

Latindadd

Red Latinoamericana por Justicia Económica y Social



The course of the vulnerabilities that hinder development in Latin America and the Caribbean

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THE COURSE OF THE VULNERABILITIES THAT HINDER DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN

What does the Atlas of Vulnerabilities show us?

It is strange to think that a region with such diversity is not one of the most prosperous on the planet. The dimensions that make Latin America and the Caribbean more vulnerable compared to others with a better quality of life are designed structures that do not match the existing human and natural wealth. It seems that it would like to become a habit that others have what we lack, as if it were a fatality of destiny; it's not like that.

The recovery policies launched by international organizations exclude the countries of the region due to their classification as middle-income countries, based on a GDP per capita that hides a series of vulnerabilities that have been exacerbated after the crisis, with impacts that are reflected in the uneven recovery recorded so far between the richest countries and the rest of the world.

For these reasons, we present the factors and preconditions that help explain why Latin America was one of the most affected by the Covid-19 pandemic and why significant gaps with the more developed countries are so evident. The dimensions and information presented below have been obtained from the Atlas of Vulnerabilities, and are presented as a story in chronological sequence telling how the region was doing before the pandemic, what happened during it and what will happen after it. Due to the way in which the Atlas is built, the reader will be able to build their own story with the available data, visiting: www.atlasdevulnerabilidades.org

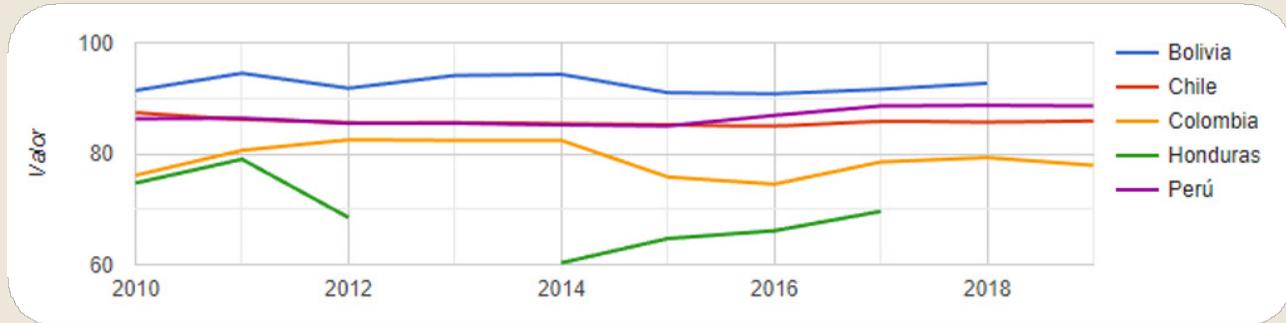
1. Before the pandemic

Latin America was not the poorest region in the world, but it was the most unequal. The concentration of wealth and income, along with discrimination of all kinds, created vulnerabilities in the population that became an obstacle to access better income and greater endowments of goods and services. Some dimensions that characterize the region as a whole are:

From the outside in, the external sector

Dependence on the export of raw materials has historically characterized several countries in the region. For the countries analyzed, this dependency is higher than the average in industrialized countries; in some cases up to four times higher. This has created a vulnerability in terms of access to financing, because the investment is directed mostly to these activities and because prices volatility causes negative fiscal effects.

