



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

**Mariano Tommasi**

Centro de Estudios para el Desarrollo Humano  
Universidad de San Andrés

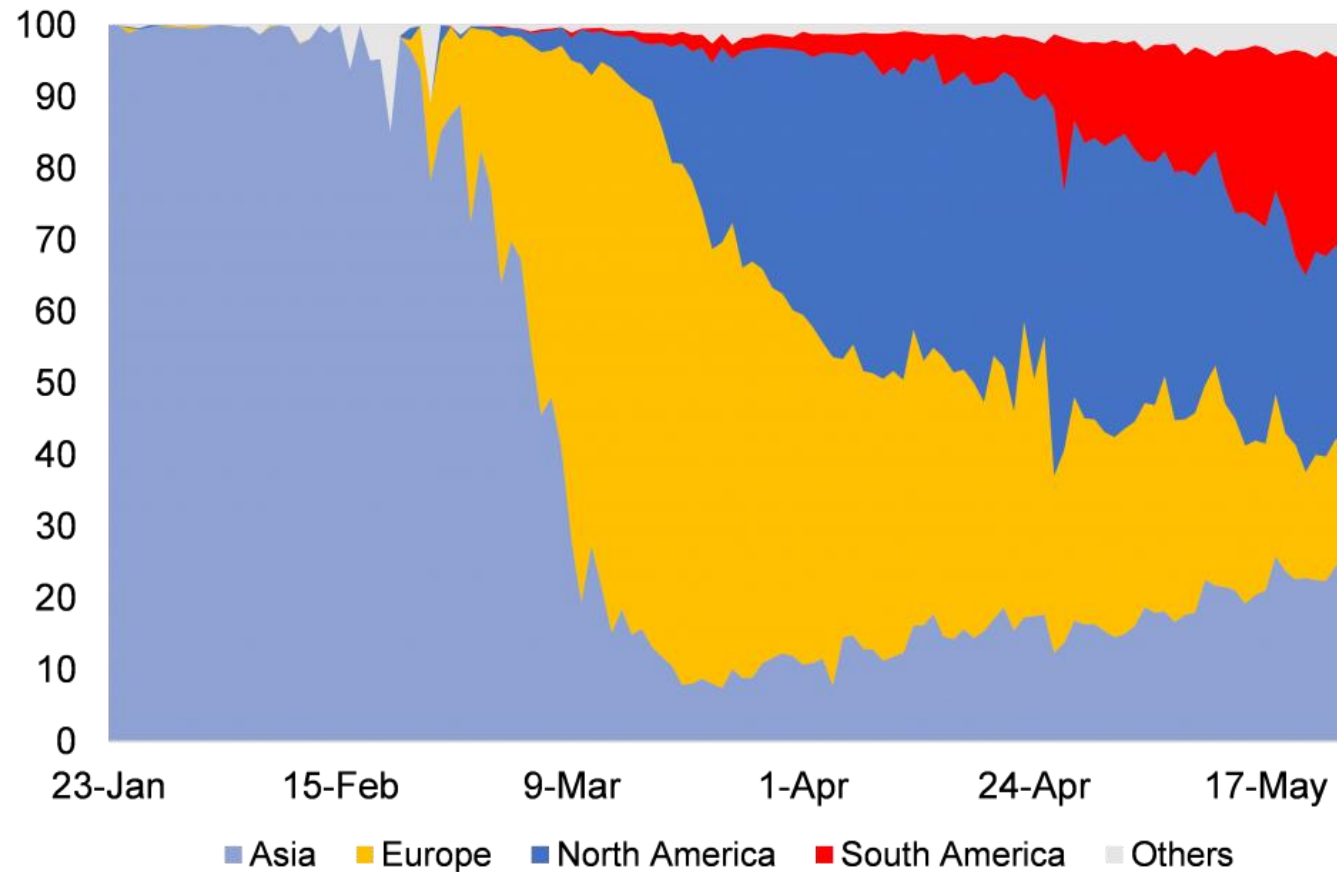
Based on joint work with:

