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## **The Main Challenges and Opportunities Facing the Americas and the Role of the Joint Summit Working Group (JSWG) Entities**

### **Preliminary Inputs of the JSWG for the Preparatory Phase of the Ninth Summit of the Americas**

The Ninth Summit of the Americas in 2021 will take place as the region recovers from the wrenching effects of a global pandemic whose tragic impact, whether measured by its human toll or its devastating socio-economic consequences, is beyond anything previously experienced in an area well acquainted with disaster.

At the time of writing the Western Hemisphere has recorded 549,807 deaths. Efforts to respond have been intense and far-reaching, both on the part of the countries of the region and the multilateral agencies represented by the Joint Summit Working Group (JSWG). Initial shortages of personal protective equipment (PPE) have been ameliorated and new COVID-related protocols have been implemented in most jurisdictions slowing the rate of infection. Urgent problems of food security and international transport have been largely contained.

That notwithstanding, the dimensions of the problem have severely tested the limited capacity of governments in the region to respond adequately. Pre-existing structural problems of inequality and exclusion, oversized informal sectors, underdeveloped fiscal capacity, excessive levels of indebtedness, meagre levels of intra-regional trade, inadequate infrastructure and low levels of digital penetration have worsened the economic and social consequences of the pandemic.

In many cases the impact of measures intended to contain contagion, and the consequences of economic downturn fall most heavily on impoverished and marginalized sectors, especially women, migrants, and indigenous peoples. Notably, the region is facing one of the worst displacement crises in Latin America's recent history. Approximately five million migrants and refugees have left Venezuela and many face increased vulnerability to the pandemic. The measures above have had a devastating impact on labor markets, with a loss of working hours equivalent to 105 million full-time jobs, an unprecedented drop in formal and informal salaried employment, and unprecedented declines in earned income, more detrimental for the most vulnerable people.

The risks that apply at this moment are considerable. In the absence of a coherent response at the national and regional level, the Hemisphere risks not only an extended period of low or negative growth, but a significant regression of progress made in poverty reduction and socio-economic development over the last two decades. If exacerbated by weakened democratic governance, insufficient transparency and outright corruption, the consequences will be even more far reaching, which will have bigger impact on the deepening of a fragile governance in the Americas.

Returning to “business as usual” will not deliver a strong, sustained, quality recovery that substantially raises income per capita and reduces inequality. A new paradigm is needed. At minimum the Summit needs to put the Hemisphere on a course to achieving resumed health and economic recovery. However, in the view of the JSWG it represents a singular opportunity to go further than that, including in addressing the underlying structural problems that have for decades served as impediments to growth and wellbeing in the region. Strengthened intra-regional trade and investment can serve as important catalysts that will permit the important structural reforms necessary to improve social, economic, and environmental and governance outcomes in the Americas.

As the preeminent forum of hemispheric integration and coordination, the Summits of the Americas process offers an important opportunity to galvanize a coherent response by the Leaders of the Hemisphere and the countries that they represent. The institutions that make up the Joint Summits Working Group have been active since the outset of the pandemic, including in convening four high-level meetings since April that have considerably advanced our thinking and coordinated response. We welcome the opportunity to work with and advise the incoming Summit presidency, the United States in preparation for the Ninth Summit of the Americas, and in strengthening the Summits process as a tool of regional governance and integration.

Following below are some initial considerations that may be developed together with advice received from other Summit partners in the private sector and civil society. They fall into two inter-related areas:

- Support for sustainable economic recovery, and
- Strengthening democratic practice and the rule of law

### **Support for sustainable economic recovery**

Life, health, and well-being are essential and constitute prerequisites to reactivate the economy. Protecting and promoting people’s health should be the basis of a strategic initiative aimed at long-term growth and development in the economic recovery phase. As efforts continue to mitigate COVID-19, the countries of the Americas should prioritize, build, and incorporate resilience into their societies and health systems in the context of the targets established under the sustainable development goals (SDGs).

During the recovery phase, implementation of a set of enhanced, long-term measures is needed, which seek to maximize both people’s health and the likelihood of economic and social recovery. Comprehensive fiscal, labor, social protection strategies to address persistent levels of informality is needed.

It is necessary to strengthen health and safety measures at work to guarantee a safe return to workplaces and a stable operation of companies, promote greater economic formality, strengthen social protection systems, including the development of national social protection floors that protect the most vulnerable and address the vulnerabilities of specific populations and territories using a rights- and gender-based approach. During this phase, as in prior ones, health, social protection, and the economy should go hand in hand.

Latin American and Caribbean economies are particularly exposed to the impacts of COVID-19, which will lead to a 9.1% drop in economic growth and an even deeper recession than that brought about by the 2008-2009 global financial crisis or the Latin American debt crisis of the 1980s.

Given this outlook, it is proposed that the focus be on policies aimed at fostering stronger growth and productivity.

Preparation of fiscal frameworks providing sustainability and equity that ensure broadening the tax base and a progressive tax structure are suggested, coupled with a review of tax benefits, and the imposition of taxes on multinationals and the digital economy.

Traditional external sources of capital, including the multilateral development banks continue to play an important role, but insufficient to current requirements. As a region composed mostly of Middle-income countries, current limitations on access to concessional financing present problems that must be addressed, particularly for the Caribbean region where service sector (tourism) revenues have been slashed and are unlikely to recover quickly.