Figure 1. Exports of primary products as a percentage of total exports

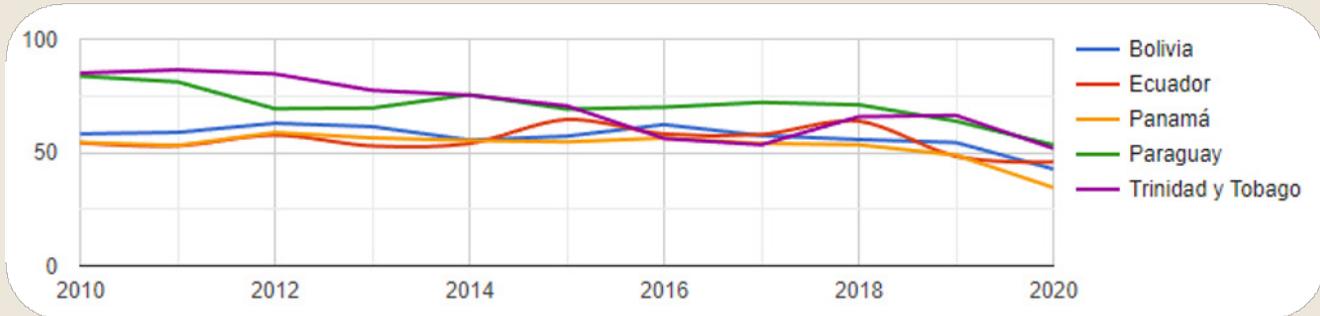


Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

The vulnerabilities generated by the type of relations that the region maintains with the rest of the world in terms of trade, financing and migration, among others, translate into a lower capacity to meet the needs of its population with its own resources.

In some countries such as Bolivia, Ecuador, Panama, Trinidad and Tobago and Paraguay, a decreasing trend is observed in the ability to finance spending with their own tax revenues, deepened by a greater allocation of these revenues to the payment of debt service, in addition to a fall in tax revenues and an increase in spending needs when the pandemic broke out.

Figure 2. Share of spending that is financed with own tax revenue



Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

In another dimension analyzed in the Atlas, it can be seen how the external structure of Latin American countries causes a negative effect in terms of fiscal policy. Countries adopt measures to reduce taxes on big capital, with the idea of attracting more investment. In addition, they do not establish control mechanisms to prevent tax avoidance and evasion. Some of these aspects are presented below.

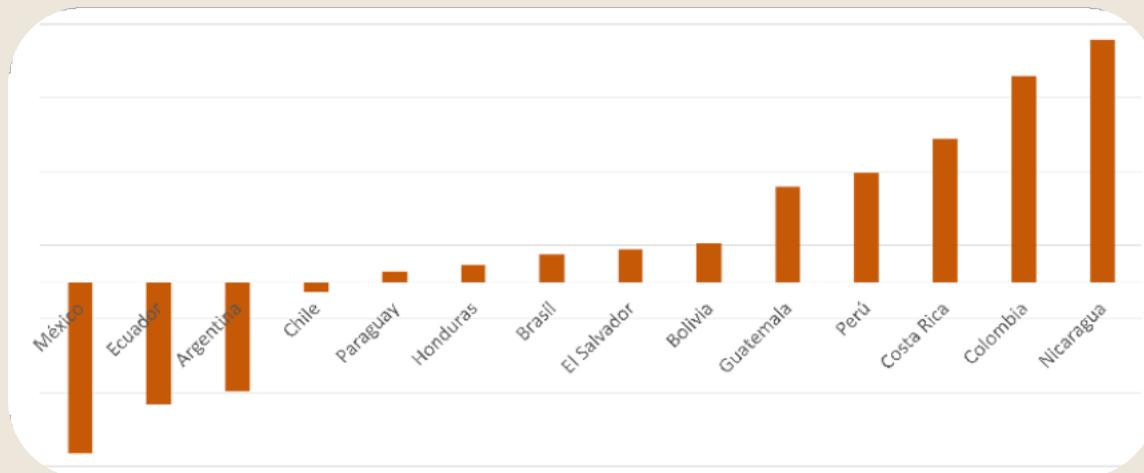
Bad outside, worse inside. The fiscal dimension

Vulnerability to illicit financial flows, meaning loss of income due to tax evasion and avoidance, crime and corruption, is above 50 on a 0 to 100 scale for all countries.

