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COVID-19 and Latin America: Social Impact, Policies and a Fiscal Case for an Emergency Social Protection Floor

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SOCIAL
PROTECTION
PROGRAM

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Executive Summary: Avoiding immediate humanitarian crisis and enabling an effective epidemiological strategy

To sustain the epidemiological strategy of social distancing, social assistance must reach fast and far in the Latin American social structure. With the immediate and still-to-come economic effects, close to half the population in the region is facing an impending humanitarian crisis.

While the population most vulnerable to COVID19 from a medical point of view are the elderly, socially a large part of the most vulnerable population are children and women (especially young families with children). In part A, we outline the reach of existing social protection systems in the region. Almost half of the economically active population gains its living in the informal sector, and much of this employment is concentrated in the sectors that are coming to a complete halt with the pandemic. In more than two-thirds of Latin American countries, more than two-thirds of children on average live in households without access to social security. Given this, the extension of non-contributory cash transfers to households with children in the last 15 years has become a lifeline for low-income families, reaching about 20% of the population in the region by 2016. Moreover, almost all Latin American households have gained access to electricity, drinking water and cell phones over the last fifteen years and now depend on these services.

This existing infrastructure can now be mobilized to confront the social crisis, to put in place basic income guarantees and to ensure continued access to basic utilities. In part B, we outline the social assistance efforts of nine Latin American countries over the past two weeks, in response to COVID19. Governments are quickly moving to provide emergency assistance; however, the amount and coverage promises to date are not generous and broad enough.

In part C, we estimate the fiscal cost of guaranteeing each child and elderly person in a vulnerable household an income up to the poverty line for three months (an estimate of the duration of the COVID crisis), in eighteen Latin American countries. In the most developed countries, the effort represents less than 0.5% of GDP; only in two countries does it cost more than 2% of GDP. We urge governments to provide a broad emergency social protection floor.

In conclusion, in order to successfully address the pandemic there is an apparent trilemma that needs to be confronted between the epidemiological strategy (social distancing and quarantine), basic social welfare and political stability. Those three elements can only be achieved simultaneously with a social protection floor that includes basic utilities and a wide coverage of cash transfers.

Acknowledgements

This document was finished on April 5, 2020 and has been produced with as much speed as possible. Therefore, we hope the readers excuse minor oversights. The authors would also like to thank Santiago Anria, Rossana Castiglioni, and Calla Hummel for quick feedback on some of the country synapses. A great proportion of the fiscal and public policy estimates presented in this document are based on the work of the Economic Commission for Latin America and the Caribbean (ECLAC). ECLAC provides regional data on transfers, public services and fiscal costs on a periodic and comparative basis, a key input for the proposals presented here. We thank ECLAC experts for their work and assume all responsibility for any failure from our part in present it in a clear way

Introduction

The most unequal and one of the most urbanized regions in the world is entering the exponential phase of the COVID19 pandemic. Governments have –mostly– swiftly moved to social distancing, tracing and even general quarantine measures. There are three critical issues that have to be considered from a social (and also as we shall see epidemiological) perspective:

- a. The effectiveness of these measures will depend to a large extent on the capacity of governments to provide basic subsistence to its vulnerable population. If the vector of contagion are people and we need people to limit interactions and mobility, then the means of subsistence should not depend on such interactions or mobility. Many countries in Europe can confront a large part of such social disruption through their welfare states, especially unemployment insurance, formal paid leave and sickness leave, as well as universal or almost universal child allowances and pension coverage. That is not the case in most of Latin America.
- b. While the most vulnerable population to COVID from a medical point of view are the elderly, socially in a large part of our region the most socially vulnerable population are children and women (especially young families with children). Most of this population does not have social security protection or other forms of income protection.
- c. A large part of Latin America has now privately run, but state-regulated public utilities. The guarantee of continuing service, even if payments are not possible –and for a large part of our population, this will happen– is critical for basic health and welfare.

Thus, COVID and the measures put in place to stop it from an epidemiological perspective can bring with it a social crisis in basic welfare levels, one that will affect basic utilities and nutrition, especially for children and women.

We need to put swiftly in place basic income guarantees and define a strategy for continued access to basic utilities. These are the two critical ingredients to avoid a humanitarian crisis in Latin America as it deals with COVID19 and as it develops the epidemiological strategies to flatten the curve and contain the spread of the virus. In this policy brief we will not deal with other critical issues such as health care access and health systems capacities. We will focus on the two ingredients for survival: basic access to cash and access to utilities. Both these issues have broader complications as we move to rural populations that we shall not tackle here¹.

Below, the policy brief provides:

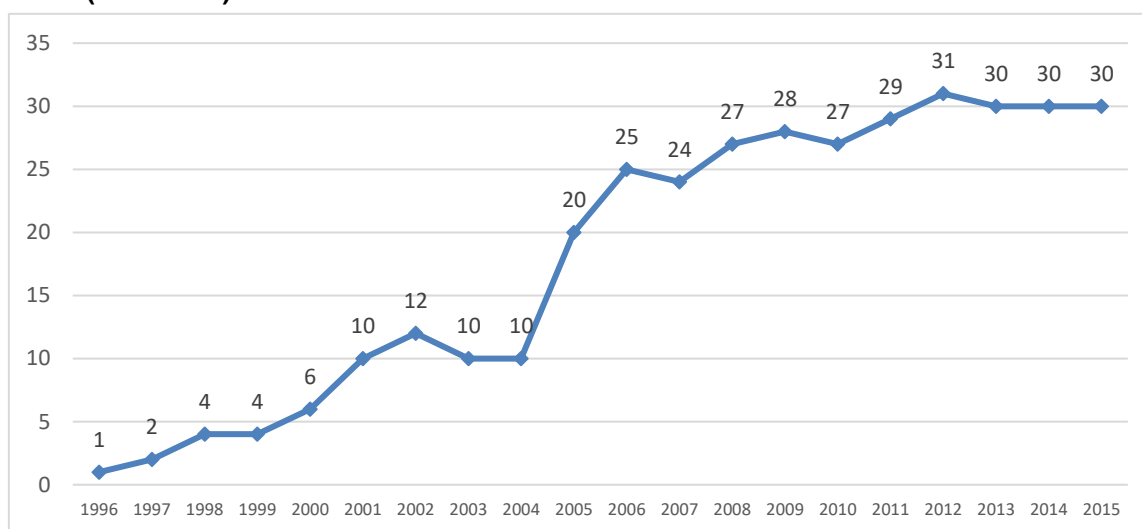
- a. An overview of the state of informality (as a proxy of the most at risk population under economic halt and quarantine), reach of cash transfer systems and coverage of utilities.
- b. An outline of social assistance responses of nine Latin American countries to date, on both reach and generosity.
- c. Estimates of the fiscal cost of reaching the vulnerable population with adequate cash support for food (a later version will include the fiscal cost of granting access to utilities).

¹ We are of course not the only ones making this argument. For example, see Hausmann (2020) and the edited volume by Baldwin and Weder Di Mauro (2020).

A. Latin America: social welfare infrastructure and public utilities

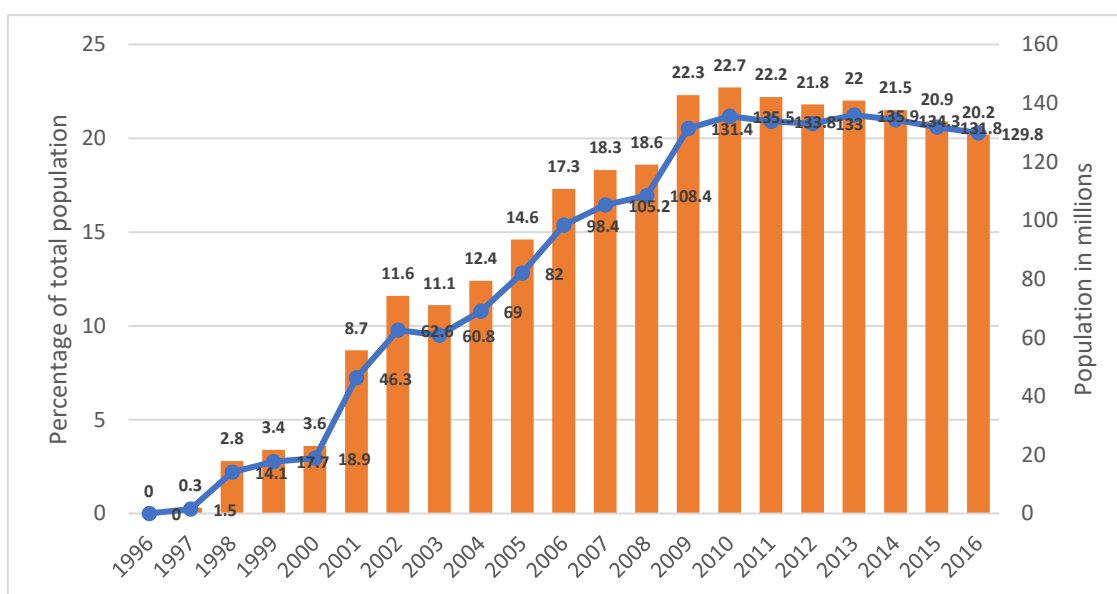
There is some good news for the region. The region as a whole has increased in the last 15 years access both to social security and to different forms of non-contributory targeted income transfers, especially for families with children. Governments have developed in many cases relatively sophisticated, non-discretionary administrative capacities to identify, recruit and deliver services to the vulnerable population. **Figure 1 and Figure 2** outline this reach.

