

PART IV.

JUNCTURE MEETS STRUCTURE: THE COVID-19 CRISIS

On March 11, 2020 the World Health Organization declared COVID-19 to be a global pandemic. While it was slow to reach LAC countries at first, the region quickly became a global hotspot for the virus—claiming far too many lives in its wake. While official data from countries in the region has confirmed the loss of over 1.5 million lives, unfortunately it is likely that this is a vast underestimate of the pandemic’s true death toll (Vignette 21). As countries took the necessary actions to “flatten the curve” by implementing containment policies such as lockdowns and quarantines—economic and social crises began to follow the health crisis. As businesses and schools shut their doors and countries closed their borders, both economies and households across the region have been facing enormous challenges.

Moreover, this shock has not been distributionally neutral. For example, while a key foundation of these containment policies was encouraging people to stay at home, the ability to stay at home was a privilege that many were unable to afford. In this context, many countries implemented emergency social protection responses to reach vulnerable households. However, rapidly delivering or scaling up social assistance measures required a history of investments in administrative capacity that not all countries in the region had made. Of particular relevance in this context was robust social registries that were able to go beyond information systems and serve as inclusion systems (Vignette 22). While public social protection measures were central to government response packages, private social protection in the form of remittances also played a key role in promoting households’ resilience during this time. While inbound remittance flows saw an initial drop, they rebounded quickly and have since reached historic highs in many countries in the region (Vignette 23).

COVID-19 has had a particularly pernicious impact on inequality. It has exacerbated the divides that existed in multiple realms, ranging from labor markets to classrooms. For example, women in LAC have tended to experience slower labor market recovery rates than men, with mothers of young children facing a particularly difficult set of challenges (Vignette 24). Within the classroom, educational inequalities between rich and poor students are worsening. As schools transitioned to distance learning programs, students with access to the internet, study devices, and a supportive home learning environment had vastly different learning experiences than those without—with long-term consequences for their future prospects (Vignette 25). The impacts of inequality reach all the way into the home. For example, we have seen increases in issues such as domestic and gender-based violence, as increased mobility restrictions left many women stranded at home in abusive situations (Vignette 26).

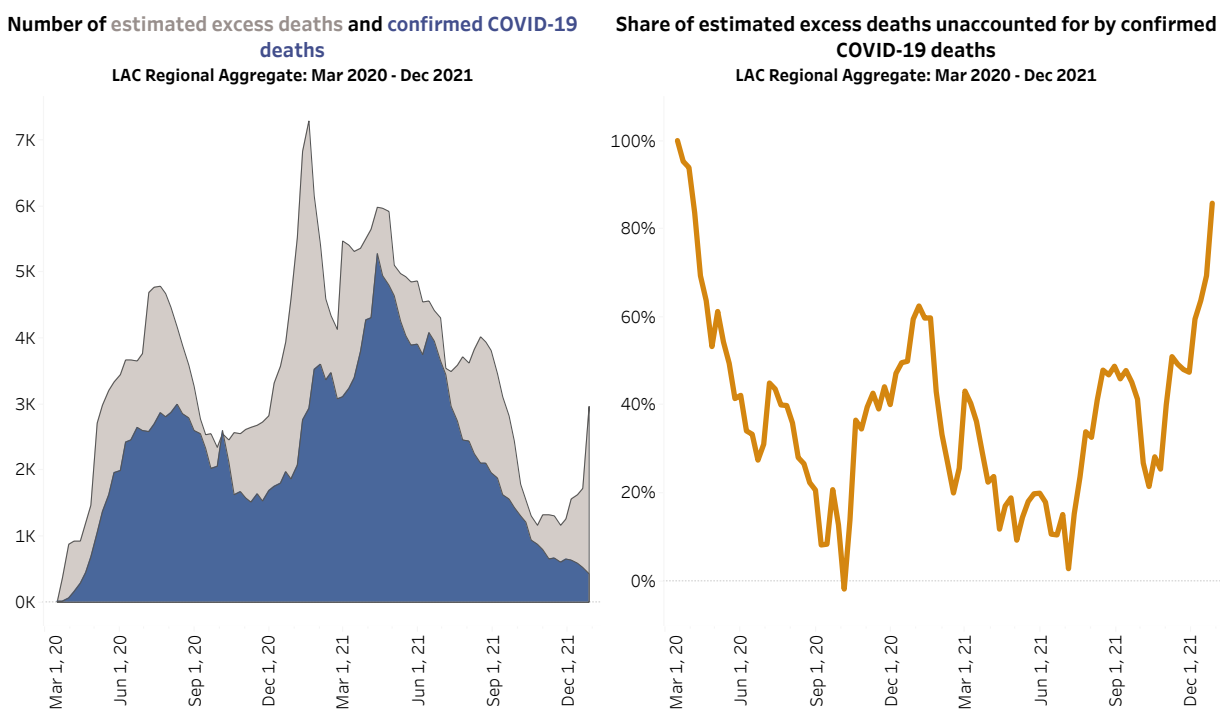
The broader economic environment has also been one shaped by exclusion and differential access to productive opportunities. While poor and vulnerable populations generally faced worsening economic conditions during this time, those at the very top of the income distribution have faced a different reality all together. As millions were pushed into poverty, some of the region’s richest individuals saw their wealth increase greatly as they earned growing returns on capital markets (Vignette 27). Moreover, at the societal level the majority of people in LAC found themselves excluded from taking advantage of basic opportunities afforded by digital tools and services—a critical lifeline during this period marked by distance and isolation (Vignette 28). Looking forward, expanding opportunities and fueling growth in the region will require investments in the business environment—in particular, boosting the resilient recovery of productive small and medium sized enterprises, many of which have faced great difficulties during this period (Vignette 29). Scaling up vaccinations in the region will be a critical step for returning to some version of “business as usual” as we learn to live with the pandemic. While vaccination progress has advanced rapidly in many countries in the region, it remains uneven with critical gaps both between and within countries (Vignette 30).

While some of these challenges are new, most of them emerge from or are exacerbated by the structural challenges that already existed in the region with regard to productivity, inclusion, resilience, and effective governance. COVID-19 has shone a spotlight on these issues, but it has also presented a unique window of opportunity for change—creating the potential for a so-called “critical juncture”. Arguably, the most notable opportunity that this crisis opens is the possibility for societies to rethink what their policy priorities should be. However, whether or not countries will take advantage of this opportunity remains an open question.

Vignette 21

A GREATER TRAGEDY THAN WE KNOW: EXCESS MORTALITY RATES SUGGEST THAT THE COVID-19 DEATH TOLL IS VASTLY UNDERESTIMATED

Data on “excess mortality” suggest that the death toll from COVID-19 in LAC is much higher than we know. However, national reporting systems have improved greatly throughout the pandemic.



Source: The Economist's Global Excess Deaths Model. github.com/TheEconomist/covid-19-the-economist-global-excess-deaths-model

COVID-19 has led to a tragic loss of life. As of the end of 2021, there have been over 1.5 million confirmed deaths due to COVID-19 across Latin America and the Caribbean. Unfortunately, it is likely that this number is a vast underestimate of the true death toll from the pandemic. As the researchers at Our World in Data¹⁰⁵ explain, there are several reasons why the number of confirmed deaths due to COVID-19 may differ from the pandemic's true death toll. These reasons largely fall into two buckets: *the way COVID-19 deaths are reported* (for example, reporting only those deaths which occur in hospitals, reporting only those deaths

105 Giattino et al. (2022).

for which a COVID-19 test was performed, or overall poor quality of death reporting systems) and *the way COVID-19 impacted the number of deaths occurring due to other reasons* (for example, increases or decreases in the number of deaths due to other reasons as a result of COVID-19 induced changes – such as a decrease in road accidents as a result of lockdowns).

Data on “excess mortality” provide one way to approximate the pandemic’s *true death* toll. Excess mortality is defined by the WHO¹⁰⁶ as “mortality above what would be expected based on the non-crisis mortality rate in the population of interest. Excess mortality is thus mortality that is attributable to the crisis conditions.” Excess mortality data thus relies on historical data to estimate the number of deaths we would have *expected* to take place for given a time period in a normal year—thus providing a counterfactual scenario to compare the number of *actual* deaths taking place. In the context of COVID-19, comparing the actual number of deaths (from all causes) recorded to the number of deaths we would have expected to see in the absence of the pandemic can be helpful for shedding some light on the pandemic’s true death toll.

The graph in this vignette uses the excess mortality data estimated by The Economist¹⁰⁷ to zoom in to aggregate trends for the LAC region over the period March 2020 – December 2021. The left-hand panel of the graphs show us how the number of estimated excess deaths (shown in grey) compares with the number of confirmed deaths from COVID-19 (shown in blue). If the actual death toll were entirely accounted for by the number of confirmed COVID-19 deaths, we would expect the grey curve and the blue curve during this period to be roughly the same. However, what we see is that the number of confirmed deaths from COVID-19 vastly underestimates the “actual” death toll from the pandemic (the blue curve is consistently much lower than the grey curve).

There are many reasons why underreporting may be happening. One primary reason may be the initial limited capacity to test in many countries in the region.¹⁰⁸ However, it is important to note that underreporting is not just a result of low testing rates—it also has to do with the quality of testing as well as reporting methodologies, among other factors. While countries in the region have certainly scaled up their testing capacity since the beginning of the pandemic, securing adequate access for all population groups has remained an issue throughout the pandemic for countries across the world. Moreover, many countries in the region have worked on refining their reporting methodologies and public health information systems throughout the pandemic—including developing working groups to report national and subnational statistics not only on confirmed COVID-19 deaths but also on excess mortality rates (see for example, government dashboards on excess mortality rates from Chile,¹⁰⁹ Mexico,¹¹⁰ and Peru).¹¹¹ These improvements have likely contributed to the narrowing of discrepancies between estimated excess deaths and confirmed COVID-19 deaths that we see at various points in the pandemic. This is shown in the in the right-hand panel of the graph, which plots the share of estimated excess deaths that are unaccounted for by confirmed COVID-19 deaths as a rough proxy for the possible degree of underreporting.

Moreover, we must be cautious in interpreting these numbers as the true degree of underreporting—as the accurate reporting of COVID-19 deaths is not the only reason that the grey and blue curves may differ. As mentioned before, it is possible that COVID-19 has also affected the grey curve by changing the rate at which people are dying from other causes. Indeed, COVID-19 containment measures may have led to changes in overall mortality rates due to impacts such as reduced road accidents (if mobility declined during lockdown), increased femicide (if domestic violence spiked during quarantine), or increased deaths due to other health-related issues (if hospitals became overwhelmed and health-seeking behaviors changed).

106 WHO (2021).

107 The Economist and Solstad (2021).

108 López-Calva (2020).

109 Ministry of Health Chile (2022)

110 Government of Mexico (2022).

111 Ministry of Health Peru (2022).

Reliable and timely information is a critical tool in the fight against COVID-19. The difficult and urgent policy decisions that governments have been making in relation to the pandemic have been further complicated by the fact most information has been limited and imperfect. Improving the quality of health information requires extensive testing, robust reporting systems, and transparent statistics. Some governments were more equipped than others to invest in rapidly developing and deploying this type of approach—and given the need to act quickly, all governments ended up learning while doing. While data on excess deaths is not a perfect measure of the true COVID-19 death toll, it is one indicator that can help us to sharpen our understanding of the gravity of the situation. It can help us to reflect on what official statistics may (or may not) be able to tell us, and how we might be able to improve our existing information systems. This virus has claimed too many lives—many more than we know—and we must continue to do all we can to be better prepared for the future.

