NACIONES UNIDAS
UNITED NATIONS

CEPAL
ECLAC

**UNITED NATIONS
ECONOMIC COMMISSION
FOR LATIN AMERICA
AND THE CARIBBEAN
(ECLAC)**

**Statement By
Alicia Bárcena
Executive Secretary
to the Ministerial Meeting of the Group of 24
11 October 2021**

Global asymmetries and how to overcome them to foster equality and inclusion
Priorities of Latin America and the Caribbean

As the world economy starts to recover from the devastating impact of the COVID-19 pandemic, a pattern of profound asymmetries is emerging. There are important global asymmetries between developed countries and middle-income nations, which includes most countries in Latin America and the Caribbean (LAC), both with regard to the capacity to implement policies to support the economic recovery, as well as to access and distribute vaccines.

The crisis created by the pandemic has worsened the region's long-standing structural problems: low investment and widening productivity gap with relative to advanced economies, labor informality, unemployment, inequality and poverty. Before the pandemic, the region was already on a path towards stagnation: in the six-year period between 2014 and 2019, it grew at an average rate of 0.3%, below the average of the six-year period that includes the First World War (0.9%) and the Great Depression (1.3%). In addition, it has seen a steady decline in investment, reaching one of its lowest levels in the last three decades in 2020 (17.9% of GDP). Similarly, labor productivity is falling significantly.

In 2020, the pandemic sparked the most substantial crisis that Latin America and the Caribbean's labor markets have experienced since 1950. On a global level, the region's labor markets were the most affected by the crisis prompted by COVID-19 – with the number of employed persons falling 9.0% in 2020 – and the recovery expected for 2021 will not be enough to attain pre-crisis levels. The pandemic also led to a sharp decline in labor participation, particularly among women. With the crisis, female participation reached 46.9% in 2020, which represents a setback to levels seen in 2002. In 2021, this indicator is expected to recover, reaching an estimated 49.1%, but that would still only be similar to 2008 levels.

ECLAC projects that Latin America and the Caribbean will grow 5.9% in 2021. Growth in 2021 is mainly attributable to the low basis of comparison – after the 6.8% contraction recorded in 2020 – along with the positive effects arising from external demand and the rise in the price of the commodities that the region exports, as well as to increases in aggregate demand as economies gradually lift Covid-19 restrictions. I would mention that this is temporary respite. The growth rebound expected in the region in 2021 (5.9%), resulting from a low basis of comparison relative to 2020, is driven by consumption within a context of deepened structural problems and is unlikely to persist. It is likely to provide only temporary respite from the current economic situation and to prove insufficient to reduce the region's financing gap or improve its debt profile.

Recovering investment and employment, especially in environmentally sustainable sectors, will be key to a transformative and inclusive recovery in the region. To maintain expansionary fiscal and monetary policies, however, countries will need to complement domestic resources with greater access to international liquidity and with multilateral mechanisms that would facilitate debt management, if necessary.

Greater access to international liquidity and multilateral mechanisms that would facilitate debt management would contribute to expanding the region's fiscal and monetary policy space. The recently implemented issuance of Special Drawing Rights (SDRs) equivalent to US$ 650 billion dollars allows for strengthening the external position of the region's countries, reducing risk (for some), and freeing up resources for fulfilling the Sustainable Development Goals (SDGs) (for some). But the issuance of SDRs and their reallocation is not a panacea and must be accompanied by other initiatives, including the creation of multilateral funds such as the Fund to Alleviate COVID-19 Economics (FACE), proposed by Costa Rica, to facilitate access to financing.

It is important to stress the urgency of more equitably redistributing the large amount of liquidity that currently exists in the world. Middle-income countries account for 96% of the global public debt of developing countries (excluding China and India). Debt service represents 59% of exports of goods and services in Latin America and the Caribbean. It is vital to reach a debt relief agreement for smaller economies, especially the Small Island Developing States (SIDS), which should be transformed into resilience funds. That is what ECLAC is seeking to implement in the Caribbean, for example. Debt relief is not necessarily a long-run solution to the debt problematic.