Figure 1. Number of non-contributory cash transfer programs for families with children in Latin America (1996-2015)



Source: Cecchini & Atuesta (2017)

Figure 2. Population that receives some form of noncontributory cash transfers in percentage and millions. Latin America (1996-2016)



Source: Cecchini & Atuesta (2017)

As **Figure 1** and **Figure 2** show, by 2016, 30 cash transfer programs reached 130 million people, about 20% of the population in the region, down from a high of 23% in 2010. Importantly, most people received these transfers through non-discretionary administrative mechanisms. These mechanisms can now be mobilized to confront the social crisis.

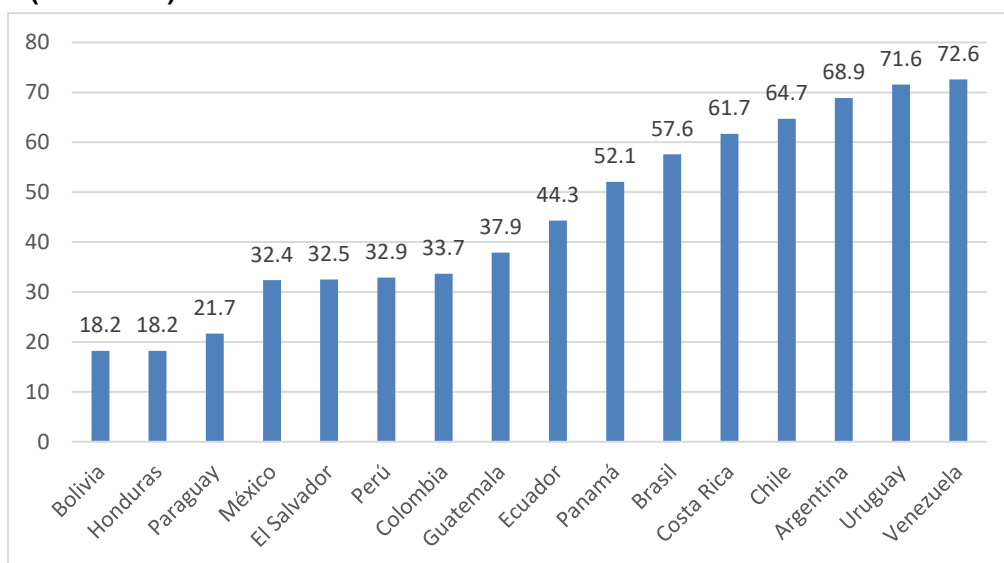
The region has also advanced in access to public basic utilities such as sewage, potable water and electricity. It has also dramatically increased connectivity through private and public access to mobile phones and the internet (see **Figures 9-12**).

The bad news is that few governments are moving fast enough to activate basic guarantees regarding these two issues: utilities and cash transfers. This might be partly due to fiscal stress, and partly due to myopic behavior led solely by epidemiological concerns. However, the speed at which some governments are moving to support financial institutions and large enterprises, as well as public sector employees, also suggests that this might simply be the expression of a common pattern in the region: the vulnerable come last. The problem with such an approach, besides our moral outrage, is that in this case **there is no effective epidemiological strategy without considering the vulnerable population**.

The size of informality

The region presents on average almost 50% of its employment in the informal sector and much of it concentrated in the sectors that will come to a complete halt given the COVID pandemic. It is particularly high among the young population and families with children. Figure 3 outlines the share of the occupied population that contributes to social security in each country, as of 2016.

Figure 3. Percentage of occupied population that contributes to social security in Latin American countries (circa 2016)

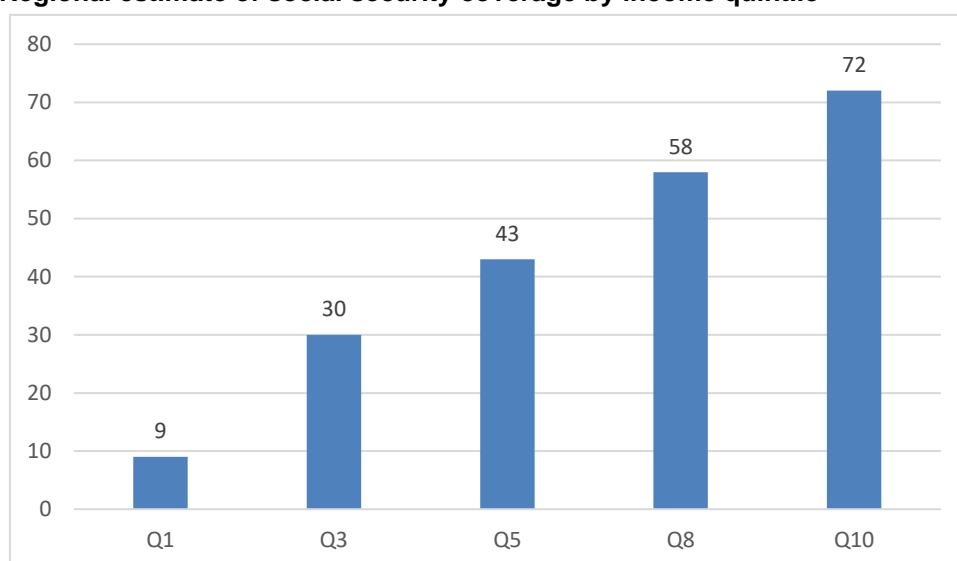


Source: ECLAC/ILO (2017)

Note: Guatemala, Argentina and Venezuela measure the percentage of social security contributors only for occupied population above 15 years old.

As **Figure 3** indicates, from less than 20% of the occupied population in Bolivia and Honduras, to just over 70% in Uruguay and Venezuela, contribute to social security, and therefore, are eligible for the protections afforded by social security. **Figure 4** provides the regional averages by income quintile.

Figure 4. Regional estimate of social security coverage by income quintile

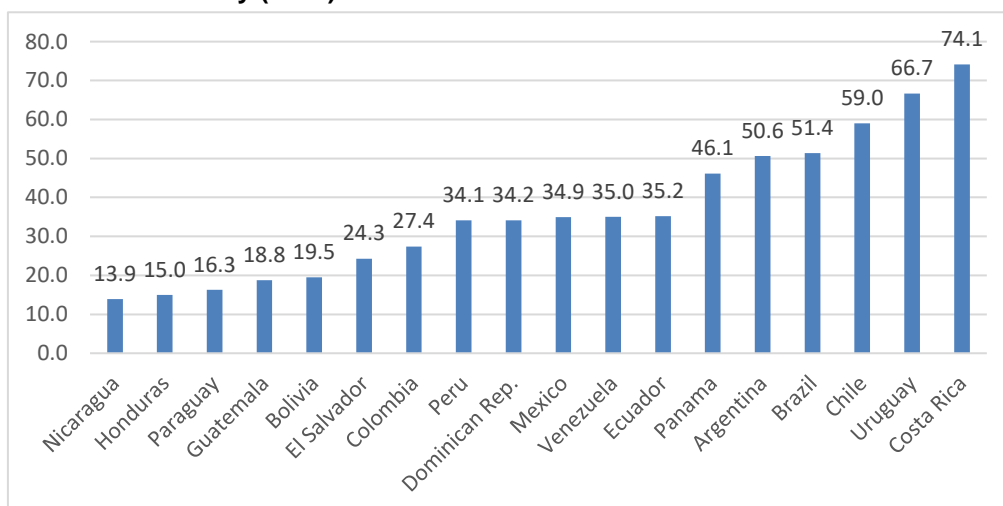


Source: Based on ECLAC

As **Figure 4** indicates, access to social security is also highly stratified by socio-economic status. Only one in ten individuals in the lowest income quintile has access to social security compared to seven in ten in the highest income quintile.

Figure 5 looks at access to social security among households with children, which we have identified as a particularly vulnerable group. Unfortunately, the most recent data we have by households with children is from 2011, but it gives us a basic idea of access.

Figure 5. Percentage of population 0 to 14 years of age in households where at least one member has social security (2011)



Source: Rossel, 2013b.

As **Figure 5** indicates, depending on the country, between 86% of children (Nicaragua) to 26% of children (Costa Rica) lived in households with no adult covered by social security in 2011. This is even more exacerbated when examined by income quintile.

In many cases even the fact of having coverage by social security does not allow for unemployment protection. In many countries such programs do not exist or only exist for a limited group of those covered (usually state employees). **Table 1** outlines the risks covered by social in each country.

