



EU-LAC Webinar

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



The webinar "The recovery as an opportunity for transformative social change: pathways towards an EU-LAC partnership for cohesive societies" took place on 1 December 2021 and was co-organised by the 2021 Slovenian Presidency of the Council of the European Union, the European External Action Service (EEAS) and the Directorate-General for International Partnerships of the European Commission (DG INTPA) in partnership with the EU-LAC Foundation and the OECD Development Centre. The webinar was moderated by Mr. Tine Rus, diplomat at the Permanent Representation of Slovenia to the EU. The [recording](#) is available on the [website](#) of the EU-LAC Foundation.

Background and Objectives

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. With the outbreak of the COVID-19 pandemic, 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 (SDGs). In this scenario, the recovery from the pandemic

¹ UNDP Human Development Report 2021.

represents both a challenge and 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 objective of the event was to 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. The webinar was opened with a presentation of the main findings and recommendations of the 2021 Latin American Economic Outlook (OECD/ECLAC/EU/CAF), which feeding into the framework of Development in Transition, delves into options for rethinking the social contract and the role to be played by international cooperation.

The webinar brought together a wide range of leading experts from both the EU and LAC, 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.

Opening Remarks

Dr Stanislav Raščan, State Secretary, acting as Minister for Development Cooperation, Ministry of Foreign Affairs of Slovenia

After introducing all the organizers and thanking them for their presence, Dr Raščan explained that in essence, the idea of this event is to address two key elements: changes and opportunities in the context of the post-COVID-19 recovery.

The pandemic produced a very negative impact on social cohesion in Latin America, the Caribbean and in the European Union, with millions of people pushed into poverty, rising inequalities, aggravating difficulties for women and vulnerable groups and increasing social tensions. Given this concerning scenario, recovery cannot be interpreted simply as an attempt to getting back to pre-pandemic trends, but rather as an effort to implement structural changes which take into account persisting structural vulnerabilities and the traps of development in transition.

The issue of social cohesion has traditionally featured very highly in the joint priorities between the EU and the LAC region as identified by the EU-CELAC joint statements. Well before the COVID-19 pandemic, the EU and Latin American and Caribbean countries have been interconnected and cooperating with each other towards more inclusive policy design and partnerships. Yet at the present context, the opportunity of “building back better” is even more important not only in the sense of the greater urgency to address the challenges of social cohesion, but also due to the emphasis on the renewed commitment of the EU-LAC partnership in supporting these efforts.

The 2021 Slovenian EU Council Presidency has come at a time of truly positive dynamic for EU-LAC relations, with engagement stepping up at different fronts: there are more visits from and to the

LAC region; the current cycle for cooperation is about to be concluded and new initiatives are being discussed; and lastly, the EU-LAC Leaders' Meeting on 2 December 2021 is yet another key element of this strengthened engagement. Hence, there is presently a political momentum for advancing the EU-LAC partnership, and the question is how to use it best.

According to Dr Raščan, finding the right transformative path to address the challenges of social cohesion is difficult, partly because there is no absolute formula. Each country must first define its own objectives and the model it wishes to pursue. Nevertheless, there is much the EU has to offer with its long experience of defining and adapting its socioeconomic model to the diversity of its member states, including Slovenia itself.

Since its independence thirty years ago, Slovenia has overcome many important challenges of transition. The country is ready to share what it has learned in terms of gender equality, minority rights, social protection systems and social inclusion for ageing groups. Not least, considering that sound fiscal policies are of vital importance for a social cohesion-oriented transition, Slovenia is glad to foster the dialogue with the LAC region and share its expertise in the fields of public financial management. In this sense, the EU will look for mutual engagement at various levels and fronts of the biregional partnership for rebuilding a strong, resilient, inclusive, and cohesive bloc.

Ms Myriam Ferran, Deputy Director General, Directorate-General for International Partnerships, European Commission

Ms Ferran started by praising the particularly timely organisation of this event, as it came on the eve of an important EU-LAC Leader's Meeting and the disclosure of the 2021 Latin American Economic Outlook (LEO).

