



The recovery as an opportunity for transformative social change: pathways towards an EU-LAC partnership for cohesive societies

event co-organised by the Slovenian Council Presidency, the EEAS and DG INTPA in partnership with the EU-LAC Foundation and the OECD Development Centre

Wednesday, 1 December 2021, 15:00-17:30 (Brussels time)
Via Zoom (EU-LAC Foundation platform) & with English and Spanish translation

Despite ambitious public policies and notable progress during the past 20 years, levels of income inequality in Latin America and the Caribbean (LAC) region remain among the highest in the world¹. The COVID-19 pandemic pushed 4.7 million people out of the middle class and into vulnerability or poverty in LAC last year, reversing decades of social gains². The crisis has shed new light on structural social and economic problems and pre-existing vulnerabilities. About half of workers in LAC hold informal jobs, of which more than 60% do not benefit from labour-based social protection or social assistance programmes protecting them against risks related to illness, unemployment or old age³. Workers in the informal economy are particularly affected, among them particularly the vulnerable groups, while prospects indicate that the dire economic consequences of COVID-19 might further increase informality in the region.

Furthermore, the gap between extreme wealth and extreme poverty and vulnerability that characterises the region has become more evident and has deepened even further, which impedes progress towards achieving the 2030 Agenda and its Sustainable Development Goals. Tax systems in LAC are comparatively less effective at redistributing wealth and reducing inequality. While in OECD economies taxes and transfers contribute to the reduction of the Gini coefficient by approximately 16 percentage points, the comparable reduction in LAC is on average below three percentage points⁴.

Inequalities hinder development and lead to a lack of cohesion and societal tensions, which were already apparent in the region even prior to the COVID-19 crisis. Citizens' high expectations for solutions to overcome the crisis and rebuild back better coincide with low levels of trust in public institutions (in 2020, only 38% of population in LAC trusted their government⁵) exacerbated by the lack of fair access to public services or justice as an instance. This raises the question of how to strengthen social contracts to ensure people's well-being and citizens' engagement. Institutions in the region face the challenge of proving their ability to innovate and join forces with a broader set of stakeholders, including civil society, trade unions, and the private sector, to achieve the social consensus necessary for transformative policy reforms.

The global reach of the pandemic has shown that national responses to both the sanitary and socio-economic consequences of this crisis are not enough. The recovery from the pandemic is an opportunity to further strengthen the EU-LAC partnership in a common search for solutions through peer-to-peer learning and exchanges of experiences. The two regions can support each other to build back better, addressing structural and systemic challenges. The EU and LAC regions need to explore options for multi-sectoral, integrated and participatory partnerships that would support development by facilitating new social contracts in LAC.

This event will highlight the challenge of strengthening social cohesion in the post-COVID19 recovery, and discuss ways forward for the partnership between the EU and LAC region to address these challenges. It will open with a presentation of the main findings and recommendations of the 2021 *Latin American Economic Outlook* (OECD/ECLAC/EU), which feeding into the framework of *Development in Transition* will delve into options for rethinking the social contract and the role to be played by international cooperation. High-level panellists from both the EU and LAC will then come together to discuss the recovery as an opportunity for transformative social change, around three main angles: (i) challenges to social protection with the focus on vulnerable groups and addressing informality; (ii) the key role of fiscal policies; (iii) options for transformative change in relation to more inclusive policy design and partnerships.

¹ UNDP Human Development Report 2021.

² World Bank (2021), *The Gradual Rise and Rapid Decline of the Middle Class in Latin America and the Caribbean*.

³ OECD et al. (forthcoming) *Latin American Economic Outlook 2021: Working together for a better recovery*

⁴ OECD (2020), *COVID-19 in Latin America and the Caribbean: Regional Socio-Economic Implications and Policy Priorities*

⁵ Gallup (2021), *Gallup World Poll (database)*, Gallup Inc. Washington D.C