Table 1. Risks covered through social security by country

	Cash Transfer to Families with Children	Pensions for retired, disabled or widows	Unemployment insurance	Occupational Accidents Insurance	Sickness Insurance	Maternity Leave
Argentina	Yes	Yes	Yes	Yes	Yes	Yes
Bolivia	Yes	Yes	Restricted**	Yes	Yes	Yes
Brazil*	Yes	Yes	Yes	Yes	Yes	Yes
Chile	Yes	Yes	Yes	Yes	Yes	Yes
Colombia	Yes	Yes	Yes	Yes	Yes	Yes
Costa Rica	Yes	Yes	Restricted**	Yes	Yes	Yes
Ecuador	Yes	Yes	Yes	Yes	Yes	Yes
El Salvador	No*	Yes	No	Yes	Yes	Yes
Guatemala	No*	Yes	No	Yes	Yes	Yes
Honduras	No*	Yes	No	Yes	Yes	Yes
Mexico	Yes	Yes	Restricted**	Yes	Yes	Yes
Nicaragua	No	Yes	No	Yes	Yes	Yes
Panamá	Yes	Yes	No	Yes	Yes	Yes
Paraguay	Restricted**	Yes	No	Yes	Yes	Yes
Peru	Yes	Yes	Restricted**	Yes	Yes	Yes
Dominican Republic	Yes	Yes	No	Yes	Yes	Yes
Uruguay	Yes	Yes	Yes	Yes	Yes	Yes
Venezuela	No	Yes	Yes	Yes	Yes	Yes

Source: ILO, World Social Protection Report y Social Protection Database, ILO, 2018

Notes: * Not backed by law or national order

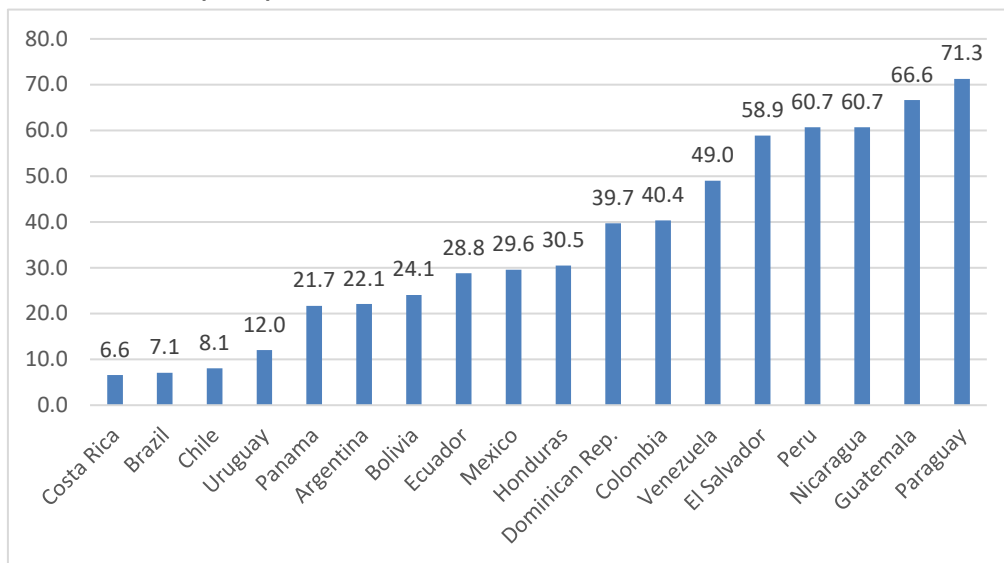
**Without national or general coverage. It only applies to specific regions or restricted formal labour categories

As **Table 1** indicates, as of 2018, only seven of 18 countries provide unemployment insurance for those covered in social security.

The reach of cash transfers

One way to look at the threat of a major nutritional crisis among the youngest population is to look at those households where no cash transfers from the state reach their households. This data also allows us to consider the capacity of states to easily reinforce cash transfers through preexisting programs during this crisis. While these data are from 2011 it provides a broad picture of the region. **Figure 6** outlines the percentage of children aged 0 to 14 years in each country where the household did not receive any form of state cash transfers in 2011.

Figure 6. Percentage of population aged 0 to 14 where the household does not receive any form of State cash transfers (2011)



Source: Rossel (2013b)

Note: Figure for Brazil is an indirect estimate and may be an over estimate².

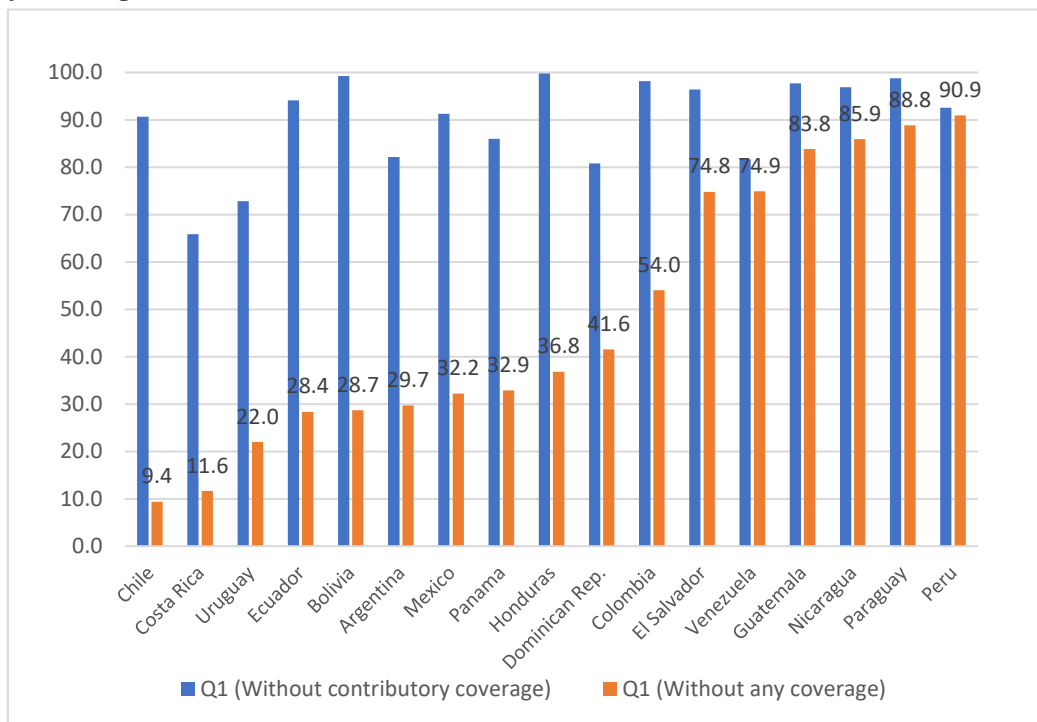
As **Figure 6** indicates, only three countries in the region reach at least 90 percent of children with some form of state cash transfers. (Although, the percentage for Brazil -93%- may be an overestimate). For other countries, the share is less, and in five countries over half the children lived in households in 2011 that received no form of state cash transfers.

Figure 7 estimates this for the lowest income quintiles –where we reasonably should assume that there are no savings or very little savings, and therefore where nutritional intake is most at risk during the economic disruptions from the COVID pandemic.

Figure 7 shows two things: first, as **Figure 5** also indicates, traditional social security does not reach the poor in *any* Latin American country. Second, there is significant variation in the reach of non-contributory programs (in 2011) to low-income households with children, from just under ten percent of Chilean children from the poorest quintile with no social security or cash transfer coverage, to just over 90% in neighboring Peru. Indeed, it shows potential in some countries and major deficits in others, if we want to guarantee through the actual reach of the system a basic income for families with children for the next three months. It is likely that inroads in terms of coverage have been made in several countries between 2011 and 2020. Regardless, it also makes clear that broader programs, with relaxed eligibility criteria, are needed for an emergency like this.

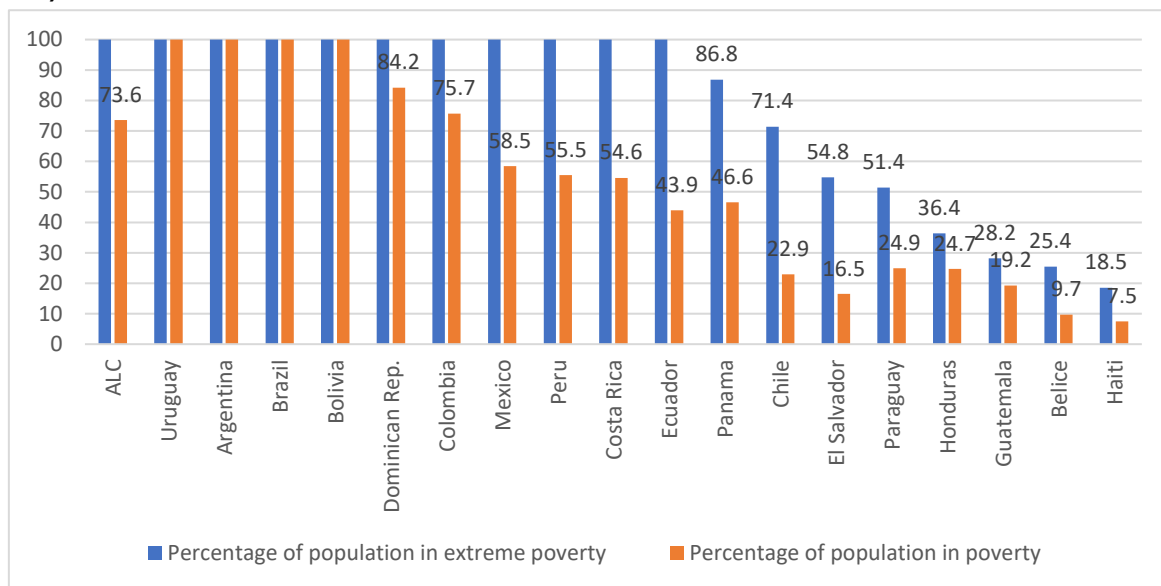
² For Brazil, coverage is estimated through an indirect method because Access to Bolsa Familia is not measured in the household survey. therefore Access o saocial security and the reach of Bolsa Familia are added ttogetehr, which possibly overestiamets coverage overall, because there is overlap.

