four times higher. Commodity dependence amplified commodity price drops due to supply disruptions and depressed demand in early stages of the pandemic. Prices subsequently recovered and ended 2020 only marginally below pre-pandemic levels (UNCTAD, 2021). This recovery does not diminish the importance of this vulnerability subdimension but, in fact, highlights the

damaging impacts that fluctuations can have on countries that depend on commodity exports for budget revenue and foreign exchange reserves.

Sovereign debt risk premia averaged more than 750 basis points (excluding Venezuela). This means, on average, a government paid an interest rate 7.5% higher than that paid by the US Treasury, to borrow from international markets. Whereas advanced economies benefit from the ability to issue large amounts of debt at low cost, developing countries' access to international financial markets is very precarious. Moreover, advanced economies tend to benefit from the "flight to safety" from investors that liquidate holdings in emerging market assets (Djankov and Pagnizza, 2020).

FISCAL SECTOR

As the crisis required developing countries to ramp up spending on health and social needs and to stimulate economies, fiscal vulnerabilities came into sharp relief.

Vulnerability to illicit financial flows – leakage of revenue due to tax evasion and avoidance, crime and corruption – is above 50 on a scale of 1 to 100 for all countries.

Tax revenue as a share of the economy is below the average in industrialized countries, except in one country. In 6 countries, it is less than half the average. Tax is the primary source of finance for development, enabling a country to support infrastructure and the provision of health, education and other essential services.

PRIVATE SECTOR

The variation in the number of firms in all countries compares negatively to the average of the previous 3 years, by percentages that range between 1 and 15%. Developing countries have less tools to support businesses and help them cope with the adverse effects of a shock like the COVID crisis. The fall in activity, without government support, led to the closure of many firms, especially small and medium enterprises.

Bank lending rates offered to private companies ranged between 6 and 37% – for 10 countries they were above 12%. To put this in perspective, the similar rate in the US was 3.5% in the same period. With the economic stress of the pandemic, many firms had to take on loans to stay afloat but the high interest rates add to the challenges of servicing these loans in a crisis context.

HEALTH SYSTEM PREPAREDNESS

As developing countries struggle to respond to the pandemic, deficiencies due to years of underinvestment in the sector have become acutely apparent.

Most countries registered excess mortality of more than 10%, with four countries

exceeding 55%. Excess deaths are the increase in mortality for all causes relative to the recent average. This indicator captures not only the confirmed COVID-19 deaths, but also the deaths that were not correctly diagnosed and reported as well as deaths from other causes that are attributable to the overall crisis conditions (Giattino et al., 2021). Because of disparities in how different countries test and report on COVID-19 deaths, many countries have turned to this statistic as a more accurate measure of the impact of the pandemic (WHO, 2021).

The number of hospital beds per 1,000 people in most countries was less than half the average in advanced economies.

Government health spending per person is less than a quarter of the amount spent by industrialized countries in all, except two, of the covered countries.

Only three countries reached more than 40% vaccination rate and five a third of countries are still under 5%.

EDUCATION

School closures and long-distance learning, coupled with the economic effects of the pandemic, aggravate a pre-existing education deficit and widen access divides.

With one exception, countries had to close schools for part of the teaching year -- in half the countries, for more than 85% of teaching days in 2020. However, the proportion of households with internet access and, thus, capable of benefiting from distance learning options is lower than in advanced economies. For nine of them, it is less than half the proportion in OECD countries.

The pre-existing education deficit is also much higher. For instance, the rate of under-10 children who cannot read or understand a simple text ranges between two and nine times that of high-income countries.

EMPLOYMENT AND SOCIAL SECURITY

With social distancing measures, the share of jobs that can be done from home became a critical factor in economic outcomes during the pandemic and its aftermath (Gottlieb et al., 2020). In the surveyed countries this share is less than half than in advanced countries, and in some countries less than a quarter. Educational attainment and household wealth are positively correlated with the possibility of working from home, which points to further consequences of these trends for the evolution of inequality in developing countries.

Informality rates in seven countries are more than triple the average in developed countries, and in all cases are higher than that average. As informal workers are less likely to suspend work and physical interaction, higher shares of informality make it harder to implement effective economic lockdown measures. Informal workers are also harder to reach through state social protection systems, posing a challenge to economic support measures.

The rate of coverage of social insurance is less than 12% of the population in more than half of the surveyed countries, and only in one country it rises above 40%. The scope of social protection coverage shows the country's capacity to cushion job and income losses due to the pandemic-spurred crisis. For low-income segments these benefits may be the only way to access health and other essential services to combat the pandemic.

FOOD AND NUTRITION

The pandemic increased food insecurity through surging prices and reduced incomes, with more households having to cut down quantity and quality of food consumption. Food insecurity levels are at least twice, and in six countries more than four times, the average in high-income countries.

In more than two-thirds of countries, undernourishment is at least twice as high as in high-income economies.

CLIMATE

More than 75% of countries show less response capacity to climate than the global average. If compared with the average in OECD countries, no country in the region fares better.

In more than half the countries, family agriculture represents more than 80% of farms. The workers in the sector are those most challenged by climate impacts (floods, droughts and so on) and by the COVID restrictions.

In the last decade all countries lost freshwater resources, of proved importance for health and hygiene during the pandemic. In more than half the countries the losses surpass 11%.

GENDER

Female employment tends to be the first to suffer in a crisis, and the last to recover, and emerging evidence in the pandemic points to women being more affected by employment loss than men (ILO, 2021a). This will aggravate a pre-pandemic gender gap. Female unemployment was higher than male unemployment in all but one country, and in half of them by more than 3 percentage points.

But unemployment figures likely underreport the impact, as women have been more likely to drop out of the labor force altogether due to caregiving responsibilities (ILO, 2020). The ILO (2021b) found that 90% of women who lost their jobs during the crisis exited the workforce altogether.

Women without their own income are more dependent on the income of other household members and, thus, more vulnerable to the effects of the pandemic. More than 28% of women are in this situation in surveyed countries (simple average).

POVERTY

More than 20% of people live in poverty in all but two of the surveyed countries. Poverty is an amplifying factor of the economic and health impacts of the pandemic. Poverty rates also rose in all countries since the pandemic.

The percentage of overcrowded households (those where more than 2.5 people per room live) is above 15% in more than two-thirds of surveyed countries. Overcrowded housing conditions limit the ability to control the spread of the pandemic.

INEQUALITY

Income inequality is more than 50% higher in the surveyed countries than across OECD countries and wealth inequality is higher than the world average in all but one country. Inequality of income translates into higher inequality in the exposure and vulnerability to the pandemic, imposing a disproportionately high burden of mortality on the poor (UN, 2021b). Some studies find higher inequality correlates with higher numbers of COVID-19 cases and deaths (Id.). As inequality increases, it will also drag countries' efforts to resume growth and make it sustainable and shared.

An important type of inequality that matters more under pandemic conditions is internet access. The internet has become more central to work remotely and to access health, education and other essential services, social benefit payment and other forms of government support. The surveyed countries show wide inequalities in internet access between those with high and low incomes, varying between 11 and 62 percentage points.

PHYSIOLOGICAL CONDITIONS

COVID-19 is a burden on already over-stretched public health and health infrastructure in many developing countries. Many of the surveyed countries are dealing with endemic diseases that are a challenge in normal conditions and barely present in advanced economies.

In seven of the surveyed countries, dengue affects more than one in a thousand inhabitants. Dengue is a condition with negligible presence in developed countries

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Publication date:
October 2021