The COVID-19 crisis has produced a very strong impact on socioeconomic development throughout the globe, whereby the LAC region has been especially affected. The crisis has exacerbated structural weaknesses of societies, with impacts on women and children, low-skilled workforce, as well as on those living on informality. Under such circumstances, the EU wants to seize the opportunity to renew its commitment to supporting socioeconomic development in the LAC region and using Building Back Better as an important notion to abide by.

Traditionally, the EU has been standing by the LAC region and cooperating with all tools available and to the best of its ability. One key feature of the EU support is the preference for inclusive structural policies, which means placing social cohesion at the core of the EU-LAC partnership and recognizing the need for more inclusive policy design. As the EU's backbone for supporting social cohesion in LAC since 2005, the EUROsociAL programme contributes to the reduction of inequalities, the improvement of levels of social cohesion and institutional strengthening in 19 LAC countries. It is a cooperation programme between the EU and LAC that supports processes of design, reform, and implementation of public policies, focusing its action in the areas of gender equality, democratic governance, and social policies.

The EUROsociAL+ programme is financed by the European Commission and has been providing a space for peer learning and the exchange of experiences between counterpart institutions in both regions, favouring the use of a wide range of tools relevant to each process. Moreover, with the

launching of the “Adelante” Programme in 2015, Triangular Cooperation has been adopted as an innovative partnership modality, meaning increased horizontal support between LAC countries themselves. Adelante co-finances projects in different thematic areas, in several countries and with diverse types of stakeholders, starting from different means of collaboration among them and with different intervention strategies. This new initiative translates the need for an inclusive multidimensional strategy and putting the public institutions at the core of the answer to the socioeconomic challenges in LAC.

On the pathway to digital transformation, the EU believes that its initiatives must promote the wider geographical presence of the state in remote regions and representation of citizens from disadvantaged communities. The newly devised *Team Europe Approach* presents an optimal framework for merging forces between EU institutions and member states in articulating financial and technical assistance for LAC countries. As a guiding principle for EU international cooperation, it has successfully increased the leverage and transformational impact of structural EU policies in the LAC region.

1st Panel: Social cohesion in the 2021 Latin American Economic Outlook

Ms Ragnheiður Elín Árnadóttir, Director, OECD Development Centre

Responding to the question of “why should we strengthen the social cohesion in the region?”, Ms Árnadóttir referred to the latest findings of the 2021 LEO, which is jointly produced by the Organisation for Economic Co-operation and Development (OECD) Development Centre, the United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC), the Development Bank of Latin America (CAF) and the European Commission.

Ms Árnadóttir highlighted the following facts reported by the 2021 LEO:

- 45% of the population in the LAC region lives in households which depend solely on informal employment.
- 8 out of 10 women in LAC are employed in services, commerce, tourism and hospitality, economic sectors which have been hit the hardest and endured the most job losses during this crisis.
- The number of weeks of full school closure between March 2020 and March 2021 is 70% higher in LAC than in OECD countries.

Therefore, clearly the impact of the COVID-19 crisis has hit an already vulnerable social structure with disproportionately affected groups such as informal workers, women, and youth. Although governments’ policy responses have been swift and well targeted, they did little to alter the unequal structure of the labour market and could not stop the increase of poverty and inequality across the region. Moreover, efforts to reduce poverty were not built on the foundations of social protection. These phenomena characterize the so-called social vulnerability trap: people with low-quality informal jobs and poor social protection coverage are unable to invest in their family’s human capital, finding themselves trapped in a vicious circle.

Nevertheless, the recovery from the pandemic should be embraced as a unique opportunity to set a new transformational agenda in motion by better adapting current social protection mechanisms to the region's labor market dynamics and workers' different skills. This may help to create a more inclusive formal sector, for instance, of part-time workers and those working in the digital economy. The protection measures put in place throughout the crisis are a steppingstone towards universal social protection systems that must target vulnerable populations, especially those previously not covered by traditional social protection mechanisms, by adopting a household perspective of informality.