Figure 7. Percentage of Children (0-14) in households of the poorest quintile with no social security coverage and with no other form of cash transfers



Source: Rossel (2013)

Figure 8. Percentage of children in poverty potentially covered by CCT if perfectly targeted (2016)



Source: Cecchini & Atuesta (2017)

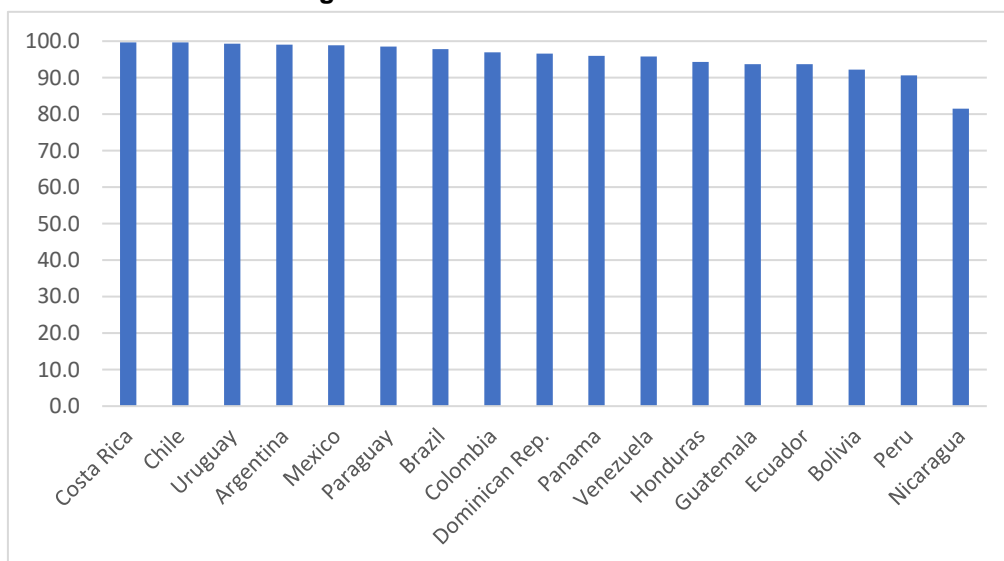
Figure 8 considers the programs in place in 2016 and the share of children in poverty they would cover if perfectly targeted. The graph shows that in eleven countries, if perfectly targeted, existing programs would reach all children in extreme poverty. In other countries, the reach is from a meager 18.5% of children in extreme poverty in Haiti, to 71% in Chile, to 87% in Panama. This again reinforces the need for broader, more relaxed eligibility criteria and targeting during the emergency.

The reach of utilities

In the last 15 years, access to electricity, drinking water, sanitation and connectivity have greatly increased in Latin America (ECLAC, 2018). Yet with the exception of sanitation, which also shows the biggest deficit, all other services are dependent on monthly payments. While rules regarding those who do not pay differ by country, in most cases at some point services will be discontinued in households that are not able or willing to pay. In many cases these services are administered by private companies and regulated by the state.

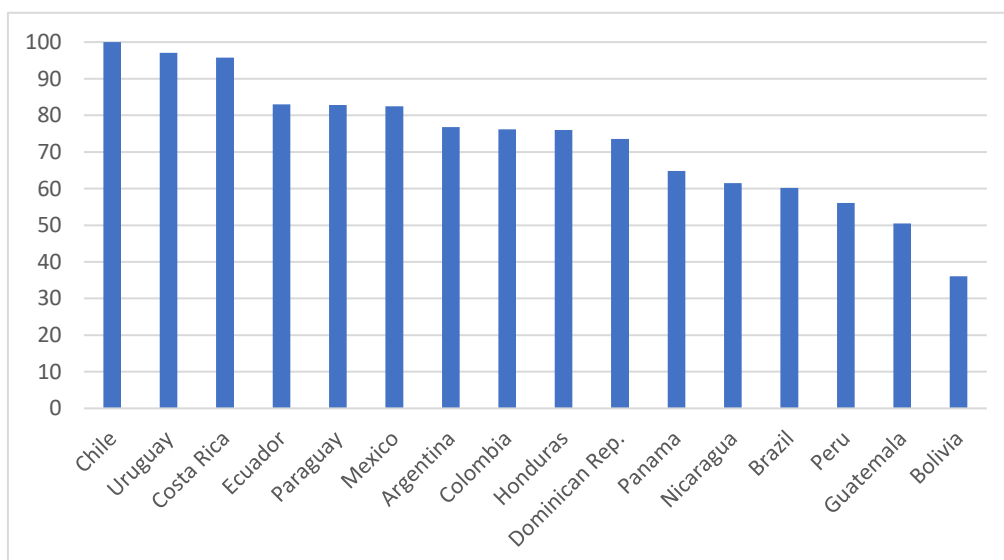
Figures 9 to 12 show two things: first, the high levels of coverage that the region has today, and second, the potentially enormous impact of cutting services on households in the region.

Figure 9. Access to basic drinking water



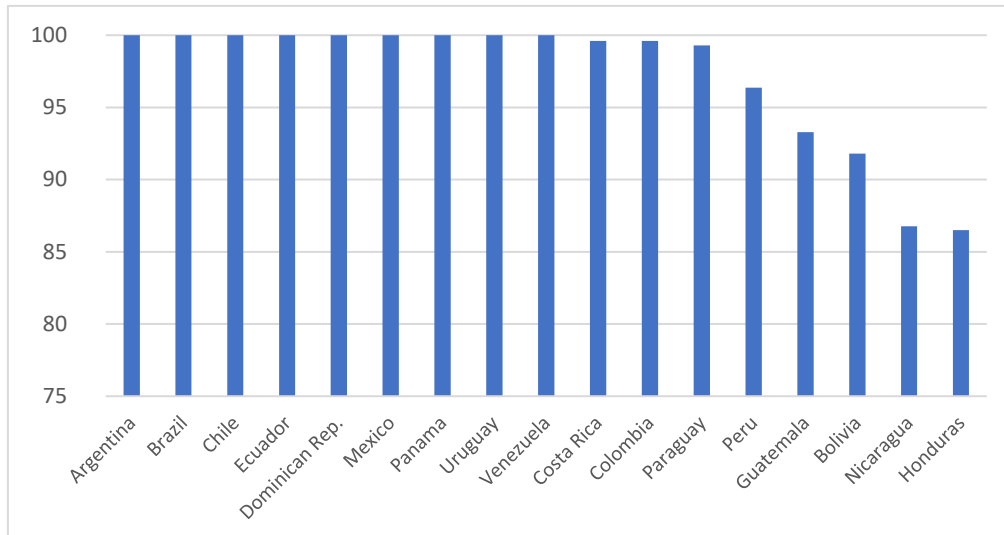
Source: World Development Indicators, World Bank

Figure 10. Access to basic sanitation



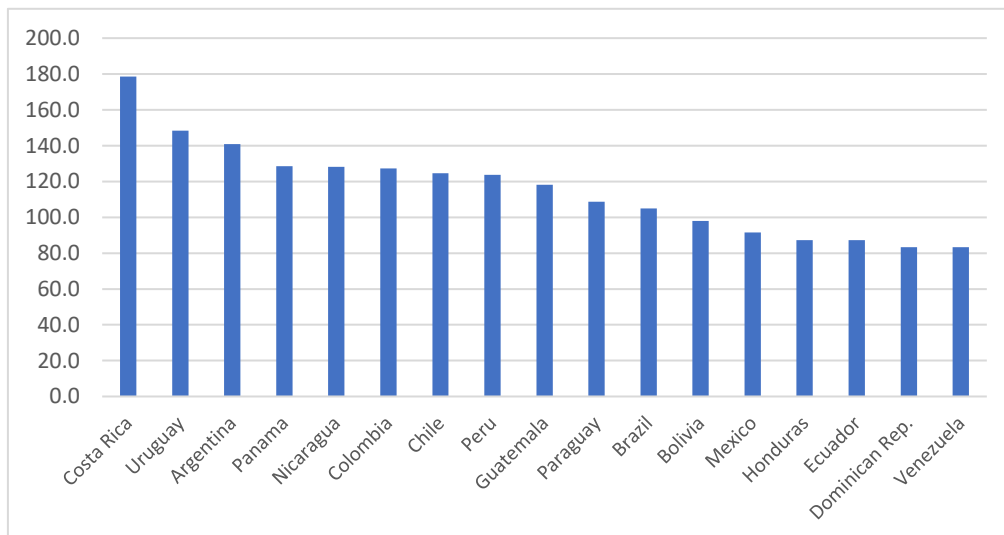
Source: World Development Indicators, World Bank

Figure 11. Access to electricity



Source: World Development Indicators, World Bank

Figure 12. Access to mobile phones per 100 persons



Source: World Development Indicators, World Bank

As **Figure 9** indicates, in every country listed except Nicaragua, where the figure is just over 80%, between 90% and a 100% of households have access to basic drinking water. The figures for electricity are similar. Figure 12 shows also a high level of penetration of, and therefore dependence on, cell phones in the region, where most countries have more cell phones than people.