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

# 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).

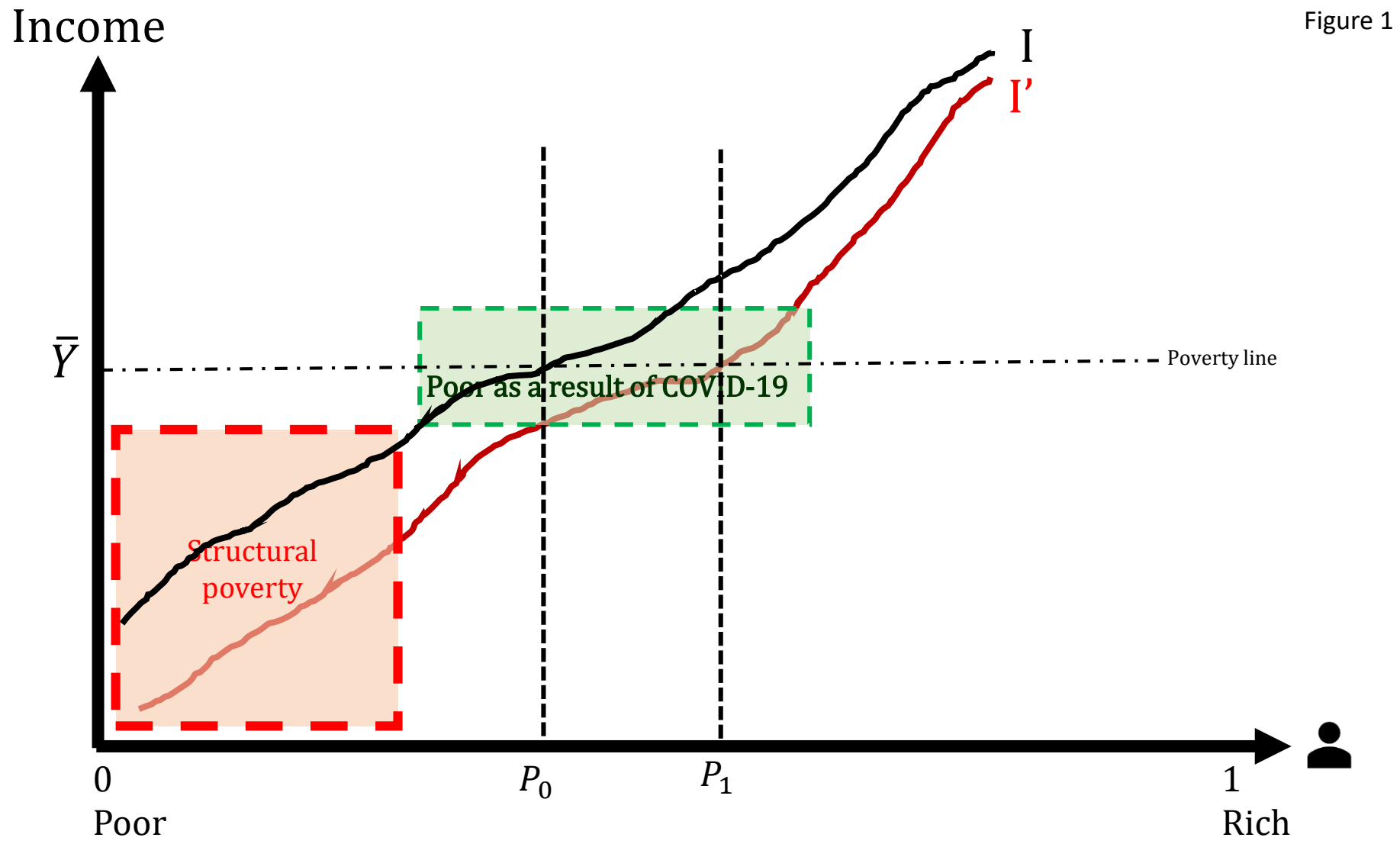
\*Note: Brazil, Chile, Cuba and Jamaica have implemented full lockdowns in some regions.