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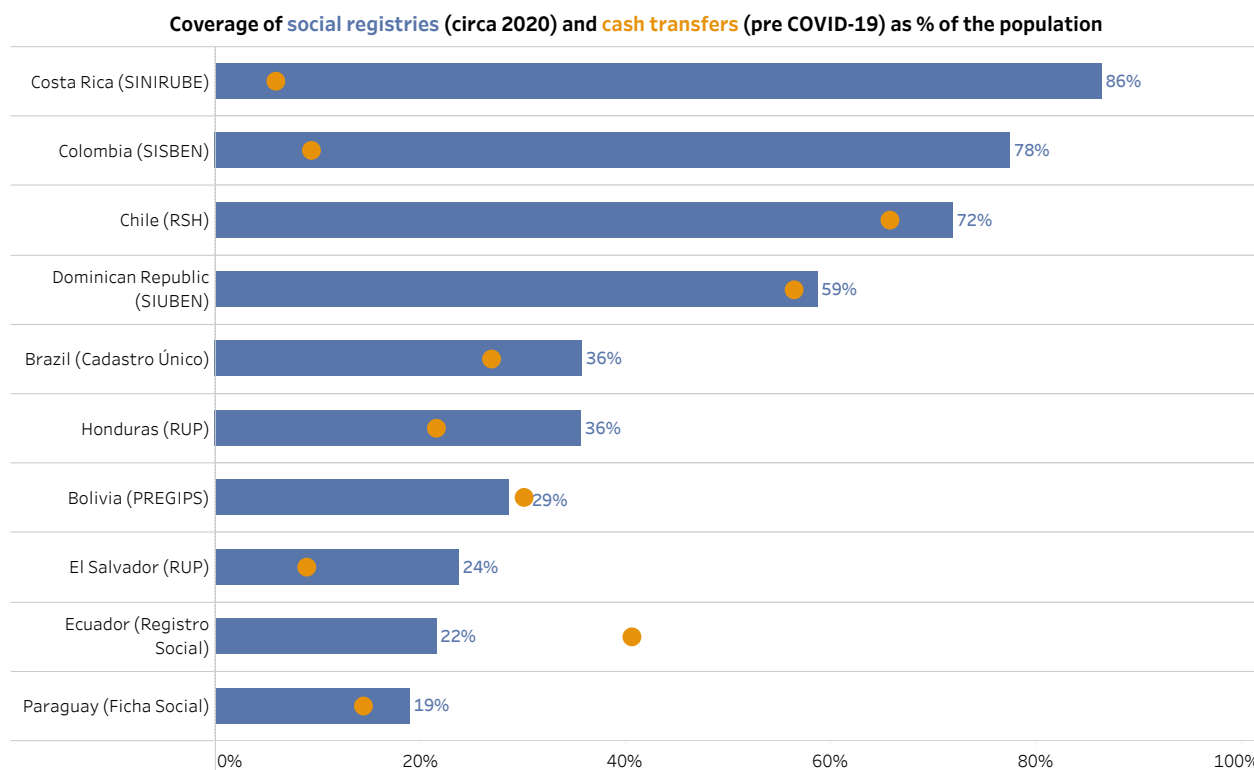
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Vignette 22

INCLUSION REQUIRES CAPACITY: THE ROLE OF SOCIAL REGISTRIES IN EXPANDING CASH TRANSFERS IN THE WAKE OF COVID-19

LAC countries have invested in improving social registries in recent decades, though coverage and quality remain heterogenous. This carries implications for the ability to rapidly scale up emergency social assistance benefits to those who need them, such as was the case during COVID-19.



Source for social registries: Coverage is calculated as the total number of individuals in social registries (latest data publicly available from country sources as of August 2020) divided by the total population (2020 data from United Nations World Population Prospects). Country sources are as follows: Bolivia: Data as of 2015 from World Bank (2019); Herramienta de Evaluación de Registros Sociales; Plataforma de Registro Integrado de Programas Sociales del Estado Plurinacional de Bolivia (PREGIPS); Brazil: Data as of June 2020 from Ministério da Cidadania; Chile: Data as of June 2020 from Analista Digital de Información Social - Ministerio de Desarrollo Social y Familia; Colombia: Data as of June 2020 from Departamento Nacional de Planeación - Sisbén; Costa Rica: Data as of circa August 2020 from Sistema Nacional de Información y Registro Único de Beneficiarios del Estado; Dominican Republic: Data as of January 2020 from Sistema Único de Beneficiarios Portal de Transparencia; Ecuador: Data as of 10/08/2020 (RS 2018) from Unidad del Registro Social; El Salvador: Data as of circa August 2020 from Registro Único de Participantes – Secretaría Técnica y de Planificación de la Presidencia; Honduras: Data as of circa August 2020 from Registro Único de Participantes (RUP) – Centro Nacional de Información del Sector Social (CENISS); Paraguay: Data as of 2017 from Secretaría Técnica de Planificación del Desarrollo Económico y Social.

Source for cash transfers: Gentilini et al (2020). Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. "Living paper" version 12 (July 10, 2020). Annex 1 (drawing on the ASPIRE database for pre-C19 administrative data).

When households are faced with a sudden adverse shock to their income, such as a pandemic that restricts them from working or a natural disaster that destroys their livelihood, the rapid delivery of emergency social assistance can be a critical lifeline. In the wake of COVID-19, there have been ongoing local, national, and global debates about what types of emergency assistance measures should be put in place and the fiscal ramifications of doing so. However, many of these debates often overlook foundational issues of delivery. For example, a 2020 UNDP paper finds that a global temporary basic income¹¹² to poor and vulnerable households is “within reach” in terms of cost as a share of GDP. But is it “within reach” in terms of implementation capacity? This vignette explores the question of feasibility of scaling up cash transfers in LAC, recognizing that even if the economic resources and political will are there—implementing these types of programs requires extensive administrative capacity, which is both costly and time-intensive to build.

The LAC region has been a global pioneer in implementing cash transfer programs, and many countries in the region have invested in building up this capacity over the past 20 years. Social registries—“information systems that support outreach, intake, registration, and determination of potential eligibility for one or more social programs”¹¹³—are a foundational element of this capacity. In several countries in the region, social registries have been essential for the rapid scale up and delivery of benefits during this crisis. Where coverage of these systems is high and information is continuously updated, these information systems have the potential to also serve as powerful inclusion systems.

In order to gather an up-to-date understanding of the coverage of social registry systems in the region, this graph compiles data for several countries in the region (circa 2020) on the number of individuals registered in the national social registry (where data were publicly available). By dividing the total number of registered individuals by the country’s total population (using UN population estimates),¹¹⁴ we can estimate the share of population covered by the social registry at that period in time. The graph shows this information for several countries in the LAC region (the blue bars). As we can see, coverage levels are far from uniform. While countries such as Costa Rica and Colombia have coverage of more than three quarters of their population, countries such as Paraguay, Ecuador, and El Salvador have coverage of less than a quarter.

A key use of social registries in many LAC countries is for delivering cash transfers (though they often provide access to multiple types of social assistance benefits, and in this way can also serve as coordination devices). The orange dots on the graph show pre-COVID-19 coverage of cash transfers in each country (using data from Annex 1 of Gentilini et al 2020¹¹⁵ compiled from the ASPIRE database). As we can see, in some countries, social registries covered a far broader segment of the population than those that received cash transfers (suggesting vast scope for rapid horizontal expansion of benefits), whereas in others, this scope is much more limited. As countries worked to provide emergency relief during COVID-19, these issues materialized in real time. For example, countries with more extensive registries, such as the Dominican Republic (SIUBEN), were in a position to rapidly expand the reach of emergency programs.¹¹⁶ Other countries with robust social registry coverage but with limited reach beyond the poorest, such as Brazil (Cadastro Único), worked to find innovative solutions. For example, developing an app through which citizens (such as low-income informal workers) could self-report their information online to apply for emergency benefits. Still other countries, such as Honduras (RUP), worked to quickly invest in augmenting their existing information systems¹¹⁷ so as to be able to target their emergency programs to the right households.

It is also important to keep in mind how these social registries collect and update their information. While some offer open and continuous registration—others are based on census sweeps every few years (and thus

112 Molina and Ortiz-Juarez (2020).

113 Leite et al. (2017).

114 UNDESA (2019).

115 Gentilini et al (2020).

116 Presidency of the Dominican Republic (2020).

117 UNDP (2022).

likely missing many newly impoverished households in the context of the pandemic). Moreover, while some offer online enrollment—others require in person registration (thus presenting new barriers and concerns in the context of pandemic). These types of operational decisions matter greatly for the potential of social registries to serve not only as information systems but also as inclusion systems. To this same end, it is also critical that countries expand coverage of social registries to both include the “missing middle” as well as to ensure that extra efforts are made to include the “hidden poor.” The “missing middle” refers to groups such as vulnerable households or informal workers that may not have been poor prior to the pandemic but may now be eligible for social assistance benefits. Indeed, as Lustig et al. (2020) shows, the share of households’ income that is “at risk” during COVID-19 is not uniform across the income distribution but is actually highest for those “in the middle (roughly) of the ex-ante income distribution.” On the other hand, including the “hidden poor” recognizes that including the poor is a problem that compounds with the degree of poverty¹¹⁸—as the poorest may be precisely those with the most limited formal documentation or who live beyond the traditional reach of the state (such as populations living in remote areas, informal settlements, or on the street). This requires intentional and sustained active outreach and registration efforts. However, given the urgency of the emergency situations such as COVID-19, alternative solutions may be necessary in the short-term. For example, Lustig and Tommasi (2020) argue that in this context it may be essential to work closely with local social networks (such as NGOs, religious organizations, or social movements) that have greater proximity to poor and vulnerable households in order to effectively reach these groups.

Seeing social registries as more than information systems—and investing in them accordingly—will be critical for building more inclusive and resilient social protection systems. The ability to rapidly expand emergency social assistance succeeded in having large offsetting effects on the pandemic’s poverty consequences in some LAC contexts¹¹⁹—at least early on, while programs remained in place. As the pandemic has continued on, however, concerns over fiscal sustainability have brought many of these programs to an end or has reduced their coverage or generosity. While COVID-19 has tested the limits of many of our systems, it is also a teaching us how we can strengthen them so as to be better prepared for the future.

