

A JOINT RESPONSE FOR LATIN AMERICA AND THE CARIBBEAN TO COUNTER THE COVID-19 CRISIS

Statement

Latin America and the Caribbean are facing the worst economic recession in recent decades as a result of the Covid-19 pandemic. According to the forecasts of the main international organizations, Latin America and the Caribbean is going to be hit particularly hard by the consequences of this crisis. Its economic and social impacts are likely to be profound and to substantially increase poverty and inequality rates across the entire region.

Given the urgency and the exceptional nature of the current situation, we believe that it is necessary to adopt an innovative and ambitious approach to mitigate the impact of this crisis and thus return to the path towards sustainable and inclusive growth, promoting economic and social progress and leaving no one behind.

In light of this, we have decided to launch the initiative *A joint response for Latin America and the Caribbean to counter the Covid-19 crisis*—with the aim of promoting greater financial and technical support for the countries of Latin America and the Caribbean and helping them equip themselves with the necessary resources to successfully rise to the challenges posed by Covid-19 and its health, social, economic and financial impacts.

In this context, the International Financial Institutions (IFIs) have responded in a timely and decisive manner, increasing the resources allocated to the region, making their instruments more flexible, and streamlining disbursement processes, among other actions. However, this unprecedented crisis requires an even more impactful and coordinated response, adapted to the needs of each country.

At this historic moment, we, the undersigned, call upon the International Financial Institutions in coordination with all other regional and international economic and social actors to consider additional support measures to help the countries of Latin America and the Caribbean –regardless of their classification by income level and with special emphasis on the most vulnerable– to successfully overcome this crisis.

Among the additional measures to be considered, the International Financial Institutions could explore setting up new and expanding existing financial and technical support instruments in two areas: at the macroeconomic level, through tools to stabilize capital flows, and to guarantee liquidity and increase fiscal space; and at the sectoral level, through instruments to strengthen healthcare and social protection systems, with a particular focus on employment.

At the macroeconomic level, we propose exploring the following actions aimed at providing these countries with the necessary space to implement urgent response measures and counter-cyclical policies, safeguarding debt sustainability at all times:

- Expand the fiscal space through long-term loans under appropriate conditions; offer guarantees to restart economic activity; and study possible debt restructurings, on a case-by-case basis, for highly indebted countries due to the pandemic.

- Ensure liquidity by providing access to currency swap lines, issuing and reassigning Special Drawing Rights and providing rapidly accessible lines of credit.
- Extend guarantees to support the mixed financing of sustainable investments and create mechanisms to stabilize capital flows.

Regarding instruments to strengthen health and social protection systems, we propose the following:

- Soft loans, possible bilateral donations, and reallocation of previously approved resources to urgently strengthen the current and future capacities of the region's national health systems.
- Soft loans, possible bilateral donations, and reallocation of previously approved resources to finance, among others: a) programmes to reactivate production, including the improvement of border infrastructure to foster greater regional integration; b) employment support and the strengthening of social protection systems; and c) initiatives to help micro-, small and medium-sized enterprises, paying particular attention to increasing their international presence and integration into global value chains.
- Technical assistance to reinforce social protection systems, to strengthen administrative capacity, and to make tax systems more progressive, so that social policies are even more effective and more focused on the most vulnerable, and to improve the efficiency and quality of public spending.

International Financial Institutions will act in accordance with their respective mandates and legal frameworks. They will evaluate the capital needs required to provide an appropriate and effective response to the health and economic crisis generated by the pandemic, while preserving their creditworthiness.

On our side, we, the countries and regional organizations signing this Statement, wish to restate our firm commitment to social progress in Latin America and the Caribbean, especially in such troubled times. We hereby reiterate our will and our intention to offer all the necessary resources to combat the pandemic, to strengthen care for the most vulnerable, to improve social cohesion and social protection systems, to make our tax systems more progressive and to curb informal labour and corruption. We are convinced that only through solidarity and international cooperation will we be able to mitigate the impact of the Covid-19 pandemic on our social fabric and on our economies.

The aim of this initiative—*A joint response for Latin America and the Caribbean to counter the Covid-19 crisis*—is to help Latin American and Caribbean countries to be better equipped to respond to the socioeconomic challenges arising from this crisis and to lay the foundations for more balanced, sustainable and inclusive growth throughout the entire region.

This statement is co-signed by: Alberto Fernández, President of Argentina; Mia Mottley, Prime Minister of Barbados; Iván Duque, President of Colombia; Carlos Alvarado, President of Costa Rica; Sebastián Piñera, President of Chile; Lenín Moreno, President of Ecuador; Pedro Sánchez, President of the Government of Spain; Mario Abdo Benítez, President of Paraguay; Martín Vizcarra, President of Peru; Danilo Medina, President of the Dominican Republic; Luis Lacalle Pou, President of Uruguay; Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC); and Rebeca Grynspan, Iberoamerican Secretary General.