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



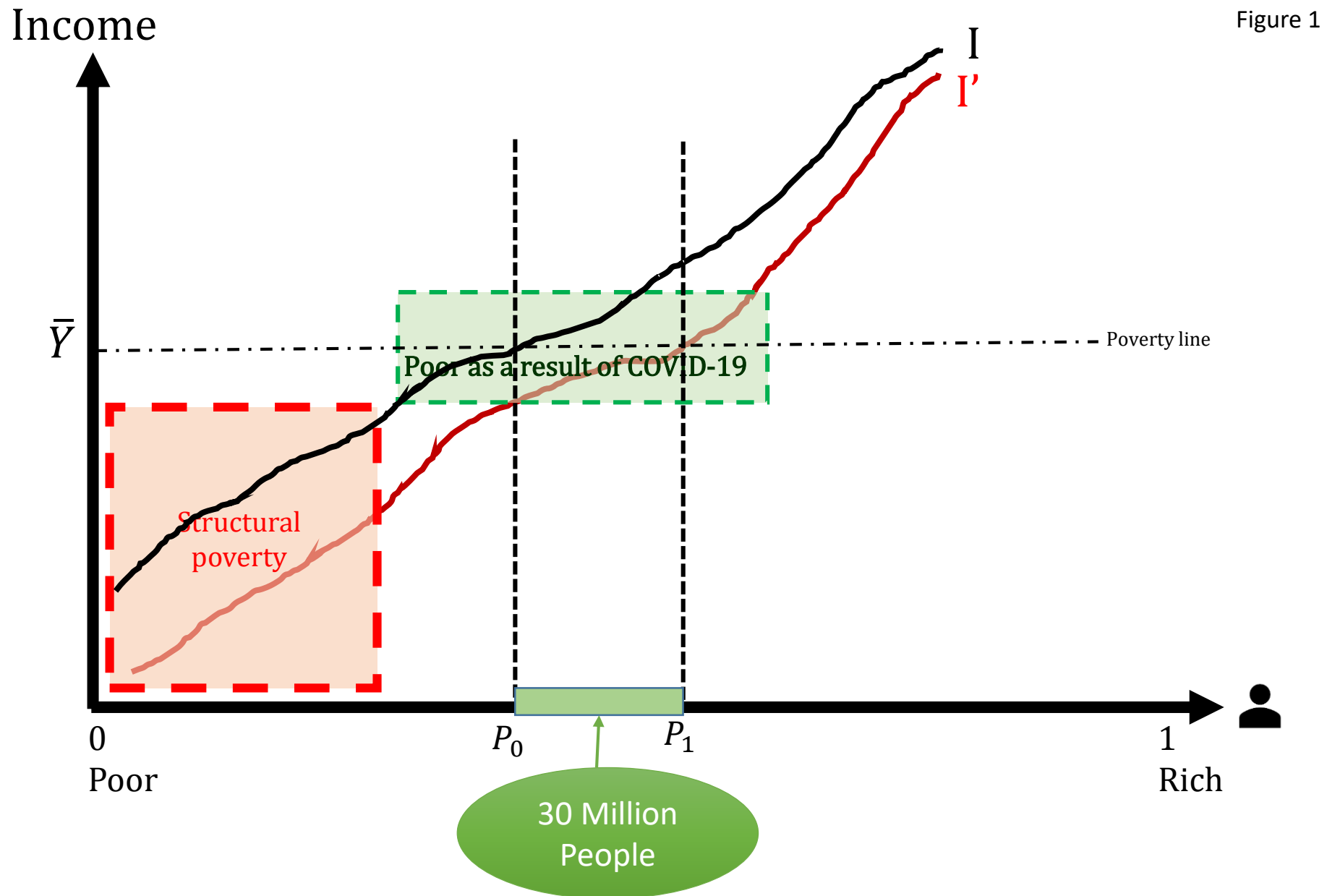