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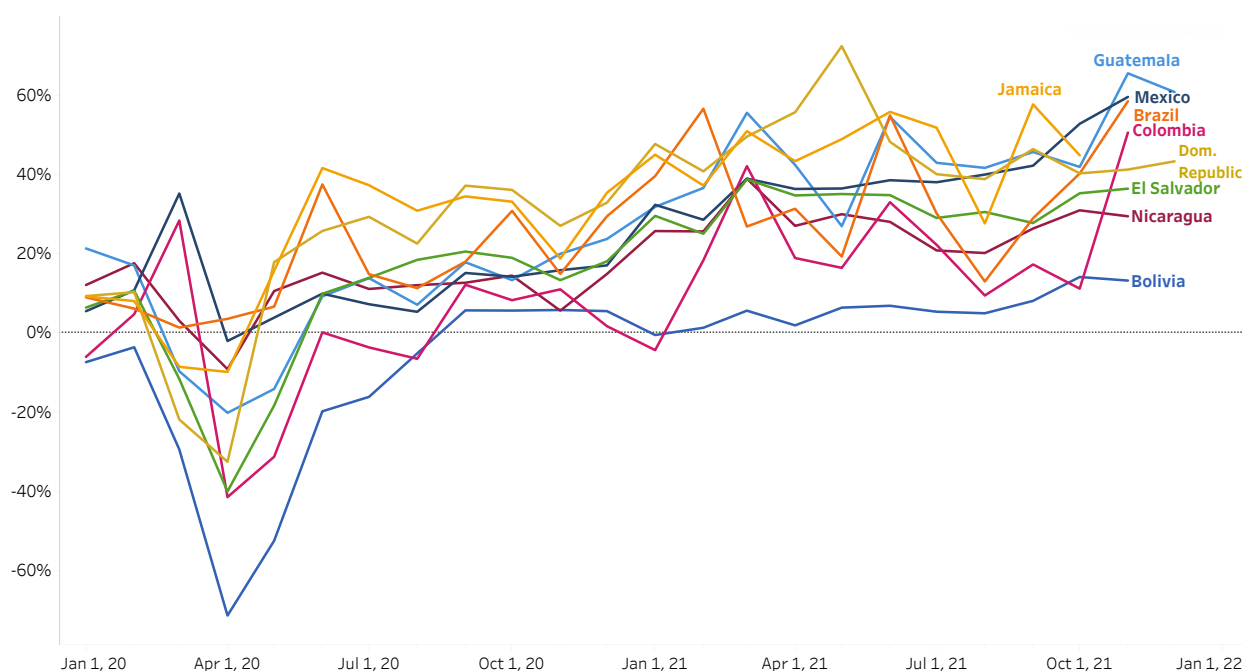
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Vignette 23

STAND BY ME: COVID-19 AND THE RESILIENCE OF REMITTANCE FLOWS

While remittances dropped sharply in the early months of the pandemic, in many LAC countries they recovered quickly and are now far outpacing 2019 flows.

Percent change in remittances (compared to the same month in 2019)



Source: Monthly data on inbound remittances from national central banks.

In the wake of COVID-19, analysts estimated that remittance flows (money sent home from migrant workers abroad) would face a steep decline. For example, in late April 2020, the World Bank projected an estimated 20% drop¹²⁰ in remittances for the year—which would have made it the “sharpest decline of remittances in recent history.” This was broadly anticipated due to expected losses of employment and/or wage contraction of migrant workers as a result of COVID-19 pressures on the labor market in host countries. This was of particular concern in the LAC region, where remittances are an integral source of income for many households. As discussed in Vignette 13, remittances have been growing steadily in LAC over the past decade—and represent a growing share of GDP in many Central American and Caribbean countries. In 2020, according to estimates from the World Bank,¹²¹ personal remittances reached over 1/5 of GDP in countries such as El Salvador, Honduras, Jamaica, and Haiti.

120 World Bank (2020a).

121 World Bank (2020b).

These models, however, failed to predict the resilience of remittances. This graph relies on data from LAC countries' respective central banks to see what has happened with remittance flows to the region. For nine LAC countries with publicly available monthly data, this graph plots the percent change in remittance inflows compared to the same month in 2019—thereby showing a contraction in remittances when it dips below the 0% line and expansion of remittances when it rises above the 0% line. When looking at the data, we see a pattern of surprising resilience across LAC countries. While the shock of COVID-19 did lead to the expected drop-off of inflows initially—remittances rebounded quickly and have remained high. Overall in the region, the World Bank has estimated that in 2020, remittances to LAC grew by more than 6.5%¹²² compared to 2019 (reaching \$103 billion) and in 2021 remittances grew by 21.6%¹²³ compared to 2020 (reaching approximately \$123 billion).

As the graph shows, the initial drop-off in remittances primarily took place during the period of March–May 2020, with flows rebounding from June 2020 onward. The largest contractions took place in April 2020—with drop-offs ranging from just -2% in Mexico to over -70% in Bolivia. Brazil is the only country in the chart for which no contraction was recorded. By June 2020, all countries had recovered except for Bolivia and Colombia, which recovered by September 2020. Since this period, remittance flows have remained strong throughout the end of 2020 and grew even higher throughout 2021. By the end of 2021, countries such as Guatemala, Mexico, and Brazil were experiencing a volume of remittances inflows more than 50% higher than they were in 2019. In terms of the absolute value of total remittance inflows, many countries broke historical records during the pandemic (such as Brazil, Colombia, Dominican Republic, El Salvador, Guatemala, and Mexico).

Why have remittances been so resilient in LAC during COVID-19, defying early predictions? While there are likely many different reasons, researchers point toward several key underlying factors.¹²⁴ In the context of LAC, one of the most relevant is that many migrants abroad (this primarily refers to those in the United States—where over 75% of remittances to LAC originate¹²⁵) work in essential sectors,¹²⁶ and thus did not see as extensive a job loss as predicted, and some benefitted from COVID-19 stimulus payments or other social protection measures which may have been a boost to their income. Moreover, throughout late 2020 and 2021, the rise in remittances has been underpinned by economic recovery in the United States, alongside worsening conditions in some LAC countries in terms of issues such as rising inflation or shocks such as natural disasters.

Additionally, research on the role of altruism in driving remittances decisions suggests that remittances tend to be countercyclical¹²⁷—increasing when the situation in the migrants' country of origin worsens. Given the devastating impact of COVID-19 on many LAC economies, this is likely to be the case in many migrant's home countries. This altruistic and countercyclical behavior is reflected in the personal narratives of several migrant workers¹²⁸ from LAC in the US during the early months of the pandemic—who explained to reporters that “I won't stop helping my mother even if my earnings fall” and that “We are struggling here, but it's worse in Mexico.”

Beyond public social protection measures such as social assistance benefits, it is critical to remember that many households rely on a private global safety net. Making it easier and more affordable to send money digitally across borders is an essential part of making “people-to-people” social protection work effectively and strengthening economic resilience.

122 World Bank (2021a).

123 World Bank (2021b).

124 For example, Caron and Tiongson (2020) and KNOMAD (2020).

125 Jewers and Orozco (2020).

126 Kerwin and Warren (2020).

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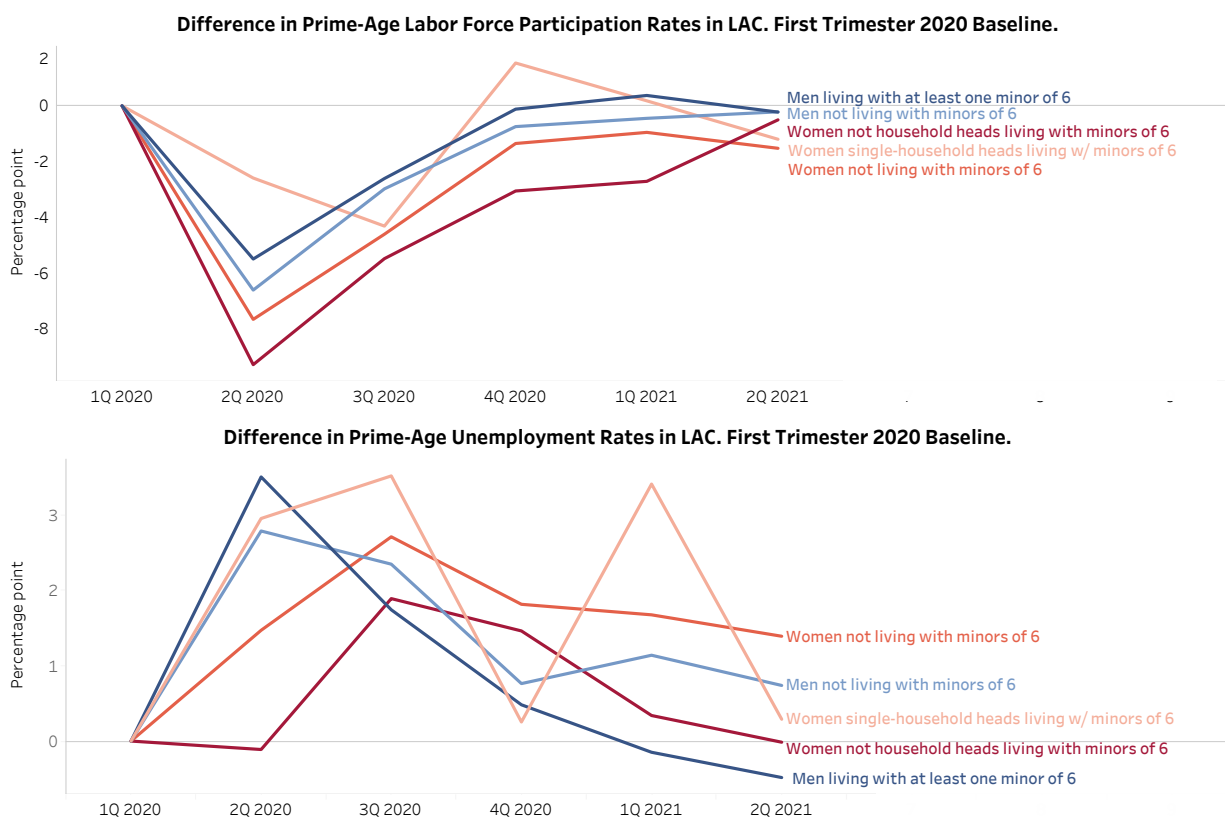
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Vignette 24

THE GENDER PENALTIES OF THE PANDEMIC: THE DISPROPORTIONATE IMPACT OF COVID-19 ON WOMEN'S LABOR MARKET OUTCOMES

In terms of employment, women with young children have been more impacted than other groups.



Source: National Household Surveys

Note: LAC aggregates the following countries: Argentina, Bolivia, Chile, México, Paraguay and Uruguay.

The multiple and intersecting health, social and economic consequences of the COVID-19 pandemic have exacerbated existing gender gaps and deepened the vulnerability of women across LAC. This vignette focuses the question of how COVID-19 has deepened pre-existing gender inequalities in the labor market, and uses data on household composition to explore this issue in greater depth.

While LAC has made moderate improvements in labor market outcomes in recent decades, COVID-19 risks much of this progress. Indeed, studies estimate that the pandemic could set back female labor force participation in LAC by approximately ten years.¹²⁹ One reason is that women have a higher labor force participation rate than men in many of the sectors that have been most negatively impacted by the crisis,¹³⁰ such as commerce, education, domestic work, and tourism. Another reason is the way that traditional gender norms have unfairly burdened women with an even greater share of unpaid domestic work and caregiving activities during this time (compounded, for example, by new demands such as remote home-schooling of children, caregiving responsibilities during remote working hours, and/or reduced access to previously relied upon support services such as family members, domestic workers, schools, or care facilities). It is taking a toll on not only women's (and particularly mothers') time but also their broader well-being. For example, a study that analyzed the effects of the pandemic on teleworking circumstances in Mexico¹³¹ shows a disproportionate impact on women's emotional well-being, the chronic exhaustion of mothers who telework, and the overload in household chores and caregiving activities, among others.

Using data from national household surveys in Argentina, Bolivia, Chile, Mexico, Paraguay, and Uruguay, the graph in this vignette delves into the impact of the pandemic on the recovery of labor force participation rates and unemployment rates, considering how this manifests differently by household composition. In particular, it looks at the gender of the household head and the presence of young children (specifically, the presence of at least one child under the age of six). These additional variables present a more nuanced understanding how COVID-19 has fostered gender and parental differentiated impacts within the labor market. While there are some differences across countries, an interesting divergence seems to emerge between mothers of young children who are heads of household (single-parent households) and those who are not heads of household (multi-parent households). In general, we are seeing that single-mothers are seeing faster labor market recovery rates than mothers in multi-parent households. Note that in Latin America, 39% of households are headed by a woman and 26% are single-parent households where the head is female.¹³²

This graph shows how this has played out in the context of labor force participation (top panel) and unemployment (bottom panel). The graphs show the trajectory of the indicator taking the first quarter of 2020 as a baseline; that is, comparing with the moment before the pandemic. Throughout the early months of the pandemic, we see that all groups in the analysis saw worsening labor market outcomes. However, in terms of labor force participation rates, we see that mothers in multi-parent households (darkest red line) faced the highest drop-in labor force participation rates and remained by the first quarter of 2021, as the furthest group behind pre-pandemic levels compared to other groups of the analysis period. Conversely, mothers in single-parent households (lightest red line) saw far lower drops and recovered, by the end of 2020, to above pre-pandemic levels. In terms of unemployment, we see that while women in single-parent households saw greater increases in their overall level of unemployment than women in multi-parent households, they again recovered faster to pre-pandemic levels.