Policymaking does not take place in a vacuum. The LEO 2021 further highlights a low level of trust in government institutions - only 38% of citizens in LAC trusted their governments in 2020, down from 45% in 2010. The process of reaching consensus for key reforms must be inclusive and must mitigate the distributional impacts of the reforms; and in the context of disinformation, it must involve effective communication on the costs and benefits of the reforms. Furthermore, creating quality jobs and boosting environmental resilience must be promoted through fairer fiscal frameworks, stronger institutions and citizen-centric public services. These are the foundations of a renewed social contract in the LAC region.

Mr Alberto Arenas, Director of Social Development Division, UN ECLAC

Mr Arenas has pointed out that the LAC region is highly over-represented in COVID impact indicators: LAC makes up 8.4% of the global population, but around 30% of COVID-19-related deaths and 18% of infections. The region also leads sectorial indicators such as deaths among people under 60 years old, which in the first half of 2021 were higher than all deaths in this age group in 2020.

Despite the enormous impacts of the pandemic, it is important to note that LAC is also lagging in the vaccination effort. Most countries in the region are below the World Health Organisation (WHO) target of 40% of the population vaccinated by the end 2021 whereas there is an asymmetry between countries such as Chile, Cuba and Uruguay, with more than 70% of the population fully vaccinated, and other countries such as Jamaica, Venezuela, and Bolivia with less than 40%. There are also distinctive intra-regional asymmetries - the most recent data from November indicates an average rate of 52% complete vaccination in Latin America and only around 30% in the Caribbean.

Although in the last 15 years the region has managed to reduce inequality as shown by the evolution of the GINI index, the worsening of socioeconomic indicators is set to alter this trend. One of the main challenges in terms of social cohesion is the asymmetry in the labor market, whereby 54% of workers in the LAC region live in informality. Notably, over the last two years, there has been a reduction of labour participation rates and a loss of employment income particularly affecting women. Yet, the significant effort undertaken by regional governments to provide emergency relief through cash transfers has not been able to significantly reduce unemployment rates or the loss of employment income. In consequence, the pandemic has reduced access to social protection systems, as fewer people are making contributions to such systems.

Prospective social protection policies must take into account new challenges such as the rising rate of people who are moderately or severely at risk of food insecurity and an overall scenario of low institutional trust. Surveys indicated an average 35% of reliability in all the institutions analysed,

showing that the low degree of legitimacy is a major challenge for strengthening social cohesion in the region. These phenomena point out to a great sense of urgency to move towards multidimensional and inclusive strategies for structuring universal and comprehensive social protection built on new sustainable fiscal pacts. The number of social indicators affected by the prolonged health crisis brings an opportunity to move the frontiers of what is possible, towards the erection of welfare states in LAC.

2nd Panel: Presentation of the priorities for 2021-2027 EU-LAC cooperation on social cohesion

Mr Marc Litvine, Senior Expert and Head of Sector, Unit for Central America, Caribbean and Regional Operations, DG-INTPA, European Commission

Currently, the main channel for the EU to cooperate on social cohesion issues in LAC is the EUROsociAL+ programme, complemented by some instruments such as the Spotlight Initiative. EUROsociAL+ operates on a demand-driven approach and provides technical assistance to modify and improve public policymaking in the LAC region. It is based on peer-to-peer learning with a triangular dimension: exchanges take place not only between countries from opposite sides of the Atlantic, but also between the participating countries in LAC themselves.

Upon recent evaluation, EUROsociAL+ has shown good results and maintains a high demand, proving it has been properly adapted to the COVID-19 context. Nevertheless, EUROsociAL+ must be adapted further to respond to increasingly challenging demands. In this sense, the conclusions of the LEO 2021 report are an essential steppingstone to EU-LAC cooperation, as the report highlights very urgent socioeconomic issues and places human wellbeing at the core of recovery effort.

Adapting the findings and recommendations of LEO 2021 into the activities of EUROsociAL+ means putting an effort into responding the following questions: how to bring new participants and involve different actors in the EU-LAC cooperation process? How to target more specific groups? How to go beyond the demand-driven approach and act more strategically? How to encompass new demands such as health and education projects? How to address the phenomenon of informality? How to promote the multidimensional approach in the cooperation process? How to incorporate more countries in the Caribbean (currently only the Dominican Republic) and how to deal with different languages?