Tax revenue as a percentage of the economy is below the average in industrialized countries, except in one country. In six countries, it is less than half of that average. The average for the region is 23.4% compared to 33.8% for the OECD.

Before the pandemic, four countries had falls in their revenues in 2019, with Mexico having the largest of them, as seen in Figure 3.

Figure 3. Annual change in tax revenue, 2019 (%)



Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

External dependence and the reduction in fiscal capacity to meet spending and investment needs translate into economic and social impacts for a significant number of inhabitants in the region, which were problems that existed before the pandemic. As a consequence, there are vulnerabilities in other dimensions that are detailed below.

Without sources of financing, but with poverty and inequality

More than 20% of people live below the poverty line in all but two of the countries analyzed. Poverty in Honduras in 2019 was 59.3%, 35.7% in Colombia and 37.2% in Bolivia.

Income inequality is at least 50% higher in the analyzed countries than in OECD countries and inequality in terms of wealth is higher than the world average in all countries except one.

How to prepare a health system without resources?

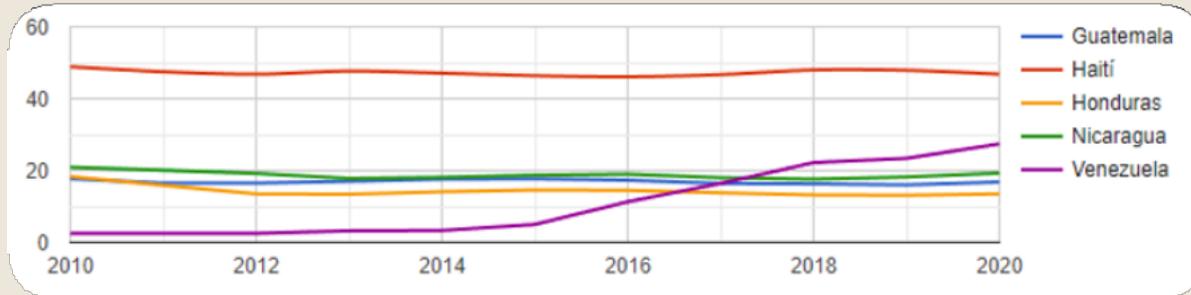
With limits on financing, high levels of poverty and inequality, the possibilities of access to essential goods and services are more difficult in Latin America than in other regions. For example, the number of hospital beds per 1,000 people in most countries was less than half the average in advanced economies, before the pandemic.

Also, public spending on health per person was less than a quarter of the amount spent by industrialized countries in all but two of the countries considered.

Undernourishment + learning problems = precarious labor market

The prevalence of undernourishment was very high before the pandemic. For example, in 2019, 47.9% of Haiti's population suffered undernourishment while in Venezuela the figure was 23.4%. In more than two-thirds of countries, undernourishment is at least twice as high as in high-income economies. This has consequences on the learning capacity. The inability to read and understand a simple text at age 10 affects 74.7% of children in Honduras and 69.8% of children in Nicaragua, compared to 9% in high-income countries.

Figure 4. Prevalence of undernourishment as a percentage of the total population, 2019



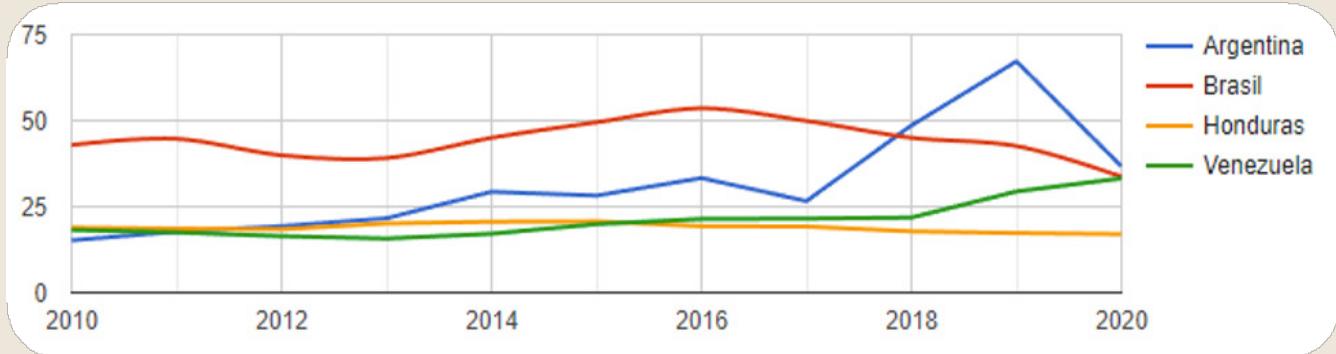
Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