Why might this divergence be happening? While there are likely many reasons for this, one key factor could be that women in single-parent households do not have the option of not working. They may be the only income generators in their households, which they supplement with remittances, aid from other households (for example, divorce pensions) and to a lesser extent, cash transfers. That is, the household and children depend on their labor income to survive, which may explain why these women do not withdraw from the labor market but persist in their search for employment even in the context of strict confinements and accelerated destruction of available jobs. The rise in unemployment is thus, in a way, the other side of the coin. For women living in other types of households (for example, two-parent), the impact of the crisis is not seen so much in unemployment, but rather in the decline in labor force participation. One reason may be because women in two-parent homes have had to take over caregiving duties almost full time. If, in addition, their

129 Bergallo et al. (2021).

130 Alaimo, Cabrita and Gutierrez (2020).

131 UNDP (2021).

132 Gutierrez, Martin and Ñopo (2020).

income was “complementary” (that is, the household had another relevant labor income), and they belonged to labor sectors that have been paralyzed (e.g., tourism, commerce, etc.), the decrease in labor participation it is a predictable result. Therefore, there is an almost mirror-like behavior, where if unemployment does not increase, labor participation will probably decrease.

This type of disproportionate impact of the crisis on women demands that policy responses take a gender-sensitive approach that considers the complexities and nuances of the current challenge we are facing. When analyzing the policy responses implemented in LAC, according to the Global Tracker of Gender Responses to COVID-19¹³³ of UNDP and UN Women, we see that roughly half of the region’s total registered measures to address the social and economic impacts of the COVID-19 crisis are gender sensitive. However, the vast majority of the measures captured by the tracker in relation to women’s economic security focus on social protection. Gender-sensitive interventions in terms of labor markets and support for other relevant sectors of the economy such as unpaid care and domestic work have been implemented to a far lesser extent. It is essential that policy responses integrate these different dimensions. For example, it is important to think about policies to invest in care infrastructure that allow women to not only reenter but thrive in the labor market. At the same time, complementary policy actions, such as reopening schools is imperative to support the millions of families who have been (and remain) adversely affected by prolonged school closings. Finally, policy action should also focus on shifting social norms towards a more equal distribution of unpaid domestic work and caregiving activities within the household.

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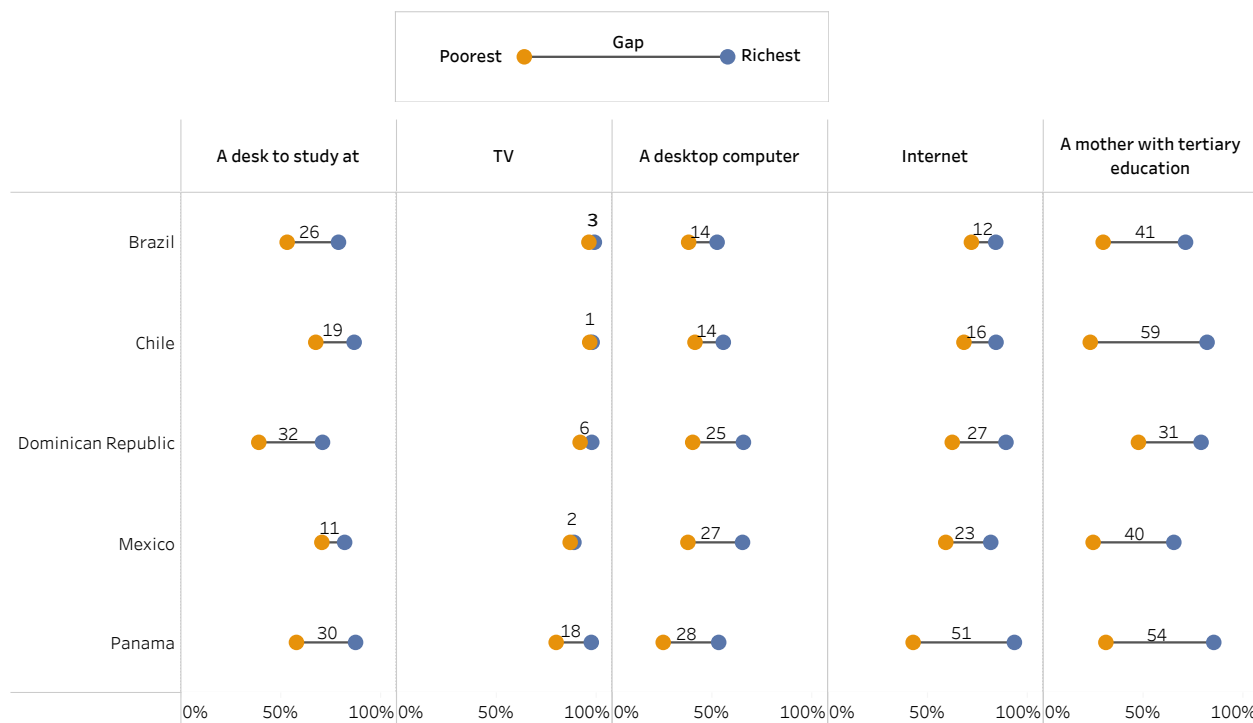
133 UNDP (2022).

Vignette 25

HEY TEACHERS, (DON'T) LEAVE THE KIDS ALONE! CONNECTIVITY AND EDUCATION DISPARITIES IN TIMES OF COVID-19

Studying from home is difficult, but much more so when access to study tools is limited.

Share of students (%) with access to different at-home educational resources, by poorest and richest of six income brackets



Source: Source: PISA 2018, 15 years old students

Note: Students are divided into the poorest and the richest of six household income brackets.

At the onset of the COVID-19 outbreak, governments across the world rushed to close schools in an effort to slow the spread of the pandemic. In LAC, it would be a long time before the doors would reopen. As of September 2021 (roughly 18 months into the pandemic), UNICEF estimated¹³⁴ that around 2 in 3 children in LAC were still out of the classroom. As in-person schools remained shut, children had to learn from home through distance-learning platforms with potentially large consequences for learning outcomes (while potentially concurrently facing a range of other serious challenges such as limited access to adequate

134 UNICEF (2021).

nutrition, deteriorating mental health, and/or the loss of a parent or caregiver). This was a particularly pressing need in the LAC region, where over half of children were already considered “learning poor”¹³⁵ (meaning that they are unable to read a short age-appropriate text with comprehension around age 10).

Moreover, ensuring that these initiatives reached all students equally—regardless of factors such as socioeconomic status, disability status, gender, or geographic location—was a critical challenge. The graph in this vignette uses data from the OECD’s 2018 Programme for International Student Assessment (PISA) to explore how pre-existing inequalities in access to essential distance-learning tools (such as internet, computer, TV, or a desk to study at) and parental learning support may have served to deepen educational inequalities during COVID-19. The graph plots the gap in access between students in the poorest and the richest of six household income brackets in LAC countries for which data is available.

Systematically, children in the richest income group are more likely to have access to the tools necessary for virtual learning. While the gaps are largest for access to internet and desktop computers, gaps also emerge in more basic elements such as access to a desk to study at. In the Dominican Republic, for example, those in the richest quintile are twice as likely to have access to a desk, in Mexico they are twice as likely to have a computer, and in Panama while close to all children in the highest income bracket can access the internet, only about 40% of those at the bottom can. Understanding and addressing students’ unequal access to distance learning tools is a critical first step in designing policies that prevent educational losses and a widening of achievement gaps across the digital divide. This means expanding the type of distance learning methods used to include alternatives such as radio or TV, which kids can access almost universally in LAC. Beyond access to tools for distance-learning, as children receive schooling at home, they are likely to rely more on their parents for support with lessons. Concretely, if a student’s learning outcomes become more dependent on their parents’ abilities during school closures, then similar students whose parents have different abilities (or education, as it is impossible to measure abilities) will likely have different outcomes. Moreover, since parental education highly correlates with household income levels, it is likely that in poorer households parents may have a more limited capacity to support their children’s learning process than in richer households. The data shows that between the poorest and richest income brackets of each country there is a 31 to 59 percentage point gap in the share of students whose mothers have tertiary education (technical or university). Hence, when children stop going to school, *peer effects* may play less of a role while a *parent effect* acquires greater importance.

Ultimately, a household’s previous stocks of assets (whether physical capital in the form of connectivity or human capital in the form of parents’ education) matters immensely for enabling the accumulation of human capital of children in the present. In the context of COVID-19, prevailing inequalities in a household’s asset-base are likely to play an even larger role in perpetuating future inequalities—not only reducing children’s human capital accumulation in the present, but also impacting their long-run labor market outcomes. Estimates from Mexico,¹³⁶ for example, have found that in the short-term students lost between 0.3-1.0 years of learning during the pandemic, accumulating into 1.3-2.1 years in the long-term. Moreover, data at the sub-national level suggests that students in the south of Mexico (which is the poorest region in the country) are facing far worse learning losses than students in other regions.

To recover from the individual and social losses due to COVID-19 school closures, the LAC region needs decisive compensatory action, investment, and targeted strategies to prevent long term regressive impacts. This includes policies such as training teachers on how to accelerate learning among students that are falling behind, building schools’ capacity to support students’ new social-emotional needs, and building the infrastructure to prevent future disruptions. Notably this includes investing in inclusive digitalization and universal connectivity strategies. At their core, these policies need to be sensitive to the large differences in the way these challenges manifest at both the sub-national and household levels.