A new multilateral compact on financing for development is needed, including a debt component, the reallocation of liquidity and innovative instruments such as hurricane clauses included in debt negotiations of the countries affected by such phenomena. Expanding the toolbox of innovative instruments can contribute to improving access to financing. Moreover, including middle-income countries in initiatives involving debt relief and access to concessional liquidity is critical. ECLAC believes Gross Domestic Product (GDP) must not be the sole criteria for evaluating countries' development level and needs. We must move from graduation to gradation.

The COVID-19 pandemic has also revealed asymmetries regarding vaccination, health systems, and the inequality in terms of access to universal primary health care. On 18 September, the member countries of the Community of Latin American and Caribbean States (CELAC) unanimously approved a programmatic roadmap for strengthening the production and distribution of medicines, especially vaccines, giving ECLAC a mandate to further actions for its effective implementation.

From a medium- and long-term perspective, the goal of the roadmap – the "*Plan for self-sufficiency in health matters in Latin America and the Caribbean: lines of action and proposals*"–

is the development, expansion and competitive strengthening of research, development and production capacities for vaccines and medicines regionwide. To this end, three specific objectives are defined: to provide a stable, large-scale market that gives clear signals and certainty for firms to invest in; to encourage and facilitate research and development in innovative projects; and to support local production and integration into regional production chains.

In addition, in view of the urgency of the COVID-19 pandemic, the fragile status of international access to vaccines and the slow progress of the inoculation processes in most countries, the plan has the additional aim of speeding up vaccination rollout, which requires improving international access to vaccines and collaboration, and facilitating domestic inoculation processes.

In this context, seven lines of action have been defined and prioritized: i) strengthening mechanisms for pooled international procurement of vaccines and essential medicines; ii) using public procurement mechanisms for medicines to develop regional markets; iii) creating consortiums for vaccine development and production; iv) implementing a regional clinical trials platform; v) taking advantage of regulatory flexibilities to gain access to intellectual property; vi) strengthening regulatory convergence and recognition mechanisms; and vii) strengthening primary health systems for universal access to vaccines and their equitable distribution.

Finally, increased access to liquidity and debt reduction, as well as improvement in health matters, must be intertwined with medium- and long-run development objectives and thus with initiatives to build forward better. In this sense, the crisis created by the pandemic should be seized not only as an opportunity to rethink the financing for development agenda of middle-income countries, but also as an occasion to reach wide social and political consensus to implement ambitious reforms to engage in a sustainable and egalitarian recovery process. Building forward better means placing equality and environmental sustainability at the centre of the recovery phase.

ECLAC has proposed channeling investment into sectors that would promote a new development pattern and that can boost competitiveness and employment and reduce the environmental footprint in the region. These include: the transition towards renewable energy; sustainable mobility in cities; the digital revolution, to universalize access to technology; the health-care manufacturing industry; the bioeconomy and ecosystem services; the care economy; the circular economy; and sustainable tourism.

Political commitment is key for moving ahead with this new development pattern. To fight climate change and reduce carbon emissions, it is important to stress that we cannot focus only on the environment. We must also consider economic development and articulate public and private investments towards environmentally sustainable sectors, thereby contributing to the sustainable development goals as well.

The United Nations regional commissions can play an important role in engaging and facilitating a discussion in each region with different actors, beyond the environmental sector. It is vital to bring to the table environment and finance ministers, the civil society, the private sector, and global actors such as the World Bank and the International Monetary Fund, to discuss the regional implications of global action for carbon dioxide removal, to guarantee that all regions achieve a sustainable future. International support for adaptation, not just mitigation, should increase, and finding funding mechanisms to strengthen adaptation to climate change will be critical to create resilience and sustainability.