RETHINKING THE FUTURE OF LATIN AMERICA AND THE CARIBBEAN

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Among the most affected regions in the world

Covid-19 deaths (per million people)

Source: Our World in Data.
The worst economic performance in the developing world

GDP growth rate in 2020e (percent)

- East Asia and Pacific
- Europe and Central Asia
- Sub-Saharan Africa
- Middle East and North Africa
- South Asia
- Latin America and the Caribbean
- World

Over 30 million new poor

LAC saw massive transitions from middle class to vulnerability, and from vulnerability to poverty as a result of the pandemic.

Note: Preliminary numbers.

Source: World Bank SEDLAC (CEDLAS and World Bank LAC Equity Lab).
Rising inequality in the most unequal region in the world

Note: Preliminary numbers.

Source: World Bank SEDLAC (CEDLAS and World Bank LAC Equity Lab).
Pervasive school closures undermine learning

Days with schools closed (percent)

- Distance learning may partially offset the loss, but it is not universally available.
- The learning impact is more severe for children from poorer households.
- Many children may become detached from the education system and not return.

Source: UNESCO.

Foregone and untapped human capital
The debt-to-GDP ratio is expected to increase by about 10% of GDP and to remain above the levels of other regions.

The Pandemic Dilemma

Return to pre-pandemic times?

Rethink and chart a new future?
Productivity of LAC’s economies has been lagging all developing regions - with the exception of SSA

Source: WDI.
Note: Each region is defined as the simple average of real GDP per worker (in 2010 US$) across countries with data in all years from 1991 to 2018. Each period is defined by the simple average of regions over time.
Improve productivity

1. Digital is the future
2. Deepen financial Access
3. Regulation and other barriers for private sector dynamism
Only about half of Latin Americans have access to broadband
Access to financing—still limited for many

Credit/GDP per capita

Adult population with banking account (%)

Fuente: FinStats, Banco Mundial

Fuente: Base de datos Findex.
Regulatory burden can be heavy – especially for SMEs – and some markets lack contestability.

**Product Market Regulation Index, average by region (2018)**

- **Argentina**: 2.65 (51% Distortions Induced by State Involvement, 49% Barriers to Domestic and Foreign Entry)
- **Brazil**: 2.58 (54% Distortions Induced by State Involvement, 46% Barriers to Domestic and Foreign Entry)
- **Costa Rica**: 2.32 (55% Distortions Induced by State Involvement, 45% Barriers to Domestic and Foreign Entry)
- **Colombia**: 2.04 (54% Distortions Induced by State Involvement, 46% Barriers to Domestic and Foreign Entry)
- **LAC average**: 2.03 (53% Distortions Induced by State Involvement, 47% Barriers to Domestic and Foreign Entry)
- **Peru**: 1.63 (50% Distortions Induced by State Involvement, 50% Barriers to Domestic and Foreign Entry)
- **Mexico**: 1.61 (54% Distortions Induced by State Involvement, 46% Barriers to Domestic and Foreign Entry)
- **Chile**: 1.41 (55% Distortions Induced by State Involvement, 45% Barriers to Domestic and Foreign Entry)
- **OECD average**: 1.40 (58% Distortions Induced by State Involvement, 42% Barriers to Domestic and Foreign Entry)
- **OECD top 5 average**: 1.00 (63% Distortions Induced by State Involvement, 37% Barriers to Domestic and Foreign Entry)

*Note: The countries with the top five performance are the United Kingdom, Denmark, Spain, Germany and the Netherlands. Source: OECD-WBG PMR database [2018]*
Trade integration is still an opportunity.

Lower openness than in advanced countries or in emerging Asia.

The chart shows the trade integration by countries and regions, with the trade volume as a percentage of GDP. The OECD average is 85%, while the LAC average is 47%. The Asia average is 105%. The data source is Bown, C. et al. “Better Neighbors: Toward a Renewal of Economic Integration in Latin America”. The World Bank, 2017.
Protect and improve human capital

1. Health
2. Education
The pandemic has laid bare weaknesses in health systems – still access problems and much to work in quality

Health systems have not adjusted to the ground reality over the last decades:

• The lack of social health insurance to the informally employed continues to perpetuate inequality in access and quality of care

• Non-communicable diseases have taken over as the largest share of the disease burden

• Lack of preventive and curative care at lower levels translates in unnecessary & costly excess hospitalizations

Health System Coverage in LAC by Country

Note: SUS = Sistema Unico de Saude (only in Brazil); Private+SUS = SUS and also private health insurance; Social Security = Health Services by Social Security Institutes; Subs. Soc. Sec. = Subsidized Regime of Social Security; MOH Plus = Noncontributory health insurance for the poor; MOH only = Ministry of Health only; Private = Private Health Insurance.
Education quality — still a long road ahead

Learning Poverty: **51%** of the region’s children do not meet the minimum reading levels required to finish primary.

Gaps in test results indicate large differences in quality of education within country (gap in PISA scores)

Source: World Bank
Sustainability

6. Moving towards greener growth
IN SUMMARY

• The pandemic has fostered an economic crisis of historical proportions
• Poverty, unemployment and inequality have increased sharply
• The crisis offers an opportunity to rethink – and break with historical patterns
THANK YOU!