135 World Bank (2021).

136 Monroy-Gómez Franco, Vélez Grajales and López-Calva (2021).

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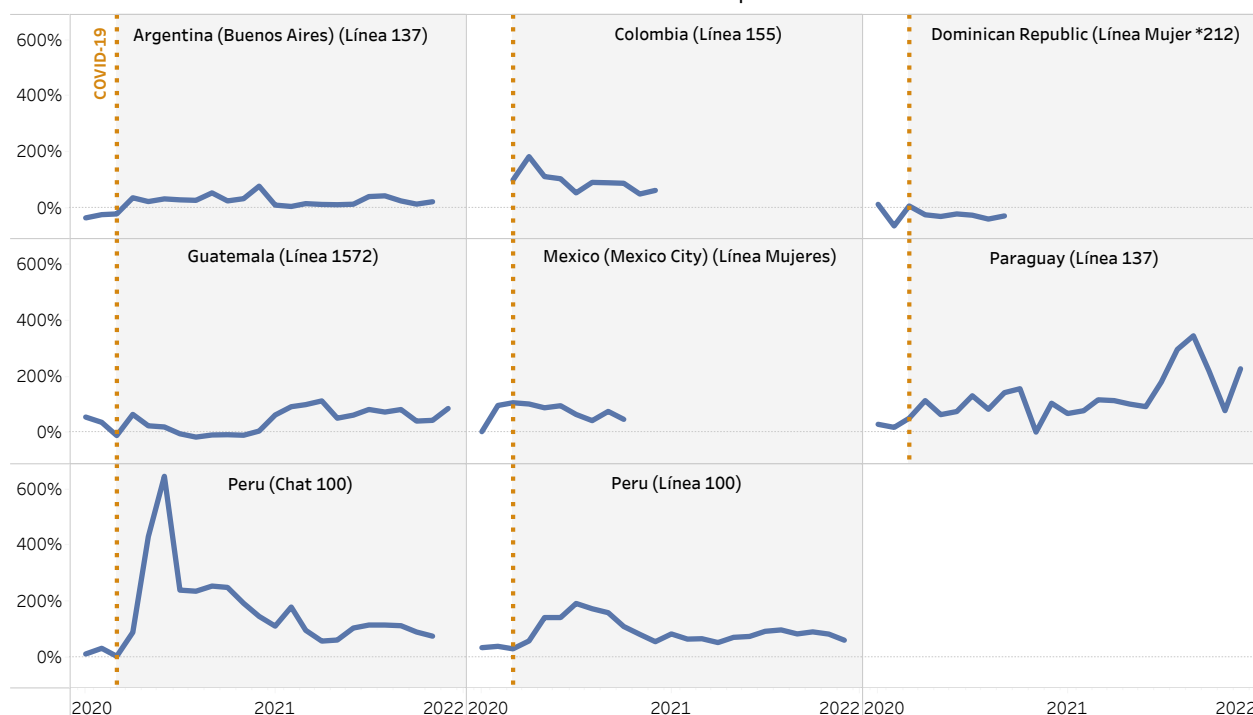
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Vignette 26

NO SAFER PLACE THAN HOME?: THE INCREASE IN DOMESTIC AND GENDER-BASED VIOLENCE DURING COVID-19 LOCKDOWNS

In the wake of COVID-19 quarantines, calls to helplines for domestic and gender-based violence increased in several LAC countries and cities.

Percent change in call volume to selected domestic and gender-based violence helplines compared to the same month in 2019
Shaded area denotes COVID-19 pandemic



Source: Data from national sources as follows: **Argentina** (Ministerio de Justicia y Derechos Humanos. Subsecretaría de Acceso a la Justicia. Programa Las Víctimas Contra Las Violencias), **Colombia** (Observatorio Colombiano de las Mujeres), **Dominican Republic** (Ministerio de la Mujer – Observatorio de Igualdad de Género de la República Dominicana), **Guatemala** (Observatorio de las Mujeres del Ministerio Público), **Mexico** (Datos Abiertos Ciudad de México - Agencia Digital de Innovación Pública), **Paraguay** (Ministerio de la Mujer – Observatorio de la Mujer), **Peru** (Ministerio de la Mujer y Poblaciones Vulnerables).

Note: In **Argentina** (Buenos Aires), Línea 137 is in charge of listening, containing, guiding and, in cases where an episode of family or sexual violence occurs at the time of the call, deciding to send a mobile team to the place where the victim is. In **Colombia**, Línea 155 is an orientation line for women victims of violence. In the Dominican Republic, Línea Mujer*212 is a program to assist women who are victims of violence and death threats. In **Guatemala**, Línea 1572 is an exclusive helpline for women who are victims of physical, psychological and sexual violence. In **Mexico** (Mexico City), Línea Mujeres offers free counseling focused on specific problems that women face. In **Paraguay**, Línea 137 “SOS Mujer” is aimed at providing clear and efficient responses to women in situations of domestic and intra-family violence. In **Peru**, Chat 100 is a real time personalized online service to identify situations of risk of dating abuse or violence. It also attends people affected by family and sexual violence. Línea 100 is a free telephone service for information, guidance, counseling and emotional support that will help you if you have been affected by or involved in acts of family or sexual violence, or you know of a case of abuse in your environment.

Graph shows the percent change from the same month in 2019, with respect to the following country-specific variables: **Argentina** (Calls answered by the professionals of Línea 137 about cases of domestic violence), **Colombia** (Calls to Línea 155), **Dominican Republic** (Victims of violence assisted through Línea Mujer), **Guatemala** (Incoming calls), **Mexico** (Calls made to Línea Mujeres categorized in any sub-type as “domestic violence” or combined sub-type as “domestic gender-based violence”), **Paraguay** (Calls about violence), **Peru** (Chat 100 inquiries and Telephone inquiries answered by Línea 100).

As COVID-19 spread across the globe, it was closely followed by various quarantine and lockdown policies. However, while stay at home orders were necessary to keep people safe from the virus, they also inadvertently put some people in greater danger from other deadly risks—such as the danger of domestic and gender-based violence. As UN Secretary General António Guterres [noted in early April 2020](#)¹³⁷, following his appeal for a global ceasefire to focus on addressing the pandemic: *“Violence is not confined to the battlefield. For many women and girls, the threat looms largest where they should be safest. In their own homes...We know lockdowns and quarantines are essential to suppressing COVID-19. But they can trap women with abusive partners.”*

Higher levels of social and economic stresses due to the pandemic combined with restricted mobility outside of the home and [reduced access to services](#)¹³⁸ have created a pressure cooker for potential abuse. In Latin America and the Caribbean, where gender-based violence was already widespread prior to the pandemic (see Vignette 8) and where [stringent stay at home orders have been prolonged](#),¹³⁹ this potential is particularly concerning.

While evidence on the impact of the pandemic on domestic and gender-based violence is not easily gathered, emerging research has suggested that overall patterns of abuse have increased around the world. This has been noted, for example, in the recent publication on the [“shadow pandemic” of violence against women](#)¹⁴⁰ by UN Women based on rapid gender assessment surveys, as well as in four research round ups by the Center of Global Development (in [June 2020](#)¹⁴¹, [September 2020](#)¹⁴², [December 2020](#)¹⁴³, and [April 2021](#)¹⁴⁴) covering approximately 100 studies on the topic.

It is difficult to know for certain how patterns of abuse have been changing, however, as the available data often do not tell the full story. While data from sources such as police reports, helplines, health centers, and shelters can help to provide general insights—these measures are unlikely to reflect the true situation, as victims of violence often do not report incidents due to reasons such as shame, stigma, or fear of retaliation. Moreover, underreporting may have been an even graver issue in the context of the pandemic, as seeking help in person may have been limited due to mobility restrictions and fear of contagion and telephone or internet reporting may have been limited as victims may have had fewer opportunities to secretly reach out if they were confined at home with their abuser.

In order to gather a regional picture on how gender-based and domestic violence trends may have been changing in LAC countries in the wake of the pandemic, this graph collates monthly data on call volume to helplines in Argentina (Línea 137 in Buenos Aires), Colombia (Línea 155), Dominican Republic (Línea Mujer 212), Guatemala (Línea 1572), Mexico (Línea Mujeres in Mexico City), Paraguay (Línea 137), and Peru (Línea 100 and Chat 100). While each helpline is unique in the services it offers, all helplines broadly support victims of gender-based or domestic violence. The blue line shows the percent change in call volume to the helpline during 2020 and 2021 in comparison to the same month in 2019. The grey shaded areas denote the pandemic period beginning in March 2020, when COVID-19 quarantine measures began to take hold across LAC countries.

As we can see in the graph, in most of the countries shown (except for the Dominican Republic) call volumes to helplines appear to have increased in the early months of quarantine. For example, in comparison to April 2019, call volume in April 2020 was up 34% in Argentina, 181% in Colombia, 64% in Guatemala, and 113% in Paraguay. In Peru, in comparison to the same month in 2019, call volumes were up 645% in June 2020

137 United Nations (2020).

138 Castro (2020).

139 López-Calva (2020).

140 UN Women (2021).

141 Peterman, O'Donnell, and Palermo (2020).

142 Peterman and O'Donnell (2020a).

143 Peterman and O'Donnell (2020b).

144 Bourgault, Peterman and O'Donnell (2021).

and 190% in July 2020 (for Chat 100 and Línea 100 respectively). It is important to note that while data for the Dominican Republic shows decreases in call volumes, this may not actually reflect a decrease in cases of violence—for the reasons stated above regarding constraints to reporting during COVID-19. Moreover, we see that in most countries, call volumes have remained steadily higher throughout 2020 and 2021—for example, in September 2021 call volumes in Paraguay reached 344% of their September 2019 levels.

The general trends shown here of increased call volume to domestic and gender-based violence helplines following COVID-19 quarantines are supported by emerging evidence from academic studies done using helpline data for several countries in the region. For example, using helpline data from Línea 137 in Buenos Aires, [Perez-Vincent et al. \(2020\)](#) find a significant increase of 32% in helpline calls following the introduction of mobility restrictions, and evidence of substitution in reporting channels (police calls to the helpline fell by 62% while direct victim calls increased by 127%); using helpline data from Línea 100 in Peru, [Agüero \(2021\)](#) finds a significant increase of 48% in helpline calls between April and July 2020, with effects increasing over time; and using helpline data from Línea Mujeres in Mexico City, [Silverio-Murillo et al. \(2020\)](#) find an overall null effect of the lockdown on calls regarding interpersonal violence—but with an increase in calls for psychological services and a decrease in calls for legal services. Using google search data on domestic violence combined with google mobility data, [Berniell and Facchini \(2020\)](#) also find an increase in domestic violence patterns during lockdown for several large Latin American countries.

Moreover, early evidence from [Infosegura](#)¹⁴⁵ (which gathers data on citizen security in Central American countries) from the first trimester of 2020 suggested increased levels of gender-based violence in [Guatemala](#), [El Salvador](#), [Honduras](#), and [Costa Rica](#). While crime statistics from the second trimester of 2020 in [Chile](#)¹⁴⁶ suggested a reduction in reporting of domestic violence to police (compared to the same period in 2019), this may only be indicative of reduced reporting through this channel, rather than actual reductions in violence.

In order to support victims of domestic and gender-based violence in the context of COVID-19, [UNDP](#)¹⁴⁷ outlined a broad range of approaches that governments should consider integrating into their national responses to the pandemic and how international partners can support in these efforts. Looking at the actual policy responses taken in the region (as collected by UNDP and UN Women's [COVID-19 Global Gender Response Tracker](#))¹⁴⁸ we see that in the LAC region (as of January 2022) 214 measures in 32 countries have been instituted related to addressing violence against women in the context of the pandemic.

The most common types of measures are those aimed at strengthening services (66% of measures) and those aimed at awareness-raising and campaigns (20% of measures). Examples of measures to strengthen services include measures related to helplines and other reporting mechanisms (for example, in Bolivia, Chile and Colombia, women can report violence and seek help in pharmacies, usually using a key word that alerts pharmacy staff of the situation), police and judicial responses (for example, Costa Rica has strengthened patrolling and home visits in areas where situations of violence have been previously registered and Barbados has introduced virtual courts for urgent cases, which include cases of violence against women and girls), coordinated services (for example, in Panama, the Health Minister, prosecutor's office, police, and judiciary are all part of an intersectoral group created by the Minister of Social Development to respond to violence against women during the COVID-19 emergency), shelters (for example in Argentina, shelters for survivors were identified as essential services to ensure their continued functioning), and continued provision of psychosocial support (for example, in El Salvador, an emergency psychological support center was established). Examples of awareness-raising and campaigns include efforts in Brazil (*Para algumas famílias, o isolamento está sendo ainda mais difícil* / For some families, isolation has been even harder),

145 Infosegura (2020).

146 CEAD (2020).

147 UNDP (2020).

148 UNDP (2022).

Ecuador (*#MujerEcuadorTeAcompaña / #WomenEcuadorIsWithYou*), and Peru (*Mascarillas Violetas / Violet Masks*).