As people move to quarantine (strict or mild) and lose access to wages and services, these utilities become critical, and in many cases, especially in those of the vulnerable population, they will not be able to pay their monthly tariffs and fees. A guarantee that services will not be cut is thus indispensable. Different countries will have to fund and account for these “credits” in different ways (later payments in many months, subsidies and debt condonation in some cases, etc). A state response of business as usual regarding regulatory frameworks on rights of consumption and suspension of services would be catastrophic.

B. Government responses to date (March 30)

Here, we outline the emergency social assistance responses of nine Latin American governments to date (March 31st). To guarantee a basic income floor, governments need a three-pronged approach to reach all vulnerable households. This includes:

1. Group 1: Those included in existing social security schemes.
2. Group 2: Those included in non-contributory schemes/government assistance programs.
3. Group 3: The self-employed and informal sector workers, and their families who are not recipients of government assistance programs.

Our discussion focuses on groups 2 and 3, given that a) this is where the vast majority of the most vulnerable families are, as per section A, and b) these households, especially group 3, require more effort to reach.

As we discuss below, governments are reacting at different speeds, and with different tools, coverage, and level of generosity. In many countries, and sometimes after initial debates and disagreements, most governments are also extending cash transfer assistance to group 3. In many, though not all, cases, they are extending uniform amounts to both groups 2 and 3.

The challenge is how to best and most efficiently reach group 3 -the informal workers who have not in the past qualified for or registered in government programs. Precisely because such a high share of poor households, and especially, children in poor households, are not reached by even the government assistance programs, governments should have very inclusive, relaxed eligibility criteria and targeting during the emergency. Now is the time for errors of inclusion rather than exclusion.

Governments are also decreeing suspensions of cut-offs to basic utilities, credit to help pay with utilities, and, in some cases direct government coverage of electricity and water up to a cap. In addition, governments are funnelling resources to municipalities to provide emergency food and basic needs assistance.

Below, we provide a synopsis of government policies announced to date toward groups 2 and 3: those not covered in contributory social security. We look at nine Latin American countries, representing different government structures (federal vs unitary), different ideologies, and different levels of socio-economic development.

Table 2 outlines government cash assistance policies to date for these two groups. We outline transfers that governments have promised through existing social assistance programs, namely, non-contributory cash transfer programs, and transfers targeted at households in the informal sector. We compare the generosity of the transfers to the latest available data on national poverty and extreme poverty levels, from 2018, in each country, and then calculate the extent to which the announced transfers help households overcome poverty. While the poverty levels are calculated at an individual, per capita level, the transfers are mostly targeted at households with children. This table only outlines announced cash assistance packages, and does not include other measures such as subsidies for utilities or other credits. All values are in US dollars for comparability, at the exchange rate of March 30th. We include policies announced or approved as of March 30, 2020.

Table 2. Announced/decreed/legislated cash transfers due to COVID crisis in nine Latin American countries, in US dollars

	Non-contributory program recipients*	Informal/self-employed*	One-time or recurring	Per capita income for (a) poverty level & (b) extreme Poverty**	Percentage of (a)	Percentage of (b)
Argentina	155	155	One-time, renewable	229.20/94.50	68%	164%
Bolivia	72.66		One-time	121.90/63	60%	115%
Brazil***	118	118	3 months	115.30/50.30	102%	234%
Chile***	59	59.00	One-time	175.60/79.10	34%	75%
Colombia	85.50/61.20	40.80		100.40/49.80	85%/61%/41%	172%/123%/82%
Ecuador	60		twice	110.70/51.4	54%	104%
El Salvador		100	3 months	110.7/51.4	90%	195%
Mexico	-	-	-	-	-	-
Peru	110	111	One-time?	96.30/44	115%	252%

Sources: [Argentina](#); [Brazil](#); [Bolivia](#); [Chile](#); [Colombia](#) (listed amounts); [Ecuador](#); [El Salvador](#) (government site for registration); Peru.

Notes: *Values calculated at the exchange rate of March 30, 2020.

*Poverty cut-offs in 2018. ECLAC 2018.

***Awaiting Presidential approval as of April 1st.

We discuss each country in turn, drawing on **Table 2** as well as data from Section A.

In Argentina, As **Figures 6 and 7** indicate, 22 % of households with children, and 30% in the lowest income quintile, were not reached by government programs in 2011. This makes it imperative for the government to reach out more broadly than through the existing government programs. This has happened: the president quickly announced an executive decree for immediate social assistance to vulnerable households, both those already registered in government programs, and to households that rely on income from the informal sector. The government says it expects to reach about four million people through the latter mechanism, but is open for higher figures as it opens a website for registration. The cash transfer -a one-time amount but renewable if a state of emergency continues- is equivalent to 70% of the urban per capita poverty line in 2018. The government has also promised continued access to basic utilities during the crisis.

In Bolivia, as **Figures 6 and 7** indicate, 24 % of households with children, and 29% in the lowest income quintile, were not reached by government programs in 2011. Moreover, in South America's poorest country, 80% of the economically active population works in the informal sector, mostly at subsistence wages, and as **Figure 7** indicates, only 1 % of households in the poorest income quintile received contributory social security. The non-contributory, universal old-age pension Renta Dignidad, at 325 bolivianos/month (\$US47) in 2020, reaches just over one million people over 60 years. The non-contributory cash transfer program Bono Juancito Pinto reached 90% 2.2 million public school children in 2019. The amount of the transfer, 200 bolivianos (US\$29) per year, or, US\$ 2.4/month, is extremely low.

In this context, the government has mobilized emergency economic assistance, and is distributing a cash transfer to Bolivia's school children that at 300 bolivianos is 60% of its 2018 urban national per capita poverty line. It has also promised distribution of emergency food baskets to 1.6 million families (in a country of 11.5 million people), and a two-month moratorium for debt payments of individuals and micro-entrepreneurs; government coverage of household electricity bills up to a low cap, and government coverage of half of the water bills, from April to June. The government has not explicitly mentioned Renta Dignidad, so presumably it will continue to function as before.

For Brazil, we do not have direct data on all cash transfer coverage for households with children; the indirect data from Figures 6 and 7 of 93% coverage of poor households with children in 2011 may be an overestimate, although at its height Bolsa Familia had broad reach. Since then, the combination of economic downturn and unemployment has reduced the share of households with access to traditional social security. At the same time, since Brazilian President Jair Bolsonaro assumed power in January 2019, one million people have been dropped from Bolsa Familia, and the number of families admitted to the program on a monthly basis has dropped from an average of 275,000 a month to fewer than 2,500³. Brazilian economists such as Monica de Bolle, Manoel Pires and Arminio Fraga have estimated that about half of the Brazilian population find themselves in an extremely vulnerable economic position with the covid pandemic.

In this context, Bolsonaro's complete inability to respond with seriousness to the pandemic, and the anemic proposals offered by his Minister of Finance, may have contributed to the impressive unification of the opposition in favor of a broad-reaching basic minimum income, for three months, to reach almost half the Brazilian population that is most economically vulnerable, including low-income informal workers, the self-employed, and all those already registered in government programs. The bill counted with the support of Arminio Fraga, the former President of the Brazilian Central Bank, prominent economists, 150 civil society organizations, a half a million signatures, and unanimously passed Congress at the end of March. It provides a basic minimum income of 600 reais per adult, which is the equivalent of the national urban per capita poverty line in 2018, and up to two adults per household can receive it. Single mothers are eligible for double, at 1200 reais. The bill awaits approval by the President.

In Chile, as **Figures 6 and 7** indicate, 41% of households with children in 2011 did not have a member with access to contributory social security, and just 8% of all households with children, and 9% in the poorest quintile, had no access to government transfers at all. This indicates a stronger reach of the state in that country; however, the monthly amount of this transfer, called the Subsídio Unico Familiar, is just US fifteen dollars.

In this context, what stands out now too is the meager assistance offered by the government to date. A massive government economic rescue plan, representing 4.7% of the country's GDP, had little to directly offer the most vulnerable. In an already highly privatized system where employees (rather than employers) bear the brunt of social security payments, the opposition objected to the government's anemic assistance plans to vulnerable households. While the opposition managed to triple the amount and ensure coverage to the bottom 60% of the population, therefore ensuring broad coverage, the subsidy now, at US \$60, is equivalent to just 34% of the 2018 national urban per capita poverty line, and 76% of the urban per capita extreme poverty line. Compared to its counterparts in the OECD, Chile, with one of the highest wealth concentrations in the world, is acting with extraordinary stinginess toward the less well-off, and probably not doing much to improve its legitimacy following the massive social protests last October.

³ *The Economist*, January 30, 2020.