Consequently, when faced with the labor market, informality rates in most countries are more than triple the average in developed countries, and in all cases are higher than that average. Thus, the social security coverage rate is less than 14% of the population in more than half of the countries analyzed, and only in one country it exceeds 40%.

If it rains in the public sector, it doesn't clear in the private sector

The reduced institutional capacity to provide competitiveness is also reflected in vulnerabilities faced by the private sector, for example, in access to credit. In countries like Argentina, Brazil, Honduras and Venezuela, nominal interest rates for companies are very high. For example, in Brazil these were around 42.6% in 2019, while in the United States these oscillated around 3.5%.

Figure 5. Nominal lending rates



Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

2. During the pandemic

The prolonged confinements, the impossibility of guaranteeing a stable income during lockdown, the high number of infections and deaths, the lack of health infrastructure and adequate nutrition, have deepened these problems in recent months and created additional needs that must be met to get out of the crisis.

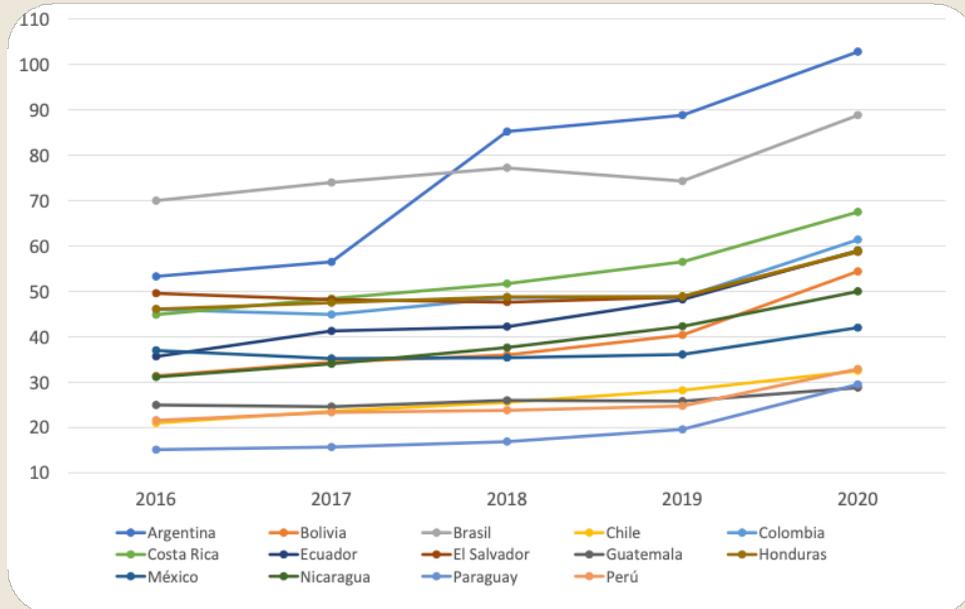
The global crisis became a local crisis

In a third of the countries, remittances represent more than 10% of the economy. Although remittances fell significantly in the early stages of the pandemic – and despite World Bank projections that they would fall by 20% – they recovered in the latter part of 2020 (World Bank, 2020). Remittances fell 6.5% in 2019 and 7.3% in 2020 (World Bank, 2021).

