COVID-19 and Social Protection of Poor and Vulnerable in Latin America

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Based on joint work with:
Nora Lustig (Commitment to Equity Institute, Tulane University)

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ZEW Research Seminar - COVID-19 and Inequality: Research perspectives on the worldwide effects of the pandemic on economic and social inequality
LATIN AMERICA IS NOW THE EPICENTER OF THE GLOBAL PANDEMIC

Daily confirmed new cases by region

- Asia
- Europe
- North America
- South America
- Others
Majority of countries in LAC implemented full lockdowns

- Full Lockdown (national level)
- Severe restrictions (curfew at nights, shutdown of non-essential activities, school closures and the cancellation of public events).*
- Some restrictions (shutdown of non-essential activities, school closures and the cancellation of public events).
- Minor restrictions (school closures and the cancellation of public events).

*Note: Brazil, Chile, Cuba and Jamaica have implemented full lockdowns in some regions.

Source: Own elaboration with data from IMF, OECD and ACAPS
COVID-19

- Complex vector of shocks

- Interacts with pre-existing conditions (and exacerbates them)

  - SOCIAL
    - Inequality
    - Vulnerabilities
    - Multidimensional poverty

  - THE STATE AND POLITICS
    - Fiscal space
    - Health care system capabilities
    - State capacity and political logic more generally
Poor as a result of COVID-19

Structural poverty

Figure 1
Rich

Poor

Poor as a result of COVID-19

Structural poverty

I

I'

Poverty line

Figure 1

30 Million People

Income

0

$P_0$

$P_1$

1

Rich

$\bar{Y}$
Poor as a result of COVID-19

Figure 1
These people, in addition to lacking income, experience multiple deprivations.
Global Economic Shocks

Epidemiological Dynamics

LOCKDOWNS

Informality
No Social Security
No assets
Overcrowding
No safe drinking water or sanitation
No internet
Health problems
No Bank account
Dysfunctional Family Dynamics

Domestic violence 15%
Child abuse

82% Q1
82% Q1
20% urban slums
22%, 59%
34%
142,000,000
57% Q1-2

¼ health risk
• Face overcrowding and poor sanitary conditions
• Face difficulties in complying with social distancing measures
Mobility reduction and multidimensional poverty (Municipalities of Chile)
Confirmed COVID cases per 100 families

- Buenos Aires City
- Slums in Buenos Aires City
- Argentina
• Face overcrowding and poor sanitary conditions
• Face difficulties in complying with social distancing measures

• Compliance has its own risks
  • Illness
  • Violence
  • Malnutrition
• Face overcrowding and poor sanitary conditions
• Face difficulties in complying with social distancing measures

• Compliance has its own risks
  • Illness
  • Violence
  • Malnutrition

• Suffer dire consequences
  • In the short term
  • **In the long term**
    • Permanent effects of temporary shocks
      (That is what being poor is all about)
      ➢ **Human Capital**
RECOMMENDATIONS
RECOMMENDATIONS: I. Organizing principles

1. Articulate:
   - Epidemiological strat.
   - Economic strategy
   - Social strategy

2. COVID-19
   - Exposes and exacerbates
     - Inequalities
     - Vulnerabilities

3. • Epidemiological and economic externalities
   • Humanitarian risks
   • Political risks
     - PRIORITIZE protection of most vulnerable groups

4. OBJECTIVES:
   - Preserve
     - Lives
     - Livelihoods
     - Human capital

5. HOW: Special focus
   - $(access, implementation)$
   - Direct actions (beyond $)
   - Focalize in order to make universal
     - Complement access and use

6. Requires
   - Urgent & vigorous short term actions (weeks)
     - Sustain essential flows/supply
     - Things SR unchangeable, SWAT interventions are needed
   - Strategic investments (months)

7. Take into account intra-group heterogeneities

8. CLOSE-UP ACTIONS

9. Non-Governmental Actors
   - Local synergies
   - Top Initiatives

10. Implications
    - Budgetary
    - Organizational
## RECOMMENDATIONS: II. Institutions, Actors and Actions

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<td>✓ Ensure that the sectoral ministries collaborate completely with ONISU and with the Territorial Units in charge of the most vulnerable neighborhoods. ✓ Integrate and make optimum use of all sources of information (surveys, administrative reports, big data) in order to apply a targeted approach and identify effective social interventions.</td>
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    |                                            | ✓ Integrate and make optimum use of all sources of information (surveys, administrative reports, big data) in order to apply a targeted approach and identify effective social interventions. |
| Ministry of Finance                        | Allocation of resources                    | PRIORITIZE resources for policies designed to protect the most vulnerable                           |
| Line ministries (Health, Education, Safety, Transportation, Infrastructure etc.) | Enact and implement policies and programs in their respective areas | ✓ Prioritize policies that cater to the specific needs of local groups.  
    |                                            | ✓ Cooperate with ONISU and Territorial Units                                                      |
| National Agency for Social and Urban Integration in charge of vulnerable neighborhoods (ONISU) | Coordinate the effective implementation of all State actions in the vulnerable neighborhoods. | ✓ Adapt the overall policies to the particular needs of these populations.  
    |                                            | ✓ Demand that the line ministries enact the necessary complementary policies.                     |
    |                                            |                                            | ✓ Coordinate the work of the Territorial Units located in each neighborhood.                      |
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| Territorial Units                          | ONISU’s representative in every neighborhood | ✓ Involve local neighborhood associations and other grassroots organizations in identifying urgent needs and priorities.  
    |                                            | ✓ Work with line ministries and local organizations to implement social programs at the local level. |
    |                                            |                                            | ✓ Strengthen the networks of local social actors.                                                   |
| Networks of local social actors and civic organizations | See text.                                |                                                                                                     |
• These things cost money