The President has announced other measures such as assistance to municipalities, and the public school system has mobilized to provide food baskets for children who rely on public school meals. Still, the crisis will likely have a brutal impact on the majority who have no savings or assets to carry them through.

In Colombia, as **Figures 6 and 7** indicate, 40% of households with children, and 54% in the lowest income quintile, did not receive any form of state cash transfers in 2011. The rightwing government has moved to provide emergency social assistance to recipients of non-contributory government programs as well as to families in the informal sector. This assistance is differentiated, unlike in other countries. The government has announced an extra cash transfer of, on average (depending on number of children) 86 dollars (334,000 pesos) to the 2.6 million families that are integrated in the anti-poverty *Familias en Acción* program. It has also promised an extra cash transfer of 61 dollars (240,000 pesos) to the 1.7 million elderly with non-contributory pensions, and an as-of-yet undetermined amount for low-income students in the *Jóvenes en Acción* program. The cash transfers to families in government assistance amount to 85% of the national per capita urban poverty line in 2018, and the transfers to the elderly amount to 61% of the poverty line.

Finally, the government has also announced a cash transfer of 41 dollars (160,000 pesos) for three million families who are informal, not covered in current social protection programs, but are left without income with the crisis. This transfer only comes to 41% of the monthly poverty line. Moreover, in a country of 49 million, where over 95% of the economically active population in the lowest income quintile, and 70% in the second to the fourth income quintiles in 2013 worked in the informal sector, cash assistance to just three million families is unlikely to cover all families in need (Benítez and Melguizo 2016).

One group that has to date been left out in the cold are the over 1.6 million Venezuelan refugees in the country, the vast majority of whom are in the informal sector are extremely vulnerable (BBC, March 25, 2020). The government rightfully claims that more international assistance is needed, but knowing where to place blame may be cold comfort for refugees who cannot feed their families.

In Ecuador, as **Figure 6** indicates, 29% of households with children (and 28% in the lowest income quintile) did not receive any state transfers in 2012. In this context, the President issued an executive decree on March 27, for a transfer of US 60 for two months (total US 120), for those included in two government programs: social security for peasants, and those registered as doing unpaid work in the household, as long as their monthly income is less than (USD 400) and no one in their household receives other government transfers. It is unclear to what extent this transfer will reach unregistered families in the informal sector.

In El Salvador, as **Figure 6** indicates, 59% of households with children, and as Figure 7 indicates, 75% of households with children in the lowest income quintile, did not receive any state transfers in 2011. Against this backdrop, the promises of Salvadoran President Nayib Bukele are certainly the most ambitious in the region. Along with the suspension of payments for three months for water, electricity and the internet, and a moratorium on rent and other monthly payments, Bukele has promised a cash transfer of US\$ 300 to 1.5 million Salvadorans (in a country of nine million people). The sum as such amounts to 271% of the monthly national urban poverty line from 2018, and 584% of the extreme poverty line. When spread over three months (the potential duration of the crisis) it is a more modest 90 percent. The government announced it would determine eligibility by level of electricity consumption in a household. The government site to register opened up on March 28th and collapsed immediately after because, according to the President, it received five million hits in the first five minutes.

In Mexico, as **Figure 6** indicates, 30% of households with children, and 32% of households with children in the lowest income quintile, did not receive any form of state transfers in 2012. Since

AMLO assumed power, he has sought to “trim” the public sector in the name of combatting corruption, and is also overhauling social assistance programs to centralize them and distribute assistance according to his own, revamped, criteria.

In this fluctuating and uncertain context, his approach to both the health and economic effects of the pandemic has, until March 27th, been to largely deny the seriousness of the pandemic. His executive decree allowing those over 65 or with a set of health conditions in the formal sector to be absent from work reaches a minimal share of the population, and his anti-poverty strategy until last Friday was to exhort all able-bodied individuals to continue to work. It is likely he will propose something in the coming days; however, his gutting of the public sector in the name of his anti-corruption initiative, and the politically motivated overhaul of the existing social assistance programs over the past year, make it uncertain as to how effective and efficient the delivery of such assistance will be, if and when it comes.

In Peru, as **Figure 6** indicates, 61% of households with children, and as Figure 7 indicates, 91% of households with children in the lowest income quintile, did not receive any form of state cash transfers in 2011. In this context, the President of Peru moved quickly to release immediate social assistance packages through executive decree to vulnerable households. The transfer is equivalent to 115% of the national urban per capita poverty line in 2018. It is targeted to the 2.7 million families in existing government programs, and will be distributed through the Ministry of Social Development.

The President has also promised a cash transfer in the same amount to another 800,000 self-employed and informal workers, which will be administered by the Ministry of Labor. It is unlikely, however, that transfers to just 800,000 workers and their families will include all the vulnerable households in the informal sector in a country with a population of 32 million people, and with very high levels of informality.

In sum, governments are mobilizing to assist vulnerable households. However, first, the amount of assistance is unlikely to be sufficient. In only three of the nine countries examined -El Salvador, Brazil and Peru- do the cash transfer amounts reach the per capita poverty level estimates. Moreover, the poverty levels are determined *per capita*, while the government transfers tend to be calculated by *household*, and in many countries it is unclear whether the transfers will be extended over a longer period of time. Second, the coverage is unlikely to reach all vulnerable households. While the governments have promised assistance to families in the informal sector that are not already part of government assistance programs, the numbers of recipients the governments have announced -from four million in Argentina, to three million in Colombia, to a meager 200,000 in Peru, in countries with a population of 44 million, 49 million, and 32 million, respectively, millions of vulnerable households will be left out in the cold if coverage is not increased. In both Chile and Brazil, the eligibility criteria -60% most vulnerable population in Chile, and all adults without other income in Brazil- are more likely to reach all vulnerable households, although in Chile the amount is meager. How effective targeting in Bolivia and El Salvador is remains to be seen; in Bolivia, the mechanism is all school children in the existing cash transfer program, which has high reach; in El Salvador, it is lower electricity consumption.

Next, we estimate what it would cost, in terms of GDP, to provide income support to all families with children and the vulnerable elderly, up to the poverty level in each country, for three months. The key message is: across Latin American countries, it is not that expensive.

C. A preliminary estimation of fiscal costs of a three-month income support strategy for families with children and the vulnerable elderly

Latin American governments face this crisis with less fiscal space than a decade, or even five years, ago. At the turn of the year, expected economic growth for 2020 was just 1.4%, and the year started with a regional unemployment rate of 8 percent. This said, now is not the time for fiscal austerity and, in fact, protecting the most vulnerable is not, as we show below, that expensive.

Coverage of the vulnerable population should not be thought of in this context as narrow targeting. On the contrary we want to reach a wide sector of the population that lacks savings and social security coverage. In most cases that population was already in poverty or close to the poverty line. But in order to throw a large social protection floor, we use the definition of ECLAC, which considers vulnerable all the population that live in households where per-capita income falls below 1.8 poverty lines. ECLAC should and most certainly will soon enough provide us with more updated estimates of these or other similar broad forms of basic social protection to deal with the social and economic effects of the pandemic. For now, this should suffice to demonstrate that for most of the region, this effort is affordable and that we must and can act quickly.

Figure 13 shows the percentages of people living with less than 2 per-capita poverty lines in the region by countries, with the most recent available data from 2019. This provides a first basic estimate of the coverage that we seek for the different countries (we estimate it at 1.8 poverty lines, so this a first rough estimate).

Figure 13. Share of population living with less than 2 per-capita poverty lines, by country

	0 to 0.5 PL	0.5 to 0.9 PL	0.9 to 1.0 PL	1.0 to 1.25 PL	1.25 to 2.0 PL	Percentage of population below 2 per capita poverty lines
Uruguay 2018	0,1	1,7	1,1	4,0	15,4	22,3
Panama 2018	4,6	8,1	2,2	5,7	16,0	36,6
Chile 2017	1,6	6,3	2,8	7,6	25,2	43,5
Costa Rica 2018	4,7	8,9	2,5	6,7	21,6	44,4
Brasil 2018	6,1	9,9	3,3	7,4	18,9	45,6
Peru 2018	3,4	10,3	3,2	8,5	24,3	49,7
Paraguay 2018	5,2	11,4	3,0	8,5	23,1	51,2
Ecuador 2018	4,8	14,7	4,7	10,1	25,2	59,5
Dominican Rep. 2018	3,9	13,6	4,5	11,2	26,7	59,9
Colombia 2018	9,2	16,7	4,0	10,1	22,4	62,4
Argentina 2018	4,9	14,9	4,5	13,3	26,8	64,4
Venezuela 2014	5,9	17,1	5,1	12,8	26,8	67,7
Bolivia 2018	11,9	16,7	4,7	11,1	24,0	68,4
El Salvador 2018	8,5	20,5	5,6	12,5	26,3	73,4
Mexico 2018	11,7	23,8	5,9	12,4	22,1	75,9
Guatemala 2014	22,0	23,6	5,0	10,7	18,3	79,6
Nicaragua 2014	16,3	24,8	5,2	12,7	21,9	80,9
Honduras 2018	22,1	27,9	5,8	10,5	16,6	82,9

Source: ECLAC, CEPALSTAT, 2019

Note: PL stands for poverty line.