These matters must be understood and addressed as questions of strategic autonomy for EUROsociAL. Renewing the EU-LAC policy dialogue and tackling the development challenge in a flexible way is now more pressing than ever.

3rd Panel: Exploring the pathways towards an EU-LAC partnership on cohesive societies

The panel included Mr Philippe Létriliart, Deputy Director for the Americas at the Ministry for Europe and Foreign Affairs of France; Mr Carlos Fabián Muñoz Tejada, General Coordinator of Advisors in the Ministry of Finance, Investment and Administration of the Guanajuato State Government, Mexico; Ms Andrea Costafreda, Programme Director for Latin America and the Caribbean at Oxfam Intermón; Ms Jana Repanšek, Director of the Center of Excellence in Finance, Slovenia; Ms Inmaculada Zamora Martínez, Secretary General of the Ibero-American Foundation for Administration and Public Policies (FIIAPP), Spain; Mr Alexis Cruz Rodríguez, Vice Minister of Economic and Social Analysis at the Ministry of Economy, Planning and Development, Dominican Republic; and Ms Carmen Marín, Minister of the Management Unit of the Presidency and General Coordinator of the Social Cabinet of Paraguay.

The third panel of the webinar was moderated by Dr Adrián Bonilla, Executive Director of the EU-LAC Foundation. After introducing the panellists and thanking them for their contribution, Mr Bonilla directed questions on issues specifically related to each organisation in order to start the discussion. Panellists introduced their organisations activities, missions and values, and explained the importance of EU-LAC cooperation in the social cohesion agenda. The main conclusions of this panel can be summed up as such:

- Economic contraction during the past two years has led to an alarming increase in poverty in the LAC region, with critical issues such as access to health services and social protection. Several countries of the region such as Colombia, Chile and Cuba saw important social movements in response to the crisis, while governments responded with budget plans to relaunch the economy. But this economic reactivation often did not consider the social cohesion dimension.
- In the eve of the 2022 French Presidency of the Council of the EU, the government of France will continue to prioritize technical cooperation with LAC. Through the *Agence française de développement* (AFD), it has supported specific emergency aid mechanisms in Brazil and Bolivia and financed the export of free or preferentially priced vaccines through the COVAX program.
- According to the mandate of the AFD for the year of 2019, French cooperation in the region has established the fight against climate change and against inequalities as priorities. In their view, tax and transparency issues are also closely related to socio-economic development, whereas the issue of employment goes through education, training and formalization policies. Successful examples have been the regional public health project in Colombia, a partnership between AFD and the Inter-American Development Bank (IDB), which highlighted the role of women as an accelerator of social cohesion, and the global program “Socieux +”, which made achievements for the social policies of employment and work formality in LAC.
- In Mexico, EU cooperation through EUROsociAL+ allowed for public policy design adapted to the characteristics of the State of Guanajuato, whereby projects were modelled after the local environment and the organizations involved. EUROsociAL+ provided several tools for the review of public spending that have been permanently adopted as mechanisms for evaluating

public policies in Guanajuato, such as gender-sensitive budgeting. With this, the budget model of Guanajuato has acquired a characteristic of inclusion of minority groups.