While there is no single nor simple solution to combatting this “[shadow pandemic](#)”, it is clear that policy responses to COVID-19 must integrate a gender lens if they are to effectively meet the objective of promoting the safety of all citizens.

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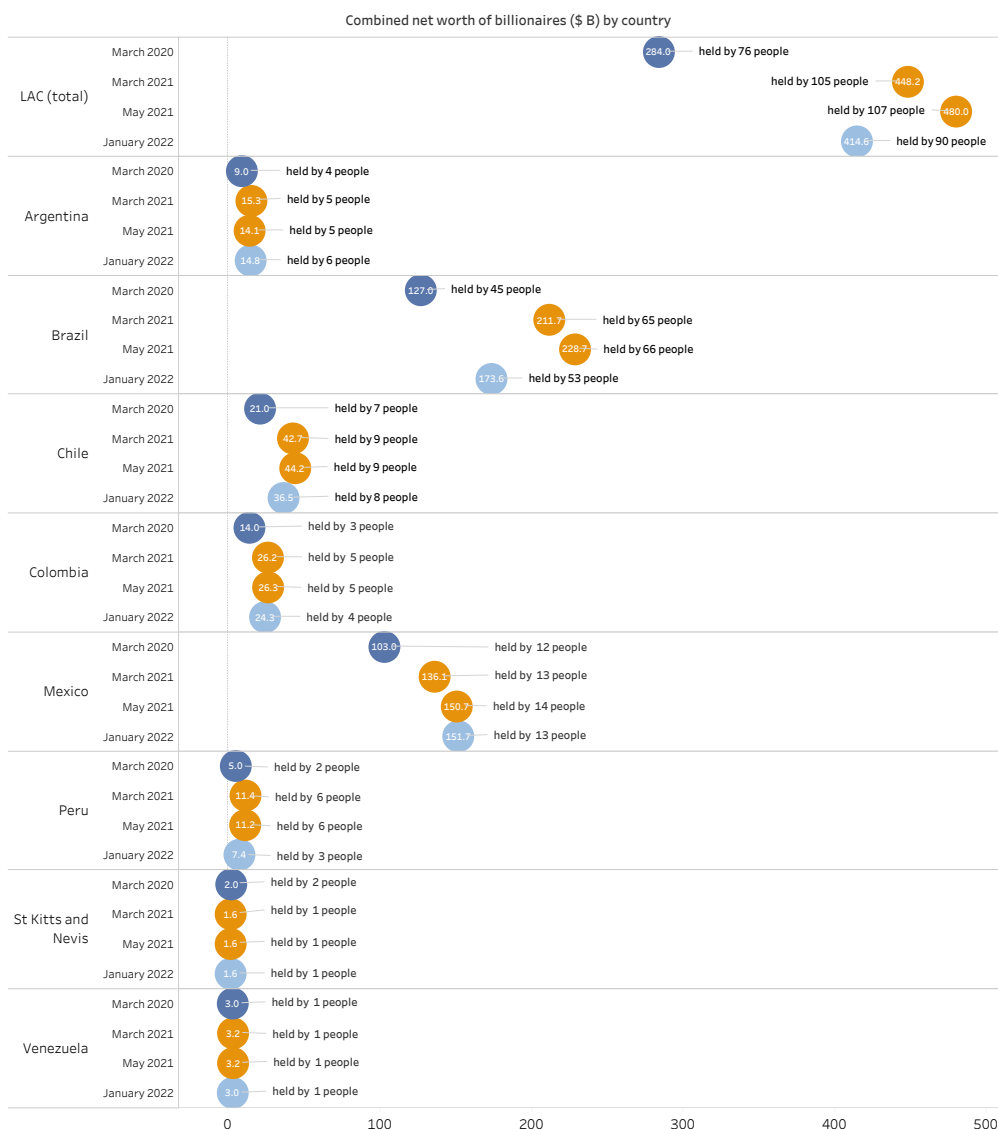
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Vignette 27

COVID-19 AND WEALTH AT THE TOP: MORE AND WEALTHIER BILLIONAIRES AFTER THE CRISIS

During the first year of the pandemic, there was an increase in net worth (+\$196 B) and total number (+31) of billionaires in LAC. While the stock of wealth held by these billionaires has since declined slightly, it remains higher than pre-pandemic levels.



Source: Data from Forbes List of Billionaires 2020, 2021, and Real Time List of Billionaires (May 2021 and January 2022)

There are many ways in which inequality manifests in LAC. In some cases it is more subtle; reflected, for instance, in disparities in access to good quality public services or in the amount of savings that households are able to accumulate to carry them through tough times (see Vignette 9). Indeed, inequality is often reflected in our capacity to navigate through difficult times. Dealing with a shock is expensive and wealthier people tend to cope better. And some people much, much better. According to 2019 data from the World Inequality Database¹⁴⁹ in Latin America, before the COVID-19 crisis the Top 1% of the income distribution captured 24% of all pre-tax national income, while the bottom 50% were left with just 10%.

How did the richest fare during such an unprecedented crisis? As expected, the COVID-19 pandemic has only exacerbated these extreme disparities. Millions of households across the region have struggled to get by, as they saw their incomes fall in the wake of closing and suffering businesses, rising unemployment and exit from the labor force, and limited opportunities for remote work during the extensive periods of lockdown. Alongside inadequate safety nets for low-income, vulnerable, and informal workers, this has led to a situation of rising poverty in the region. June 2021 estimates from the World Bank¹⁵⁰ projected an increase of extreme poverty in LAC from 24% in 2019 to 27% in 2020 and to 26% in 2021. March 2021 estimates from ECLAC¹⁵¹ suggest that an additional 22 million people were pushed into poverty in the region in 2020. Associated concerns about rising hunger in region have also been prominent, with the WFP estimating¹⁵² an increase of 269% in the number of people in LAC facing severe food insecurity.

Yet, not everyone is worse-off. Those at the very, very top appear to be doing very, very well. While it is hard to gather a full picture on this, as data on the richest in society are often scarce (and, where available, tend to be reported with a delay of several years), the Forbes World's Billionaires List¹⁵³ provides us with a glimpse into how the region's richest have fared during this time. It is well known that wealth values in that list fluctuate due to changes in the valuation of stocks of companies owned by the billionaires in the list and those might reflect market volatility, but overall these numbers do show a trend with enough information regarding real trends.

The Forbes database tracks the net worth of billionaires in countries around the world, and publishes both an annual list (providing yearly snapshots in time) and a “real-time” list¹⁵⁴ (providing a daily up-to-date snapshot). Data from the 2020 annual list (published on March 18, 2020, just as the pandemic was beginning) reveals that there was a total of 76 billionaires in LAC with a combined net worth of \$284 billion. Data from the 2021 annual list (published on March 5, 2021, one year into the pandemic), shows that this grew to a total of 105 billionaires with a combined net worth of \$448 billion. Recent data from the real-time list (referenced on May 17, 2021) shows that this again increased to a total of 107 billionaires with a combined net worth of \$480 billion. Taken together, we see that during the first fourteen months of the pandemic, the total number of billionaires in LAC increased by 31 and their combined net worth increased by \$196 billion – this is roughly equivalent to the size of the economy in Ecuador. That is, the stock of wealth by billionaires in LAC –as measured by Forbes list– grew by more than 40 percent during this time.

This vignette also includes the most recent data from the real-time list from 2022 (referenced on January 31, 2022). Conversely to the previous trend, this data point shows a decrease to a total of 90 billionaires with a combined net worth of \$414 billion, namely a decrease from May 2021 in \$65 billion and 17 billionaires. However, as of January 2022, the stock of wealth held by billionaires in LAC is still greater than it was at the beginning of the pandemic. The graph in this vignette shows these changes at the regional level and at the country-level. Notably, around three quarters of the billionaires in the region are from Brazil and Mexico, as is around 80% of their combined net worth. It is important to note, however, that even among billionaires there

149 World Inequality Lab (2019).

150 Lakner et al (2021).

151 ECLAC (2021).

152 WFP (2020).

153 Forbes (2021).

154 Forbes (2022).

are wide disparities. While 40% of the billionaires in LAC have an individual net worth between \$1-2 billion, the top three richest billionaires have an individual net worth of over \$20 billion each.

The concentration of resources in the hands of a few individuals is not only a problem intrinsically for inequality, but also a problem instrumentally for inequality. When the concentration of resources translates into a concentration of political power, which is often the case, it can lead to a vicious cycle that perpetuates these outcomes and distorts policy and resource allocation.

As the discussion in Vignette 14 noted, this cycle is becoming an area of increasing concern for people in the region, with the vast majority of people stating that they believe that their country is governed in the interest of a few powerful groups rather than for the good of all. However, this extreme level of affluence does not have to be a curse. In a context of constrained fiscal space and growing needs for increased social spending during the pandemic, there is a resurgent debate on taxation in the region and who should bear what share of that burden.

In LAC—the second most unequal region in the world—taxing the richest could provide some of necessary resources to promote widespread social and economic gains (this does not necessarily include taxing wealth, but the return to that wealth). Under the right circumstances, this could have positive impacts on both equity and efficiency outcomes. For example, a 2021 study from researchers at the University of São Paulo¹⁵⁵ found that in Brazil, a social protection policy of monthly cash transfers of R\$125 (approximately USD\$24) to the poorest 30% of society, financed by taxes on the richest 1%, could generate a positive impact of 2.4% on GDP through consumption multiplier effects. This is an important finding as countries struggle with the fiscal sustainability of temporary emergency income support measures provided to households during the pandemic. As the pandemic continues on in the LAC region, it is putting ever greater pressure on countries' fiscal systems and exposing the cracks in social safety nets. We must now reimagine a new pathway forward, one that is both more equitable and more sustainable than the one we were on before.

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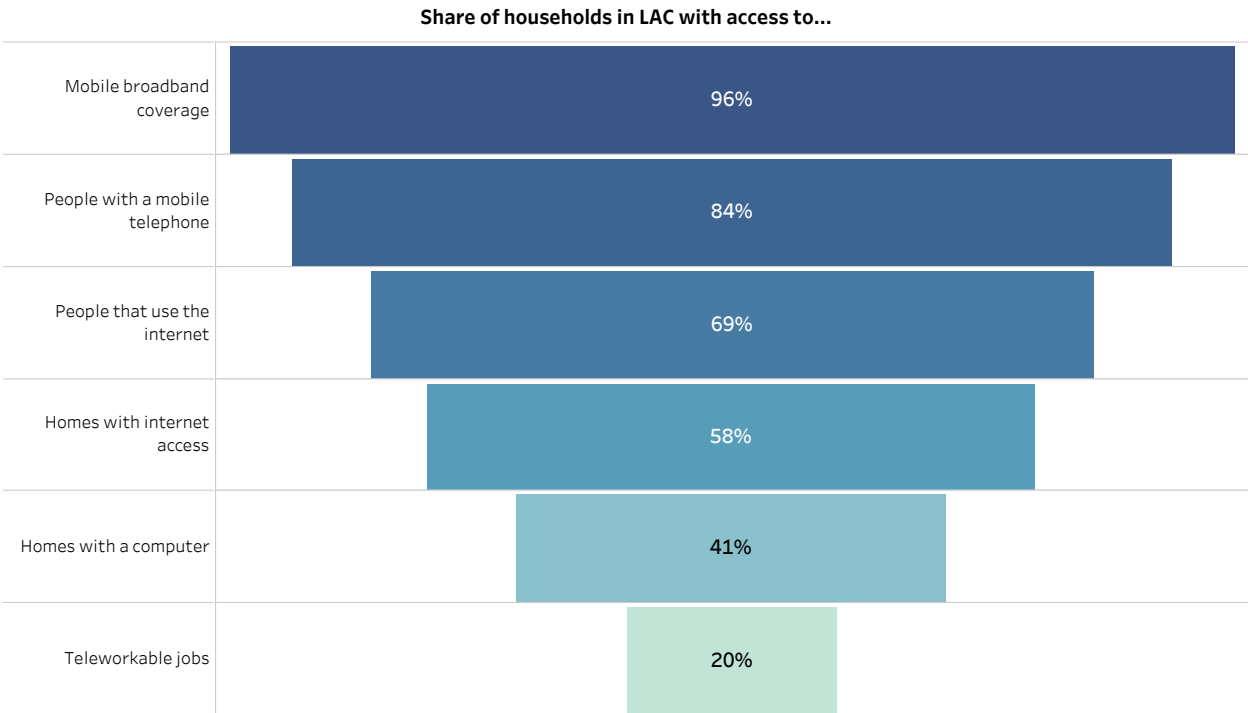
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Vignette 28

“YOU ARE ON MUTE”: WHY INTERNET ACCESS IS NOT ENOUGH FOR ENSURING INCLUSIVE DIGITALIZATION

Digitalization in LAC takes the shape of an inverted pyramid, in which each step leaves millions more people behind.