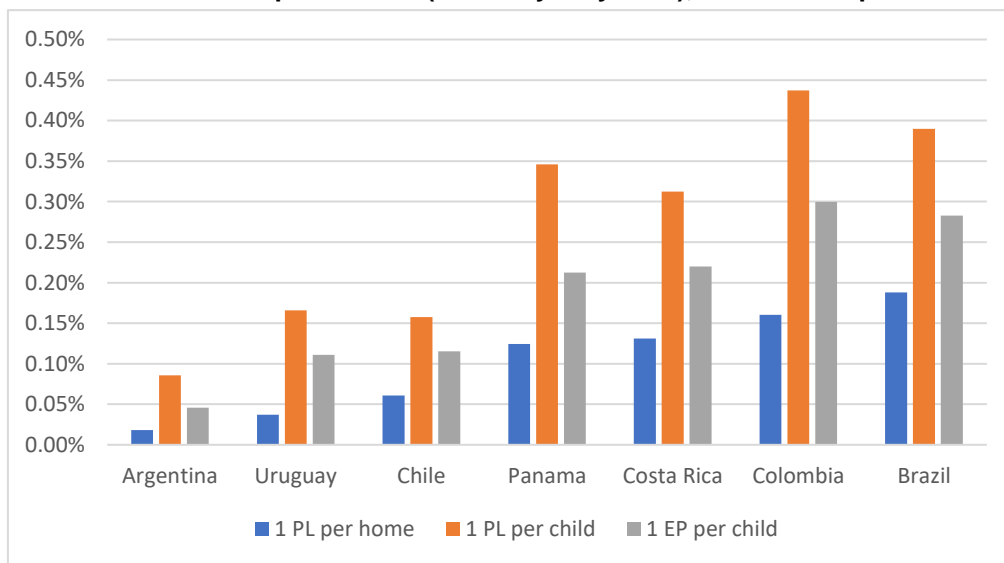
As **Figure 13** indicates, the vulnerable population, with our definition, ranges from 22 percent of the population in Uruguay, up to 83 percent of the population in Honduras. In Brazil, at 46

percent of the population, our estimate is similar to those made by the Brazilian economists last week regarding the population in need of assistance during the covid epidemic.

Next, we use the estimates that Filgueira and Espíndola (2015) calculated for a system of basic cash transfers for families with children and for those aged 65 years and older. While these estimates are dated and only cover part of the population in need support for (at least) the next three months, they do provide an order of magnitude of what is required in fiscal terms.

Figures 14 and 15 calculate the estimated costs, as a percentage of GDP, of cash transfers to vulnerable families with children, per country, for three months, under different parameters. Vulnerable is defined as below the 1.8 poverty line. The parameters are: 1 poverty line per household (1 PL per home), 1 poverty line per child (1 PL per child), and 1 extreme poverty line per child (1 EP-per child). **Figure 14** provides the estimates for the more economically developed countries and **Figure 15** for the less economically developed countries.

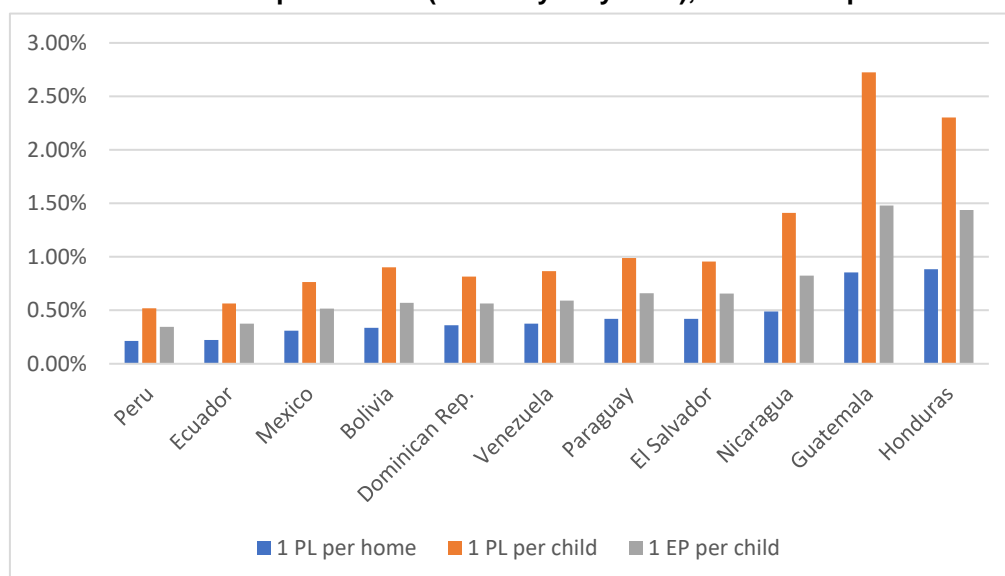
Figure 14. Net cost of transfers for vulnerable families with children under 18 years old, for three months under different parameters (as % of yearly GDP), more developed countries



Source: Own estimates based on Filgueira and Espíndola (2015)

Note: PL stands for poverty line. EP stands for extreme poverty line.

Figure 15. Net cost of transfers for vulnerable families with children under 18 years old, for three months under different parameters (as % of yearly GDP), less developed countries



Source: Own estimates based on Filgueira and Espíndola (2015)

Note: PL stands for poverty line. EP stands for extreme poverty line.

As **Figure 14** indicates, for the most economically developed countries of the region, providing transfers equivalent to one poverty line per child for the vulnerable population (households with children below 1.8 poverty lines) implies a fiscal effort equivalent to between 0.5% of GDP and less than 0.1% of GDP. The cost at the extreme poverty level, per child, ranges from 0.05% to 0.3% of GDP.

In the less economically developed countries, as **Figure 15** indicates, the cost is higher, but in all countries except Guatemala and Honduras, still below 2% of GDP, even with the most expensive parameters, ie. one poverty line per child. In Guatemala and Honduras, it reaches 2.7 and 2.3% of GDP, respectively⁴.

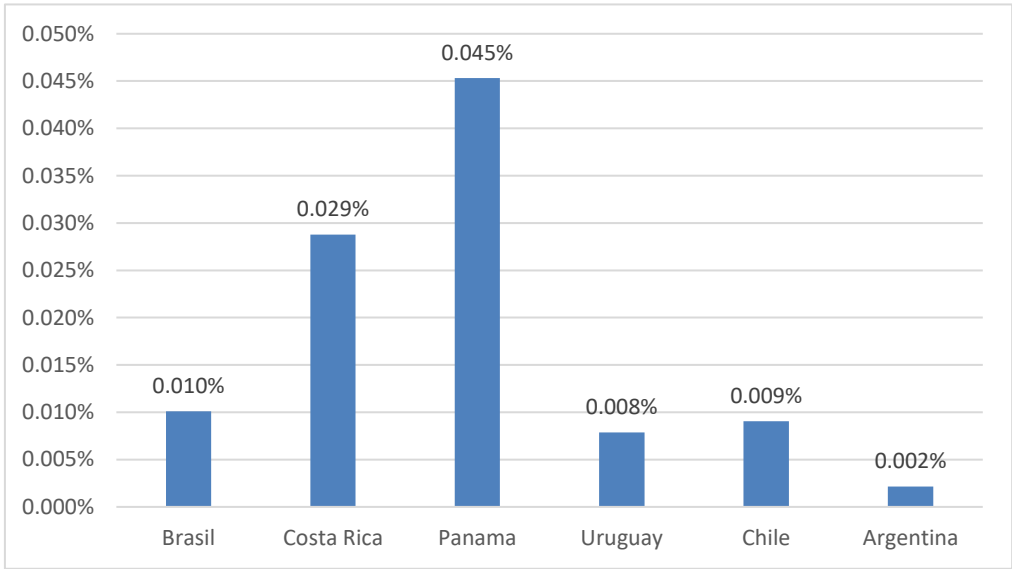
What the figures show is that ensuring a basic minimum income for vulnerable households with children for three months is actually quite affordable for most countries. In the cases of the least developed countries the amount represents more than 1 point of GDP given both the wide coverage and the limited resources they have. In these cases multilateral institutions should already be working with governments to provide support for some form of these transfers. In most other cases through their own fiscal space, debt or QE they should be able to move in that direction.

A similar picture emerges for most countries of the region when we look at the population aged 65 years and older. In most countries, many in this population either do not have access to pensions or the amount is mostly symbolic. Indeed, many older adults between the ages of 65 and 70 + do work and do so in the informal sector. Granting a poverty line income to this population will go a long way in securing basic access to nutrition and, as we show below, is affordable in most cases.

⁴ For the methodology used to estimate the coverage and costs of this system of transfers for each country see Filgueira and Espíndola (2015).