For more than half of the countries, dependence on tourism is higher than the world average. Tourism-dependent economies were hit hard due to travel restrictions caused by the pandemic. One study found that the share of tourism in the economy was the most important factor in predicting the growth shortfalls caused by the COVID-19 crisis (Milesi Ferretti, 2021).

Finally, the regional governments paid an interest rate 7.5% higher than the one paid by the United States to obtain loans in international markets. This situation is complex and will reduce the possibilities of reactivation, because external and domestic indebtedness have increased in all the selected countries, especially in 2020, due to the pandemic. Barbados has the highest debt to GDP ratio with 142.3%, Argentina with 102.8%, while Guatemala has the lowest, with 28.8%.

Figure 6. Public debt as a percentage of GDP, 2016 to 2020

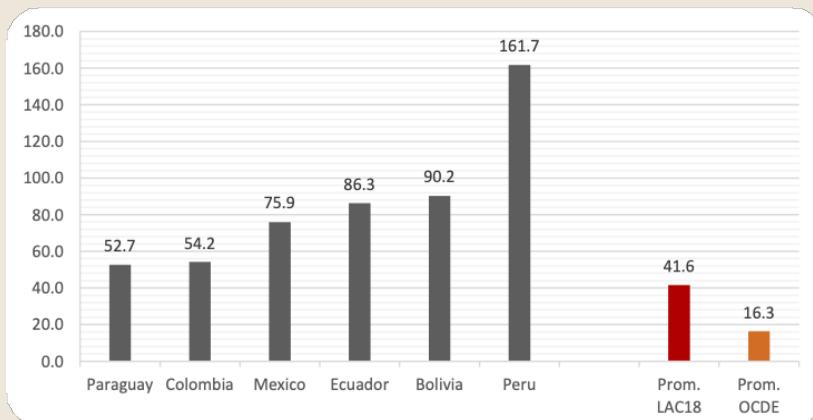


Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

Vulnerability in the health system increased the loss of life

During the pandemic, most countries recorded an excess mortality of more than 10%, and six countries exceeded 50%, being among the most affected in the world. Excess mortality is the increase in all-cause mortality relative to the recent average. This indicator captures not only confirmed COVID-19 deaths, but also deaths that were not correctly diagnosed and reported, as well as deaths from other causes attributable to general crisis conditions (Giattino et al., 2021). Excess mortality in the 18 countries studied is 2.5 times higher than in the OECD, as shown in Figure 6.

Figure 7. Excess mortality rate



Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

The poor education of today will be the precarious jobs of tomorrow

With the exception of Nicaragua, all countries in the region analyzed had to close schools for part of the school year. In half of the countries for more than 85% of school days in 2020. However, the proportion of households with internet access able to benefit from distance learning is lower than in advanced economies. For nine of these countries this access amounts to less than half the proportion in OECD countries.

For the 10 countries with information for 2020, the rate of children, teenagers and young people out of school reached an average of 14% and, in all countries, this rate is above that reported for advanced economies.

With social distancing measures, the proportion of jobs that can be done from home has become a critical factor in economic outcomes during the pandemic and its aftermath (Gottlieb et al., 2020). In the countries analyzed, this proportion is less than half that in advanced countries, and in some countries less than a quarter. Since informal workers are less likely to suspend work and physical interaction, a higher proportion of informality makes it difficult to implement effective quarantine measures.

Women, the most affected by the crisis

Unemployment has increased in all countries in 2020, affecting women to a greater extent. However, unemployment figures are likely to underestimate the impact, as women are more likely to drop out of the workforce altogether due to care responsibilities (ILO, 2020). The ILO found that 90% of women who lost their jobs during the crisis dropped out of the workforce altogether (ILO, 2021).