- Given the need for institutional strengthening identified by LEO 2021, government organizations need to rebuild trust and its structures must provide stronger social responses, acting as multiplier agents. EU-LAC cooperation with the State of Guanajuato in Mexico is a successful example of international cooperation action that had a direct impact in improving the local institutional framework.
- Sponsoring more diverse and inclusive partnerships is of ultimate importance to recovering the legitimacy of the EU as a strategic ally in the provision of global public goods in the post-COVID-19 world (e.g., COVAX programme) and as a leader in the process of sustainable transition. In practice, this will require restructuring the relationship with LAC as a horizontal one despite historical asymmetries of power between the two regions.
- OXFAM estimates that it will take a decade for the region to return to 2019 socioeconomic levels. Reversing the impact of the crisis will require an intersectional approach, as inequalities have been multiplied for specific groups, and a focus on strengthening democratic institutions. That is because the percentage of those who support democracy in LAC has been decreasing, for the most part among young people from the middle and upper classes. Given these challenges, it is imperative to foster new forms of hybrid policies which take into account the community level and the importance of creating the democratic space for change and reversing the regression of civil and political rights in LAC countries.
- In Slovenia, the Center of Excellence in Finance has been promoting structural reforms in Southeast Europe by focusing on the improvement of fiscal frameworks. It has cooperated with member countries and countries aspiring to join the EU through the assistance of the EU Commission, OECD and SIGMA. Its main objective is to inspire financial officials to shape institutional governance support their public financial management, tax policy and administration, and central banking reform efforts. We do this through innovative, participatory, and practical learning solution, while dealing with intraregional such as brain drain and the ageing population.
- In the Dominican Republic, EU cooperation has been essential in the efforts for concluding a successful energy transition, resulting in a drastic reduction of coal-based power plants and heavy investment on renewable energy. In terms of digitalization, programs such as the national broadband plan have been connecting the unconnected and bringing the internet to remote communities. This effort is strongly interconnected to the improvement of the quality of jobs and the coverage and quality of basic services. However, there remains a series of reforms such as the reform of public management, the strengthening of planning and the public investment system, reform of the regulatory law. Possibly the biggest challenge for EU-LAC cooperation in the next decades is how to potentiate redistributive mechanisms in LAC and how to make tax systems more progressive.

- The COVID-19 pandemic did nothing but expose and make visible the structural problems of the region, and thus accelerated many of the changes that were about to be implemented - strengthening the health system, protective measures for employment, and measures to strengthen social programs. Due to the informal structure of employment, it has been very challenging to implement these programs and reach those most affected by the health crisis. In 2020, Paraguay was the country with the smallest drop in terms of economic activity, and it even managed to reduce its extreme poverty rate due to an efficient implementation of social protection policies. However, with the increase in social vulnerability due to the effect of inflation, Paraguay is working on short- and medium-term measures, such as providing subsidized basic food basket products. In this regard, the leadership of the public sector and its alliances with the private sector is of fundamental importance and must be strengthened.

Closing Remarks

Mr. Brian Glynn, Managing Director for the Americas, EEAS

Mr Glynn thanked the speakers for their insights and valuable contributions. According to him, the event has been particularly valuable because it opened a space for exchange, creativity and cooperation, bringing a new body of fresh research on socioeconomic dynamics in LAC.

From the series of discussions, participants and attendees were exposed to how interconnected social cohesion challenges are, including the issue of democratic representation and the urgency to make social and fiscal policies fairer - particularly for groups like the young, women and indigenous people. More resilient societies are better placed to face systemic threats, and therefore we must invest in strengthening the inclusiveness and cohesiveness of our societies.

The popular dissatisfaction has been built over time and it is now translated into fragmentation and polarization of societies in both sides of the Atlantic. However, recent developments such as the enactment of the Chilean constitutional reform, with the special protection of the rights of indigenous communities and women, are interesting examples of how democratic engagement can prevail.

The LAC region is closer to the EU than any other region in the world in terms of identity, history and values. 2020 and 2021 have shown a renewed interest on both sides to reaffirm ties and relaunch high-level political dialogue, including the leaders meeting from the EU and LAC on 2 December, to work on a joint agenda for a sustainable, digital and inclusive recovery. Mr Glynn stressed the need to strengthen bi-regional dialogue on social cohesion and inequalities in order to rethink together the social contract in a way that is conducive to transforming our societies and achieving the SDG targets.

The 2021 Slovenian Presidency of the Council of the European Union, the European External Action Service (EEAS) and the Directorate-General for International Partnerships of the European Commission (DG INTPA) in partnership with the EU-LAC Foundation and the OECD Development Centre thanks the participants for their contributions and assistance.

Report written by Felipe Minhoni Della Posta, EU-LAC Foundation

Report revised by Simón Ladino Cano, EU-LAC Foundation

Edited by Ernesto Jeger, EU-LAC Foundation

December, 2021