Figure 1

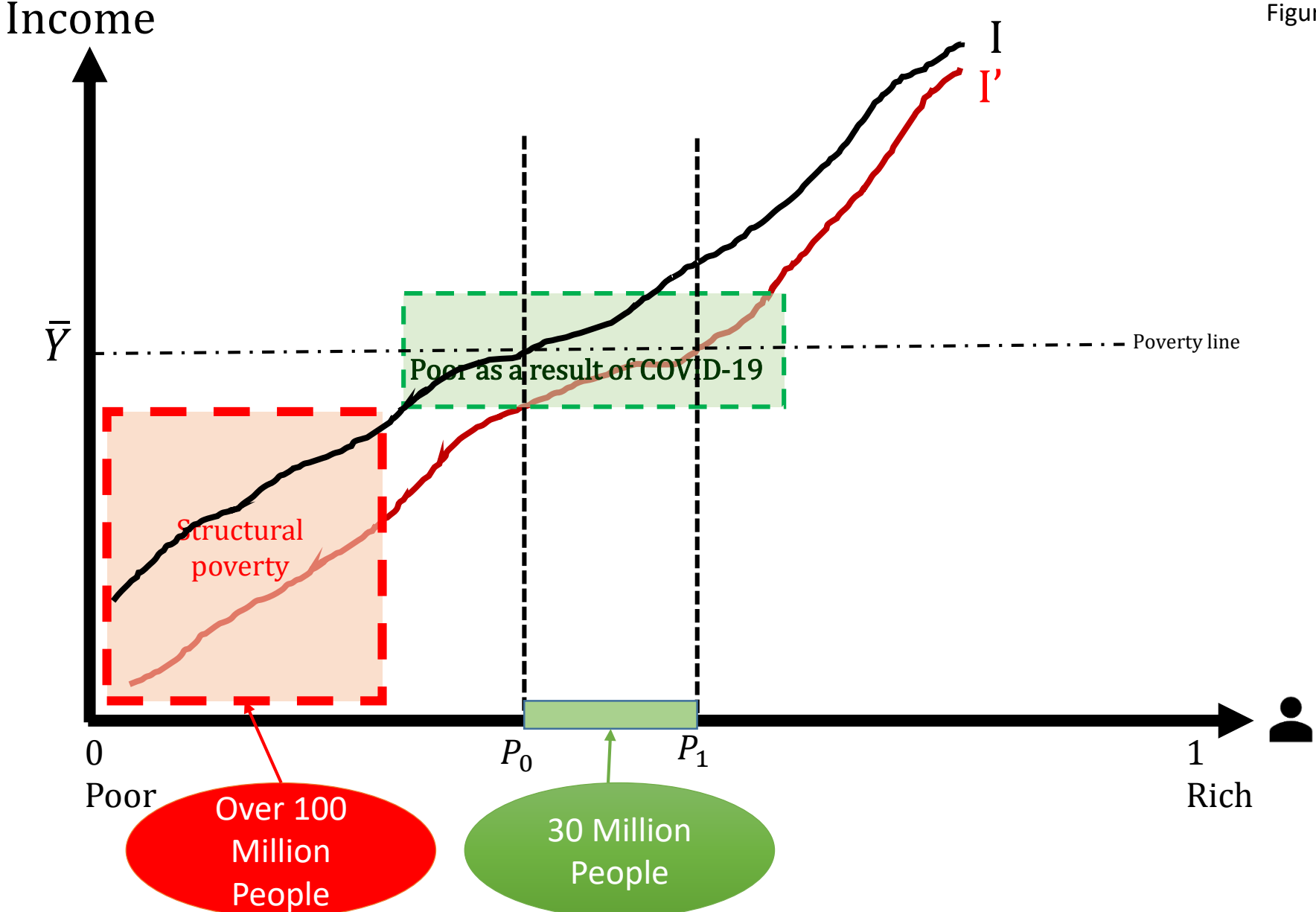
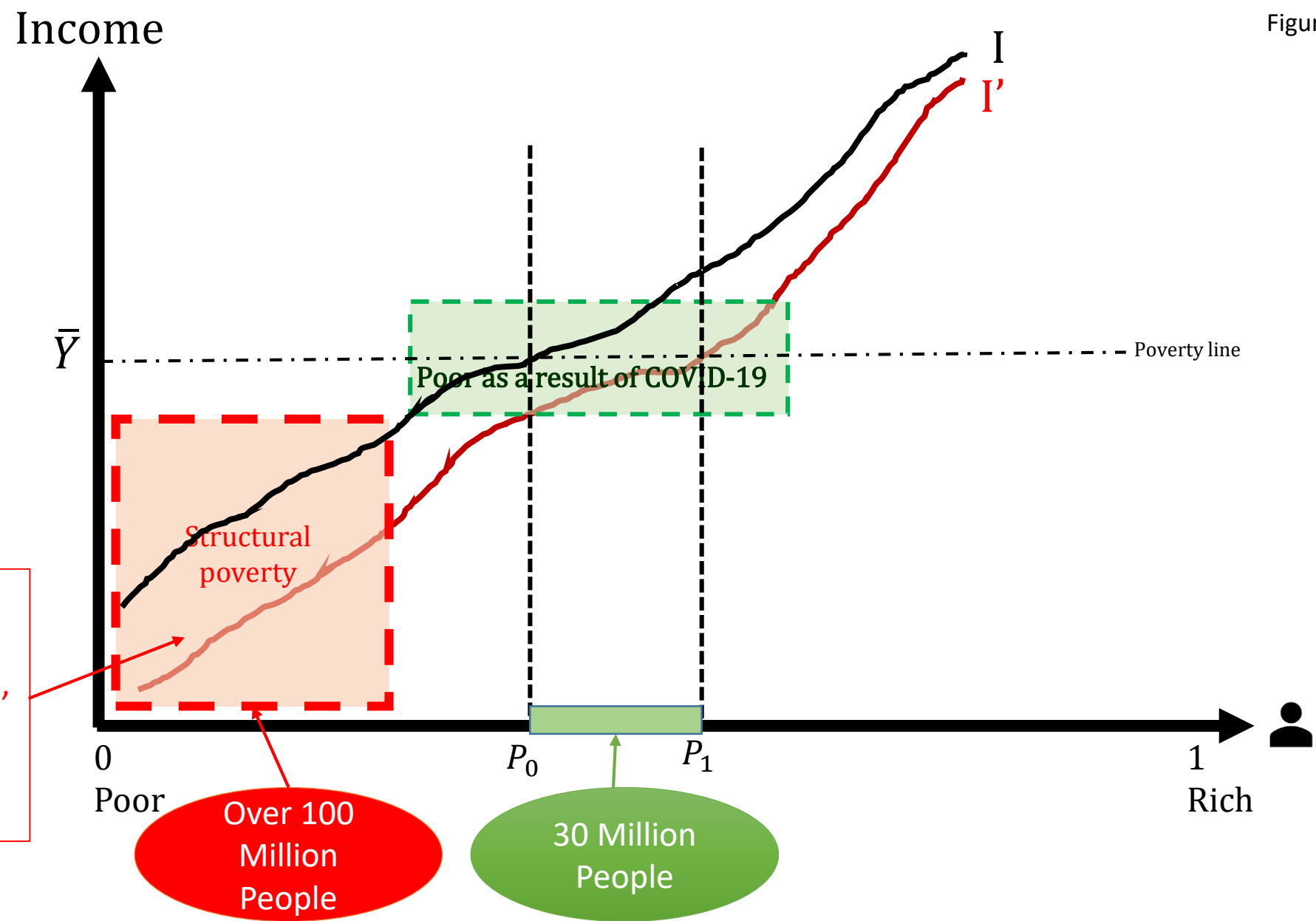