(1) But some are cheaper than you think → Political focus

(2) We do not want to substract from the GREEN RECTANGLE
  ➢ We add to that don´t forget the RED SQUARE

(3) Where shall resources for social protection in times of COVID come from?
  ✓ International financial organizations, bilateral aid
  ✓ The future
    ☐ We are all Keynesians now
    ☐ But, BEWARE OF FISCAL SPACE
  ✓ BUDGET REALLOCATIONS
BUDGET REALLOCATION ALGORITHM

- Look at
  - $G/Y$ and $T/Y$
  - CEQ Incidence of main components of $G$ and $T$

- Depending on country situations. Example:
  - Guatemala: Tax the Rich
  - Argentina: Adjust spending on middle and upper middle classes
    - Pensions above some level $\rightarrow$ spend to protect the elderly
    - Spending on Universities $\rightarrow$ Spend on connecting poor children
    - Cut wages of non essential public workers $\rightarrow$ protect and compensate better essential workers
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Entity charged with addressing the multi-dimensional needs that these populations simultaneously face.
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| Ministry of Finance                        | Allocation of resources                  | **PRIORITIZE resources for policies designed to protect the most vulnerable** |
| Line ministries (Health, Education, Safety, Transportation, Infrastructure, etc.) | Enact and implement policies and programs in their respective areas | **Adopt the overall policy regulations.**  
**Demand that the line ministries adapt the overall policy regulations.**  
**Coordinate the work of other policies to facilitate implementation.**  
**Adapt and implement policies and programs in their respective areas.**  
**Ensure that policies are directed to the specific needs of local groups.**  
**Cooperate with ONISU and Territorial Units.** |
| National Agency for Social and Urban Integration in charge of vulnerable neighborhoods (ONISU) | Coordinate the effective implementation of all State actions in the specific and general needs of the neighborhoods.  
**Coordinate the work of other policies to facilitate implementation.**  
**Employ the Territorial Units in charge of vulnerable neighborhoods.**  
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| Territorial Units                          | ONISU’s representative in the neighborhood | **Adapt the overall policy regulations.**  
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| Networks of local social actors and civic organizations | Societal representation | **Adapt the overall policy regulations.**  
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- **Crucial non-monetary interventions**
- **Protecting**
  - human capital
  - livelihoods
  - lives
- **of the most vulnerable,**
- **the last mile → local grassroots actors**
- **those who know what’s happening in every case**
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**THIS SEQUENCE:**
is the best way to target interventions, given current level of state capabilities.
III. SPECIFIC RECOMMENDATIONS
Reduce epidemiological risks of illness and death:

*During the state of emergency:*
- Design effective participatory communication strategies
- Guarantee access to clean water, soap and other products needed to prevent infection
- Guarantee access to income, food, and other essential goods
- Ensure internet connectivity in marginalized areas
- Convert spaces such as schools and hotels into temporary hospitals for isolating patients who have contracted Covid-19 or those who show symptoms
- Design strategies for transporting patients requiring specialized care

*After the state of emergency:*
- Provide free access to Covid-19 tests to the poorest and most vulnerable
- Keep opening new isolation centers to allow people who may be infected to be secluded
- Guarantee access to safe drinking water
- Ensure universal internet connectivity in marginalized areas
- Provide universal access to bank services and debit cards to the poor and vulnerable
III. SPECIFIC RECOMMENDATIONS. Protecting livelihoods, human capital and access to basic services:

- Access to income, food and basic services
  - Government transfers
  - Temporary employment programs
- Direct food distribution
- Deferral or elimination of certain taxes
- Prevent cutting of basic services like water, electricity and Wi-Fi to vulnerable households
- Mitigation of domestic violence
- Keep educating
- Guarantee access to healthcare and medications beyond Covid-19
- Attention to especially vulnerable groups: at-risk children and youth, migrants, the homeless, sex workers, and imprisoned people
MAIN MESSAGES

1. The COVID-19 pandemic is hitting poor and vulnerable populations the hardest
   □ Health risks
   □ Living conditions

2. Not only income poverty
   □ Many other deprivations

3. Mitigating those impacts is crucial
   ✔ Ethical reasons
   ✔ To avoid irreversible effects on human capital
   ✔ Externalities
     * Raghuram Rajan: “In order for anywhere in the world to be safe, the virus has to be defeated everywhere”

4. Effective responses will require:
   ➢ Resources (BUDGETARY PRIORITY )
   ➢ Vigorous, focused and well-implemented actions (POLITICAL AND INSTITUTIONAL PRIORITY) – Not just financial transfers

5. Although governments must play a central role....
   ➢ Collaboration of local grassroots organizations (NGOs, etc.) is also crucial