Source: Authors' elaboration based on ITU World Telecommunication/ICT Indicators Database. Data for teleworkable jobs from Dingel and Neiman (2020) "How Many Jobs Can be Done at Home?" NBER Working Paper 26948.
Note: Weighted averages are used for the Latin America and the Caribbean region.

If during the last two years you repeatedly heard the phrase “You are on mute” during professional or social virtual meetings, you are someone for whom digital tools are effectively serving to expand your life options. But how universal is this experience for people in Latin America and the Caribbean? Despite important advances in expanding broadband coverage across the region and in increasing the ubiquity of mobile phone ownership, the effective conversion of these digital advances into well-being improvements remains out of reach for the vast majority of the population due to limited access to tools, knowledge, and opportunities. As this graph shows, digitalization in the region takes the form of an “inverted pyramid,” where at each step millions more people are left behind.

As COVID-19 spread around the world, access to digital technologies suddenly became one of the most important determinants of people's well-being. Having access to the internet at home has been (and continues to be) an essential lifeline for many, since it has allowed people to continue with most of their essential daily activities, such as working, studying, and socializing while in isolation.

However, digital inequality persists in Latin America and the Caribbean, both within and between countries. While overall access to basic technologies has grown far more universal (practically all urban areas in Latin America and the Caribbean have mobile broadband coverage, and over 84% of the population owns a mobile phone), these two elements alone are insufficient for ensuring that a person is actually able to participate in activities like distance learning or remote working. Generally, a mobile phone only has access to the internet if you can afford to pay for the (often expensive) subscription to access mobile broadband services. The economic downturn during the pandemic has actually forced many people to suspend their cellphone subscriptions. In developing countries, mobile phone subscriptions fell for the first time in history, from 103 per 100 inhabitants in 2019 to 99 per 100 inhabitants in 2020.¹⁵⁶ Thus, even though 84% of people in LAC own a mobile phone, only 69% of people report using the internet. From this point on, access to digital technologies continues to become even more profoundly unequal.

If we consider, for example, someone's ability to do remote tasks such as to work or to study from home, a key determinant is whether or not their home has access to a fixed broadband service. Here, there is vast heterogeneity between countries in LAC. In countries like Chile and Costa Rica it is reported that more than 85% of homes have internet access, but in countries like Bolivia and Guatemala this share does not even reach 25%. Within countries, inequalities are also strongly shaped by the urban/rural dimension. In LAC, internet adoption tends to be much higher in urban areas. For example, in 2017, in Brazil the level of internet adoption was 65% in urban areas compared to just 33.6% in rural areas and in Ecuador it was 46% in urban areas compared to just 16.6% in rural areas.¹⁵⁷

Moreover, even if you have internet access at home, the possibility of working or studying remotely requires owning a digital device such as a computer. As we can see, the share of homes that own a computer in LAC is again lower than the share that has access to the internet. At the country level, computer ownership ranges from a high of 65% and 68% of homes in Argentina and Uruguay to just 17% in countries like Honduras and El Salvador and 11% in Haiti.

Taking into account access to the internet at home and having at least one computer per household, we can see that around 60% of the population of LAC remains digitally excluded. Another relevant factor for how digitalization is (or is not) converting access into inclusion, is what people are using the internet for. For example, are people using it to perform key activities (providing a virtual alternative for those activities which previously required physical contact) or are they primarily using it to communicate through social networks? The "digital resilience at home index" created by CAF provides a way to measure this and suggests that in the region the use of the internet as a virtual tool for conducting essential activities remains limited. While there is substantial heterogeneity in the index scores across the region, most LAC countries included in the database fell below CAF's index threshold of 30. Below this threshold, countries' populations are thought to have a limited digital capacity to access health information, participate in educational activities, carry out monetary transactions, and acquire goods through electronic commerce at home.

From the perspective of inclusive development, digitalization efforts need to be universal such that every person at least has the chance to access and use the internet. However, as the graph in this vignette shows—internet access alone is insufficient. Turning digitalization into well-being still requires a transformation of the labor supply (including advances in training and skills) and a parallel transformation of labor demand. In

156 ITU (2020).

157 Katz, Jung, and Callorda (2020).

LAC, the average proportion of jobs that can be done from home is just 20%.¹⁵⁸ This is lower than in other economies with similar incomes. The share of teleworkable jobs varies between 14% in Honduras to 27% in Uruguay. Comparatively, the share of teleworkable jobs is 41% in the United States.

While there is still much to be done, there are reasons to be optimistic. On one hand, the pandemic has encouraged people who already had digital access to deepen their skills and upgrade their digital tools. On the other hand, a consensus is growing around the notion that inclusive digitalization should be the responsibility of the State and, moreover, a top public priority. During the pandemic, both public and private sector actors have invested in improving digital connectivity in the region, especially for lower-middle-income populations. However, if efforts are to be successful in enabling inclusive digitalization the long-term, three factors are essential: we need to invest in the infrastructure required to connect people; we need to invest in skills for people to be able to leverage digital technologies; and we need to support governments to enact regulations that prevent all efficiency gains going to rent. Moreover, it is essential that these efforts extend beyond the end of the pandemic, enabling inclusive digitalization to serve as a long-term engine for boosting national and regional productivity.

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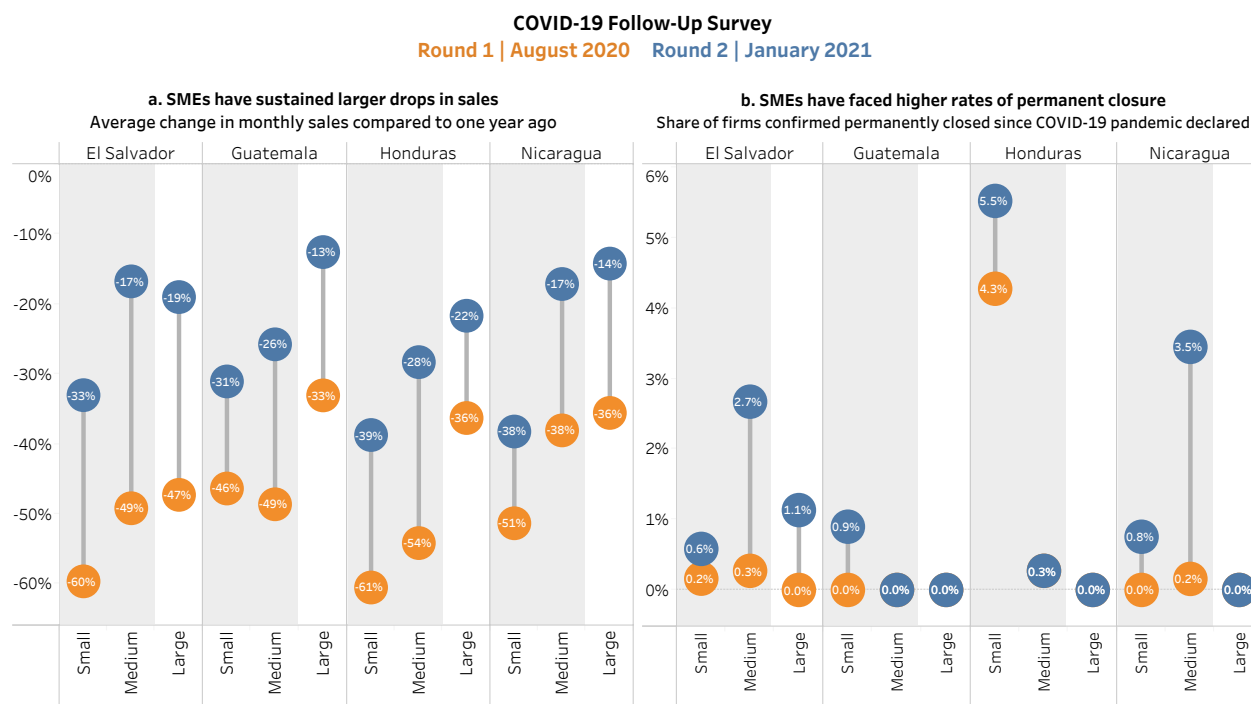
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Vignette 29

SMALL BUSINESSES, BIG IMPACTS: SUPPORTING PRODUCTIVE SMES AS AN ENGINE OF RECOVERY

While enterprises of all sizes have faced economic hardships during COVID-19 in LAC, small and medium firms have been harder hit than large firms.



Source: World Bank Enterprise Follow Up Surveys.

Note: Data refers to formal firms in the private sector in manufacturing or services with > 5 workers. Small or medium sized firms are defined as having less than <100 workers and large sized firms as having 100+ workers.

Many businesses across the world shut their doors for prolonged periods of time this past year, as societies entered COVID-19 lockdowns and people were encouraged to stay at home. Some of those businesses will not reopen. Where businesses were unable to cover accumulating costs in the face of falling sales, they were pushed beyond their survival thresholds. Notably, not all firms have been affected by COVID-19 equally. Of course, which sector the firm is in matters very much—for example, in the Caribbean the tourism sector has been hit particularly hard by COVID-19.¹⁵⁹ Beyond the firm’s sector, however, its size matters too. Often larger firms may have a greater ability to weather a shock like COVID-19, for instance if their size

159 López-Calva (2020).

enabled them to build a larger stock of cash reserves, gain easier access to finance, invest in teleworking infrastructure, adapt to providing home delivery services, or diversify their business across multiple locations.

This vignette focuses on how the pandemic has impacted Small and Medium Enterprises (SMEs) in LAC. For countries in the LAC region, as in many middle-income and low-income countries, SMEs are a primary source of employment and key supplier of goods and services to a large share of the population. Estimates¹⁶⁰ suggest that SMEs comprise as much as 99.5% of all businesses in the region, 60% of the employed population, and 25% of GDP.

In order to understand the impacts of the pandemic on SMEs, this graph uses data from the World Bank's Enterprise Surveys¹⁶¹—as they conducted follow-up surveys with businesses during the pandemic. Unfortunately, this database only includes a subsection of SMEs in the region—those that are registered in the manufacturing or services sectors with 5 employees or more. As informal employment and self-employment in micro-enterprises are widespread in the region, it is important to remember that the survey data used here only tell one part of the story. Based on this data, we see that on average, these SMEs (defined as enterprises with fewer than 100 workers, in contrast to “large” firms with 100 workers or more) comprise 55% of formal employment in the private sector in LAC countries. In some countries, this share reaches over 80%—with the highest shares found in Belize, St. Vincent and the Grenadines, St Kitts and Nevis, and Dominica. On the other end of the spectrum, these SMEs comprise just 17% of formal employment in the private sector in Mexico and Chile.