Figure 1



These people, in addition to lacking income, experience multiple deprivations



**COVID-19**

Global Economic Shocks

Epidemiological Dynamics

LOCKDOWNS



Informality

82% Q1

No Social Security

82% Q1

No assets

Overcrowding

20% urban slums

No safe drinking water or sanitation

22%, 59%

No internet

34%

Health problems

142,000,000  
¼ health risk

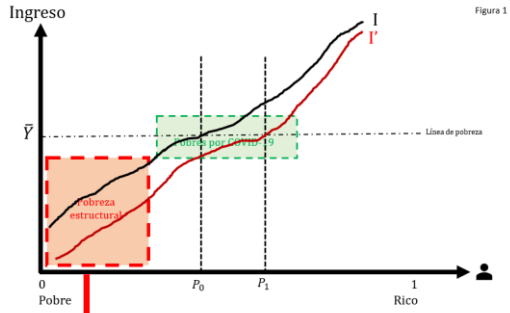
No Bank account

57% Q1-2

Dysfunctional Family Dynamics

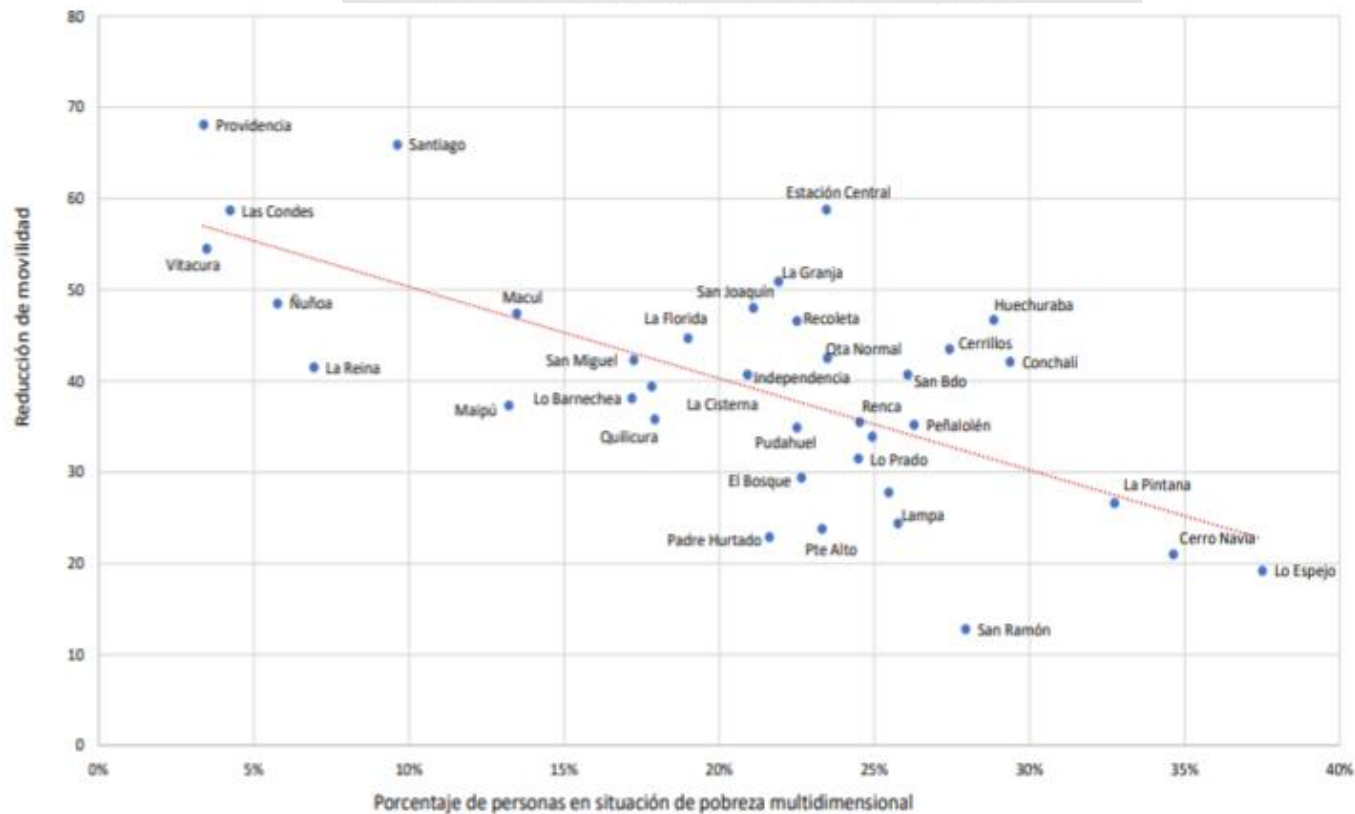
Domestic violence 15%

Child abuse

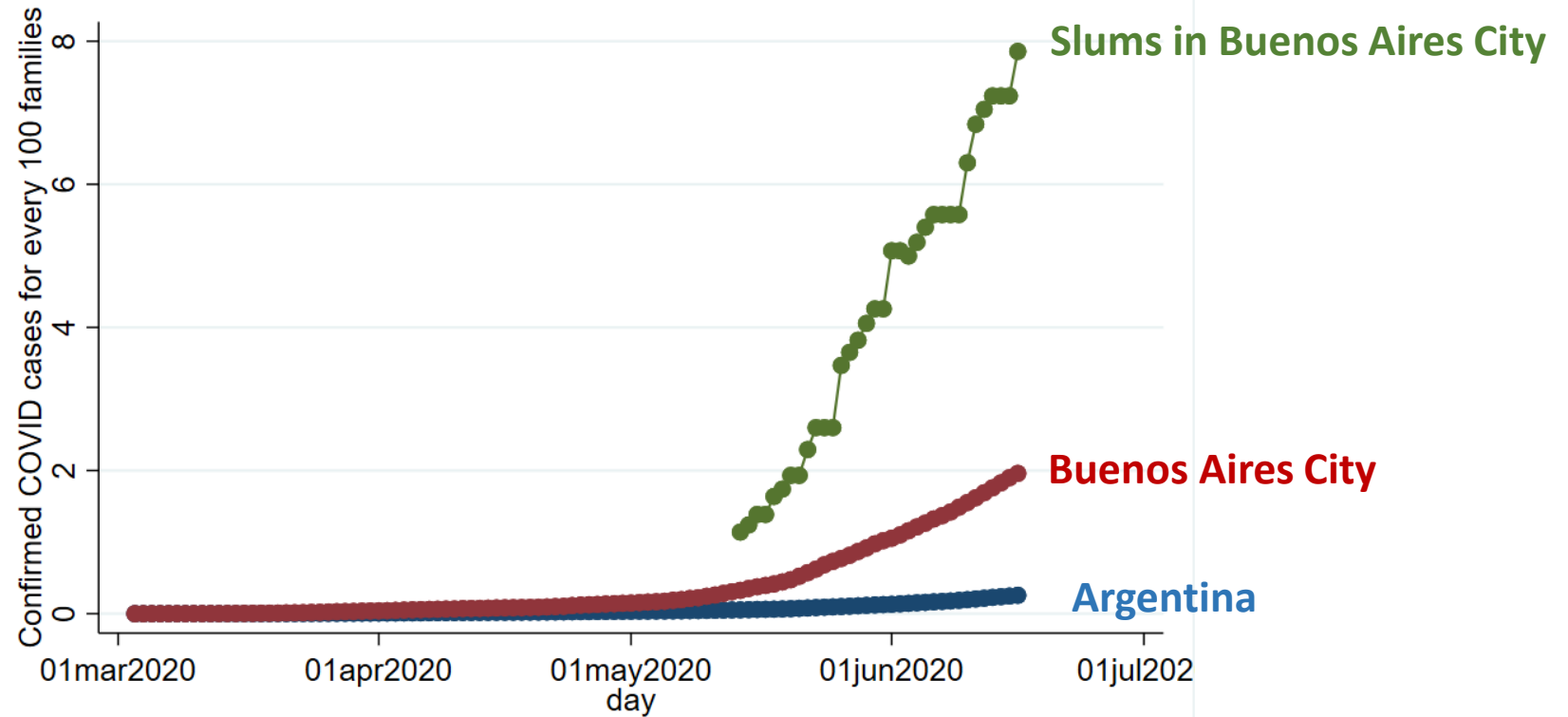


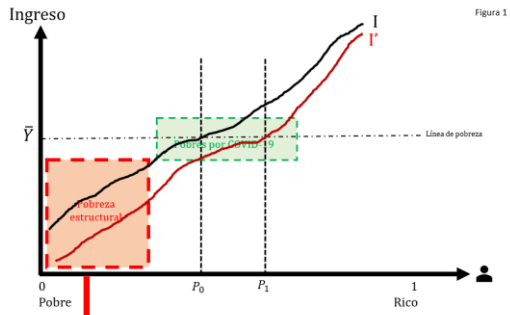
- Face overcrowding and poor sanitary conditions
- Face difficulties in complying with social distancing measures