The labor market situation is especially critical for women. Female unemployment in 2020 was higher than male unemployment in all countries for which information is available, and the average reached a difference of four percentage points.



3. What happens after the pandemic

The existing problems and the new ones that have been added, caused a deep crisis. Latin America was the most affected region in terms of economic growth. Recovery, according to estimates by multilateral organizations, could take a decade or even more.

Other dimensions for reactivation

As if that were not enough, to the above, other dimensions must be included in recovery policies, which correspond to the needs of economic growth and social transformation that resolves problems of inequality and contributes to curbing global warming. Latin America cannot be exempt from this agenda, which becomes a challenge for coordinated actions between the private sector, the State and civil society to solve the multiple crises.



Climate change

Regarding climate change, in Latin America 80% of the countries show a lower capacity to respond to climate change than the world average. Compared to the average of OECD countries, no country in the region performs better.

In more than half of the countries, family agriculture represents more than 80% of farms. Workers in the sector face the greatest challenges due to climate impacts (floods, droughts, etc.). All the countries of the region show losses of hydric resources in the last decade. In more than half of the countries, losses exceed 11% and it is estimated that, due to climate change, this problem will deepen and become an additional risk in the health crisis that requires greater use of water as a form of prevention.

Table 1. Loss of water resources (%)

Country	2017
Bolivia	-14.16
Brazil	-8.52
Chile	-10.5
Colombia	-10.58
Costa Rica	-11.02
Cuba	-0.78
Ecuador	-14.83
El Salvador	-4.42
Guatemala	-16.23
Honduras	-17.19
Mexico	-12.51

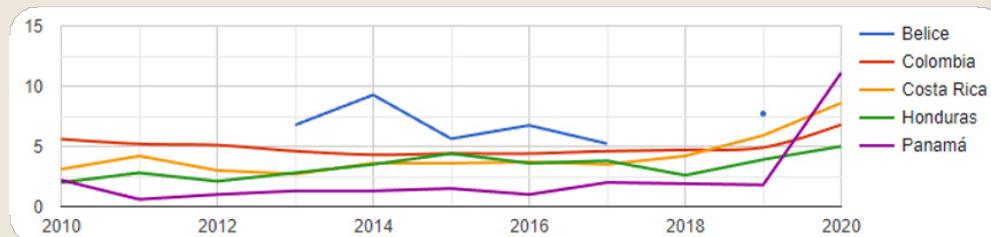
Paraguay	-12.65
Peru	-9.89
Uruguay	-3.05

Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

Gender

Women without own income are more dependent on the income of other household members and are therefore more vulnerable to the effects of the pandemic. More than 28% of women are in this situation in the countries analyzed (simple average). The pandemic deepened gender gaps. In most countries, women have higher unemployment rates than men, they are the first to lose their jobs and the last to get them back. In OECD countries, the gender unemployment gap was 0.8 percentage points, while in Costa Rica, for example, it was 8.6 pp in 2020.

Figure 8. Gender gap in unemployment (percentage points)



Source: Atlas of Vulnerabilities. Latindadd and Jubilee USA Network. Available at: www.atlasdevulnerabilidades.org

4. Conclusions

Latin America had vulnerable economic and social structures before the pandemic, as a result of institutional designs that prevented better use of the region's human and natural wealth. For this reason, the pandemic is significantly affecting the population, causing an unprecedented crisis. Recovery will depend on properly identifying and assessing each dimension that reflects all types of vulnerabilities, in order to adopt comprehensive solutions with a long-term vision that considers additional challenges in terms of climate change and gender.

The Atlas of Vulnerabilities, prepared by the Latin American Network for Economic and Social Justice, Latindadd, together with the organization Jubilee USA, is an instrument for civil society organizations, as well as for public and private institutions, that facilitates the analysis of the conditions in the region. It is a tool that allows systematizing and presenting in an orderly and useful manner relevant data for analysis, proposals for public policies and decision-making at the national, regional and global levels.

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