How have these businesses fared in the wake of the pandemic in comparison to large firms? While data is scarce and imperfect, the Enterprise Surveys team conducted two COVID-19 “follow-up” surveys for four countries in the region (El Salvador, Guatemala, Honduras, and Nicaragua) which help offer a better understanding of how things are changing. The first round of survey data was collected in August 2020 (shown in orange) and the second round was collected in January 2021 (shown in blue).

As the graph illustrates—at the aggregate level, firms of all sizes have been negatively affected by the pandemic in all countries. However, SMEs (highlighted in grey)—and in particular, small enterprises—have seen larger sustained drops in sales as well as faced higher rates of permanent closures than large firms. As of the first survey round, small enterprises in El Salvador and Honduras saw drops in sales of as much as 60%. Between the first and second survey rounds, however, sales were beginning to recover for firms of all sizes in all countries (though, they still remained far below pre-pandemic levels). In terms of permanent closures, while very few firms of any size had closed as of the first round of data collection—by the second round, many more firms had shuttered, with worse outcomes for SMEs. As of January 2021, as many as 5.5% of small firms in Honduras had permanently closed and 3.5% of medium firms in Nicaragua had permanently closed.

Of course, this type of survey data is limited in what it can tell us—both given limited coverage of countries in the region and limited coverage of different types of firms (excluding, for example, informal firms as previously discussed). However, other sources of data that are able to capture more information point to a similar directional impact of COVID-19 on SMEs in LAC—and suggest that the size of impact may potentially be much larger than shown in the Enterprise Survey data here. For example, based on data from a study on the demography of businesses in Mexico, in March 2021 INEGI reported¹⁶² that a staggering 20.8% of micro, small, and medium enterprises (MSMEs) had closed permanently between May 2019 and September 2020 (approximately 1 million firms).

160 Herrera (2020).

161 World Bank (2022).

162 INEGI (2021).

Support to struggling businesses (and their workers) has been a central part of governments' economic relief strategies throughout the pandemic. These measures have taken a wide range of forms—including deferring payments, facilitating access to credit, and offering grants or subsidies. However, up against the reality of a constrained fiscal space, many LAC countries have faced challenges in providing adequate support to SMEs. As a critical source of employment and a lifeline of economic prosperity for so many communities across the region, it is essential that we work to support SMEs on the path to recovery. This requires investments in both resilience and productivity. On the one hand, the pandemic has shown the fundamental importance of strengthening the resilience of individual SMEs to shocks. On the other hand, it has also provided an opportunity to reflect on the lost productive potential of SMEs. SMEs in LAC face chronically low levels of productivity¹⁶³—with SMEs in LAC generating just half the amount of wealth that SMEs do in Europe. If countries were to act now to address some of the structural barriers that SMEs face, such as access to finance, investments in digitalization and innovation, regulatory burdens, or broader challenges in the enabling environment—SME growth could become a strong engine of sustained economic recovery in the region.

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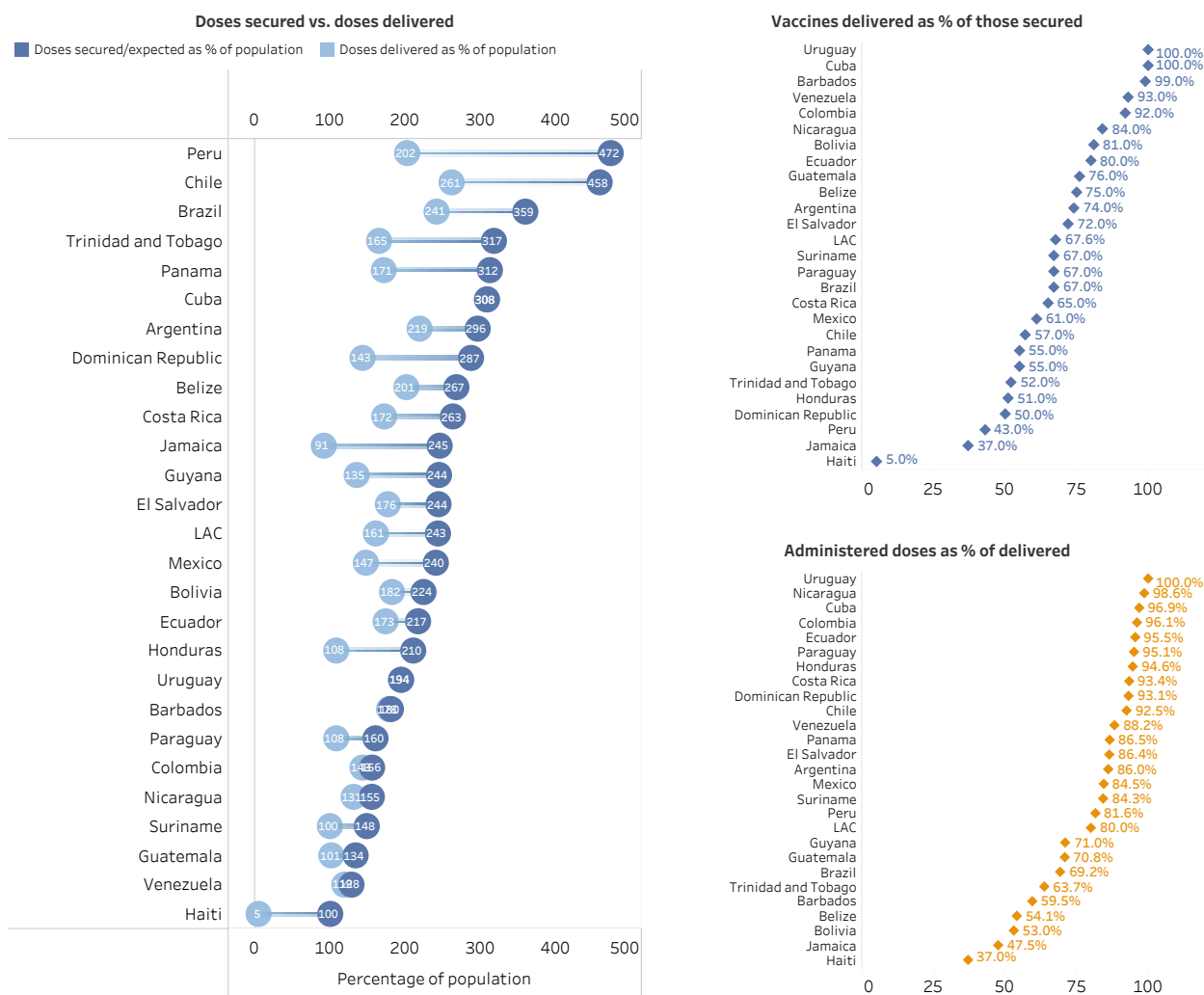
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Vignette 30

EASIER SAID THAN DONE: GAPS IN THE VACCINATION PROCESS

Inequality is the dominant feature in the supply, delivery and administration of COVID-19 vaccines in LAC.



Source: Multilateral Leaders Task Force on COVID-19 www.covid19taskforce.com

Note: Vaccines secured are defined as complete doses pre-purchased from laboratories or secured by other means such as Covax, or bilateral donations or estimated according to domestic production. Delivered vaccines are defined as vaccines already delivered and available in the recipient country. Data updated as of February 1, 2022.

After a long year of loss and hardship induced by the multiple crises of the pandemic, the highly anticipated arrival of COVID-19 vaccinations promised the hope of finally being able to put an end to this difficult chapter in our history. Indeed, the incredible collaboration of scientists with both public and private sector actors has achieved the great feat of developing, testing, and approving vaccinations in record time.

However, while we surmounted this first technical hurdle, the race against the virus is far from over. Now that we have the technology to develop the vaccines, we must also ensure countries everywhere have the fiscal capacity to purchase them, the manufacturing capacity to produce them, the logistical capacity to deliver them, and the administrative capacity to administer them—and to ensure that these efforts lead to the equitable vaccination of people.

Latin America and the Caribbean has made important immunization efforts against COVID-19, saving thousands of lives in the process. Unfortunately, as of January 2022, most countries in the region were still far from fully vaccinating their populations, with vaccination rates in the region at 55% (two doses). Looking forward, especially in the context of new variants, speeding up vaccination processes will be critical for recovery.

Using data from the Multilateral Leaders Task Force on COVID-19,¹⁶⁴ the graph in this vignette examines the constraints countries are facing in vaccinating their populations. This data allows us to look at how countries are faring at different stages of the vaccination process: pre-purchasing or securing the supply of vaccines, delivery of vaccines to the recipient country, and administering vaccines to the population.

Regarding the supply or pre-acquisition of vaccines, of the 26 countries where data is available, almost two thirds (17) have secured the necessary supply to immunize their entire population with two doses (countries that reach 200% in the left-hand panel of the graph). On average, LAC has secured enough vaccines to more than fully immunize its population, but important heterogeneity exists between countries. While Peru and Chile have secured enough vaccines to fully immunize their populations 2 times over, Haiti has only secured enough vaccines for 50% of their population (two doses).

However, securing vaccines does not mean that those vaccines are available. There is a large gap between the vaccines that have been pre-purchased/secured and those that have been actually delivered to countries. In the region, of the total of secured doses, only 68% have been received. In other words, the main obstacle to vaccination efforts in LAC is that of delivery.

The delay is due to limited production capacity of laboratories on a global scale; however, the chances of receiving the vaccines that countries have secured is also related to the purchasing and negotiating power of the country. In high-income countries around the world the average number of secured doses represent 471% of the total population, while received vaccines are enough to fully vaccinate its population with two doses. In LAC, secured doses represent 243% of the total population, while received vaccines are enough to vaccinate only 68% of the entire population with two doses. Again, these numbers hide huge heterogeneities. Haiti, for example, has received enough vaccines to immunize with two doses only 2% of its population.

Once vaccines are delivered, countries in LAC have fared quite well in terms of administering them to their populations. 17 countries have administered 80% or more of the doses received, and 10 of those are above of 90%. In other words, the picture taken at this moment of the pandemic indicates that the logistical challenge of inoculating the population is concentrated only in a few countries.

The encouraging news is that, as time passes, the gap between the population with one dose vs two doses has been slowly closing in the region. Initially, many countries followed the strategy of having as much of

¹⁶⁴ Multilateral Leaders Task Force on COVID-19 (2022).

their population with at least one single dose before starting to inoculate with the second dose. This has been proved to be problematic, since, according to estimates published in the *British Medical Journal*¹⁶⁵ and analyzed in *El País*,¹⁶⁶ the partial protection of the first dose must be above 70% for this strategy to be successful in stopping the spread of the virus. Before mutations became dominant in many countries, only a few vaccines achieved this level of protection with a single dose, and mutations have weakened this effectiveness.

While the region has made a significant effort to acquire vaccines, there are still significant delays in these being delivered. Across the world, many of the richest countries hoarded significant amounts of vaccines, while many of the poorest countries continue to have trouble covering their most vulnerable populations. It is essential that countries with surpluses share them. It is also essential to expand vaccine production capacity, since this continues to be the main bottleneck in the vaccination process. From an equity perspective, it is problematic that the countries that have pre-purchased the fewest doses are those that suffer the greatest delays in their delivery. Greater transparency is necessary both in the cost of the vials and in the delivery criteria.

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