## Mobility reduction and multidimensional poverty (Municipalities of Chile)

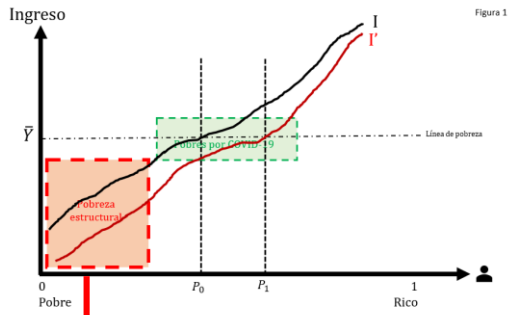


# Confirmed COVID cases per 100 families





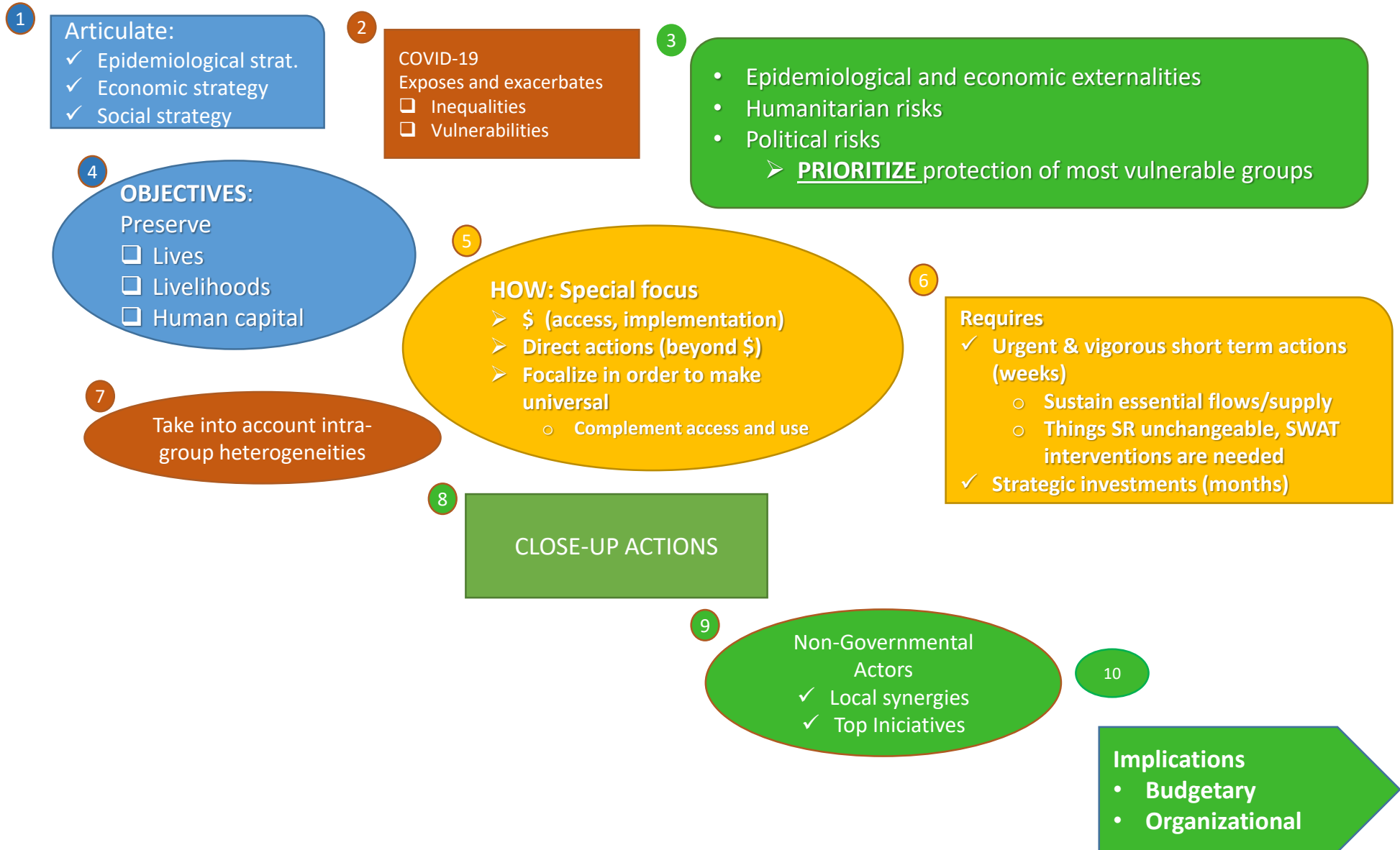
- Face overcrowding and poor sanitary conditions
- Face difficulties in complying with social distancing measures
- Compliance has its own risks
  - Illness
  - Violence
  - Malnutrition