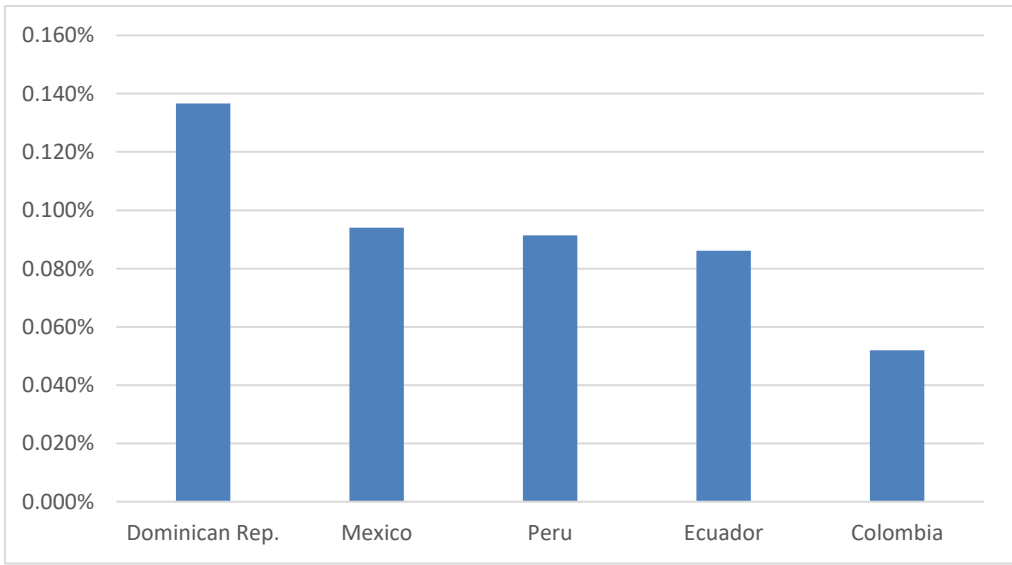
Figures 16, 17 and 18 calculate the estimated net cost. As a percentage of GDP, of providing one poverty line income to the vulnerable population aged 65 years and older, for three months. Figure 16 includes the most economically developed countries, Figure 17 those in the middle, and Figure 18 the least economically developed countries.

Figure 16. Net cost of providing one poverty line to vulnerable population 65 and older for three months as percentage of yearly GDP



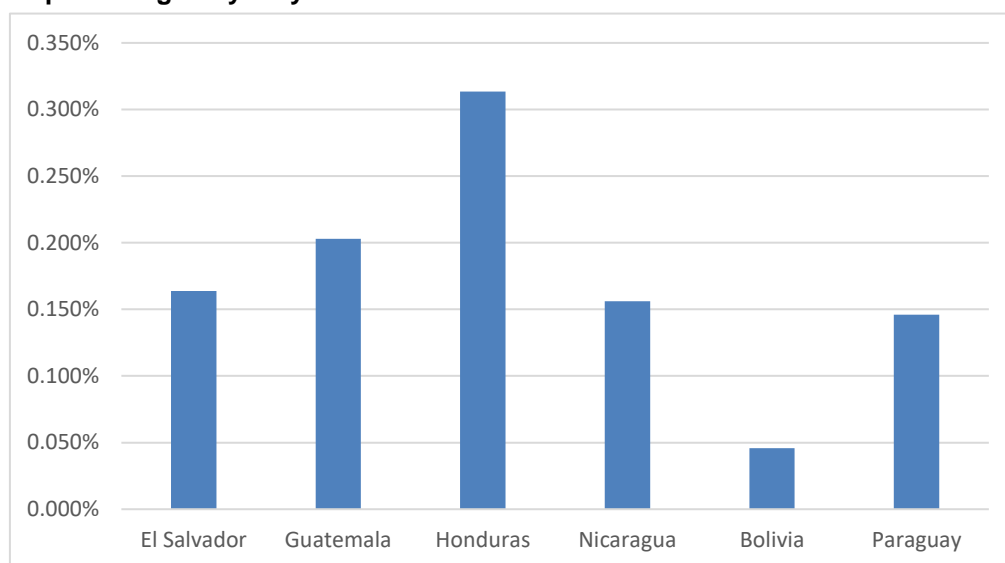
Source: Own estimates based on Filgueira and Espíndola (2015)

Figure 17. Net cost of providing one poverty line to vulnerable population 65 and older for three months as percentage of yearly GDP



Source: Own estimates based on Filgueira and Espíndola (2015)

Figure 18. Net cost of providing one poverty line to vulnerable population 65 and older for three months as percentage of yearly GDP



Source: Own estimates based on Filgueira and Espíndola (2015)

As **Figures 16, 17 and 18** indicate, providing cash transfers to the vulnerable elderly of up to one poverty line, would cost a very small share of GDP. These figures range from 0.002% in Argentina, to 0.313% in Honduras.

Taken together, then, the estimated cost for governments of providing one poverty line per child/elderly for the vulnerable population (households with children and the elderly below 1.8 poverty lines) implies a fiscal effort equivalent to between 0.5% of GDP and less than 0.1% of GDP, in the more economically developed countries. In its most expensive format, and in the least developed countries, the cost can amount to over 2% of GDP for Guatemala and Honduras, 1.6% of GDP in Nicaragua, just over 1% of GDP in Paraguay, and in the other countries, less than 1% of GDP.

Closing Remarks

COVID19 is and will reshape how we think about our societies, the role of markets and the role of states in radical ways. As of now the pandemic has forced governments to move in the direction of lock downs, quarantines and social distancing.

There is a huge asymmetry in how people from different social strata can cope with such radical distortions to life, markets and families. As the pandemic finds its exponential phase in the global south it becomes also clear that different countries in the world have very different tools available to both enact an effective epidemiological strategy and to deal with the socioeconomic disruptions the strategy brings with it.

In very simple terms we argue that a moderate- to radical lock down strategy is neither feasible nor sustainable unless a basic social protection floor -in the form of minimum income guarantees and continued access to basic utilities- is put in place. In the case of Latin America, we show both the limits and opportunities that the current infrastructure in welfare systems and in public utilities provides for putting in place such a floor. While governments are moving in the right direction, they are not providing enough of a floor or broad enough coverage. We show that fiscal costs are manageable and require swift decisions.

There is an apparent trilemma that needs to and can be confronted. You can have an epidemiological strategy of social distancing and quarantine, but without a social protection floor, you will either not be able to sustain it (because people will move to earn a living) or if you do it will be with immense social costs. Thus you will have to deal with increasing political pressures that will either lead to authoritarian solutions or to political chaos. In other words quarantine, basic social welfare and political stability cannot be sought together **unless** a social protection floor that includes basic utilities and wide coverage of cash transfers is put in place. There is no other solution that can maximize the epidemiological, social and political outcomes. Governments and societies can lock themselves into a trilemma that will lead to an epidemiological failure, a social catastrophe and/or a political melt down, or can choose a solution for it: basic guaranteed access to utilities and cash. In some societies depending on the tools available the latter can be a combination of cash and direct in kind delivery of basic food baskets, but in any case lock down requires these basic guarantees

Three criteria should guide action and further evaluation of such actions: coverage, timing and sufficiency. In other words, for an epidemiological strategy such as the ones the region is choosing we need to provide wide coverage of basic utilities and cash transfers, we need to do it now and we need to grant amounts and services that are enough for a three month lock-down of families and the economy.

These three criteria are also true from a social perspective. Unless we put in place the social protection floor, the social costs of the epidemiological strategy will be enormous. And this in turn should alert us to the potential impact that such social crises will have in political terms. A region that was already undergoing a process of increased political conflict and polarization can quickly evolve into a critical deterioration of democracy and political order.

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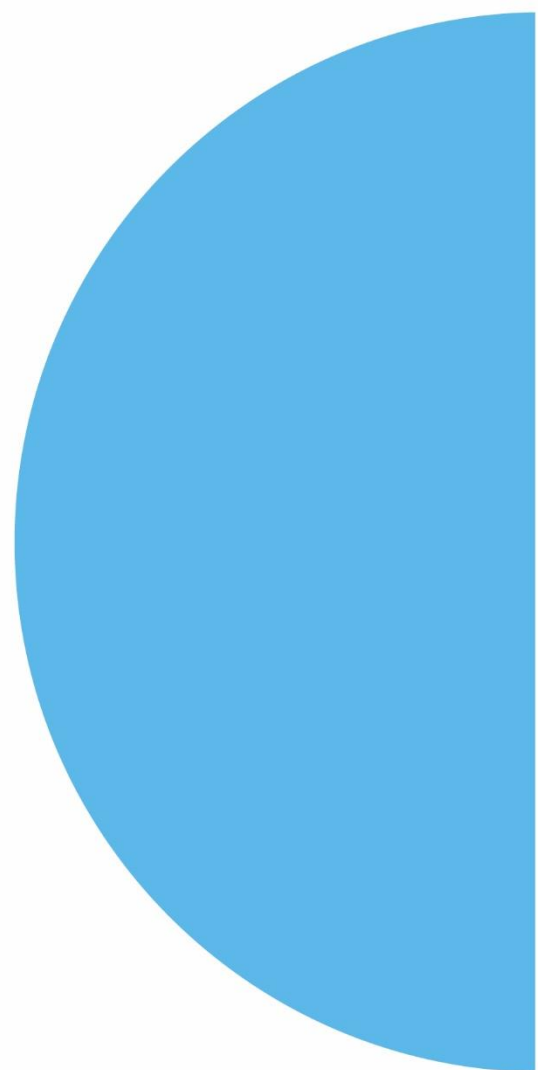
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