- 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





## RECOMMENDATIONS: II. Institutions, Actors and Actions

ACTOR	ROLE/FUNCTION	RECOMMENDATION
Office of the President	Overarching national policy decisions	Integrate epidemiological, economic and social policies
Members of Cabinet	High-level inter-ministerial coordination	<ul style="list-style-type: none"> <li>✓ Ensure that the sectoral ministries collaborate completely with ONISU and with the Territorial Units in charge of the most vulnerable neighborhoods.</li> <li>✓ 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.</li> </ul>
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	<ul style="list-style-type: none"> <li>✓ Adapt the overall policies to the specific needs of local groups.</li> <li>✓ Cooperate with ONISU and Territorial Units.</li> </ul>
National Agency for Social and Urban Integration in charge of vulnerable neighborhoods (ONISU)	<ul style="list-style-type: none"> <li>✓ Coordinate the effective implementation of all State actions in the vulnerable neighborhoods.</li> <li>✓ Adapt the overall policies to the particular needs of these populations.</li> <li>✓ Demand that the line ministries enact the necessary complementary policies.</li> <li>✓ Coordinate the work of the Territorial Units located in each neighborhood.</li> <li>✓ Employ the Territorial Units to collect information regarding the specific and general needs of these groups.</li> </ul>	
Territorial Units	ONISU's representative in every neighborhood	<ul style="list-style-type: none"> <li>✓ Involve local neighborhood associations and other grassroots organizations in identifying urgent needs and priorities.</li> <li>✓ Work with line ministries and local organizations to implement social programs at the local level.</li> <li>✓ Strengthen the networks of local social actors.</li> </ul>
Networks of local social actors and civic organizations	See text.	

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- These things cost money

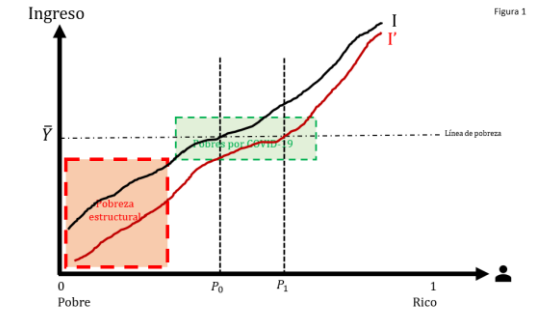
(1) But some are cheaper than you think → Political focus

(2) We do not want to subtract 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 → spend to protect the elderly
- Spending on Universities → Spend on connecting poor children
- Cut wages of non essential public workers → 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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- ✓ 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