Foreign direct investment has fallen off importantly in 2020 and needs to be urgently addressed. To ameliorate this, innovation is required to encourage private sources of investment and finance. Where applicable, new, more flexible approaches to debt restructuring are likely to be required to allow countries to return to international capital markets. Regulatory obstacles that impede foreign direct investment also need to be addressed rapidly and measures adopted particularly to move investment from traditional commodity-heavy areas of economic activity to new areas offering higher returns and generating higher quality employment. Strategic approaches to investment need to be devised, and barriers to efficiency must be lowered. This will be particularly important to harness the potential of the private sector to be part of the solution on digital penetration, accessing renewable and sustainable energy sources, and environmental remediation.

The difficulties of the crisis will be enormous for large segments of the population, thus, the idea put forward is to address social inequalities, and level the playing field in economic opportunities for the most vulnerable (women and youth) by equalizing opportunities; re-enter labor markets through revamped active labor market policies, training, and reforms to labor market regulations. Particularly needed, access to high-quality education and equal access to health; unequal access to financing; and unequal access to product markets, which, furthermore, disproportionately affect indigenous peoples, peoples of African descent, and women. Inclusion of a gender perspective in policies aimed at economic recovery is encouraged.

Countries in the region should ensure and universalize connectivity and affordability of digital technologies to cope with the consequences wrought by the coronavirus pandemic. This includes spurring productive transformation, promoting digital trust and security, strengthening regional digital cooperation, and furthering a new model of digital governance.

Greater emphasis should be given to the digital economy (in terms of digital infrastructure, digital platforms (including for public and private sector services), digital financial services, digital entrepreneurship, and digital skills) as a key plank of economic transformation post-COVID (building on the accelerated use of digital public services in governments and digital payments in firms, for example, as a silver lining of the pandemic).

With respect to integration processes, economic and trade integration should be intensified, promoting regional blocs and increasing investments in infrastructure to facilitate regional trade and foster intraregional commercial chains. By the same token, emphasis should be given to trade facilitation, eliminating regulatory obstacles thereto and intensifying the use of e-commerce, and the reduction of non-tariff barriers; stronger debt and contingent liabilities management; greater debt transparency.

Recommendations by the Americas Business Dialogue (ABD) should be deepened, updated and implemented, both as regards issues of transparency and integrity, as well as the agenda developed in said mechanism for private-sector participation. At the national level, spaces for tripartite social dialogue, where workers, employers and governments can reach national agreements that promote productive development and decent work, should be strengthened. A renewed state-owned enterprise (SOE) reform agenda is needed.

At the same time, the energy transition should be spurred through development of renewable energies aimed at diversifying the region's energy matrix. Transition of just energy that favors investments with a high coefficient of quality job creation.

Regarding employment, it is necessary to reach consensus, through tripartite social dialogue processes, around a broad set of policies that promote productive employment and formalization, favor the development of companies, and guarantee that the training of workers responds to the new demands of the digital economy.

With regard to telecommunications, there should be promotion of regional discussion, cooperation, and coordination on telecommunications/information technology policies, development, and standardization in order to improve social, economic, cultural, and environmental development in the Americas.

The effects of COVID-19 have impacted food security and nutrition in a complex manner, whereby agriculture needs to take on a central role in recovery strategies, inasmuch as it is a strategic sector for the Hemisphere's future.

Last, but not least, it will be necessary to: rethink institutional mechanisms for agriculture, as well as incentivize intersectoral and interagency coordination to ensure the complementarity of interventions related to food security; reconsider the technology agenda and intensive use of the digital agenda; promote regional trade and integration while avoiding overregulation of sanitary protocols; ensure the free movement of persons and trade across borders; support domestic and short food supply chains from family farming, as well as functioning of regional and international chains.

### **Strengthening democratic practice and the rule of law**

Furthering democratic processes and strengthening the rule of law in the region continue to be pressing issues, especially in the current context; indeed, the crisis has evidenced the State's responsibility to take measures to prevent and mitigate the consequences brought about by the crisis.

Against this backdrop, on the eve of the twentieth anniversary of the Inter-American Democratic Charter, we must redouble efforts to strengthen democracy in the countries of the region, giving prominence to the separation of powers as a counterweight to public authorities' scope of discretion, which is heightened during a state of emergency.

The focus should be on bolstering the principles and values set forth in the Charter, reiterating the significance of the separation of powers and the defense of the fundamental rights of citizens. Furthermore, even under the restrictions imposed by the pandemic, and its numerous implications for the enjoyment of civil and political rights, it is important to ensure that elections are held.

In governance institutions, the crisis has given rise to new transparency and integrity challenges to limiting risks of corruption in managing financial and material resources for crisis mitigation and recovery. These include, but are not limited to contracting and procurement. During the recovery phase, it will be necessary to deepen this agenda and require the private sector's involvement. Strengthening transparency and governance measures in public procurement will have to rely on technologies to this end. With regard to resources to address COVID-19, as follow-up to the provisions set forth in the Lima Commitment, it is necessary to expeditiously establish specific measures enabling identification of accounts, budget lines, and procurement plans that include the records of final beneficiaries, as well as to conduct independent audits of those funds.

The extensive use of data necessitated by the pandemic will hasten discussion on data protection, whereby countries should update their policy and institutional frameworks. To this end, the proposal laid out encourages implementation of the Inter-American Model Law 2.0 on Access to Public Information as a tool for human rights protection, as well as informed decision-making by citizens on the risks they face, the actions of their governments, and the measures that each person, community, and business must consider in their respective context. Additionally, the importance of concluding the establishment of the Inter-American Open Data Program to Combat Corruption (PIDA) in 2021 is underscored.

Attention should also be given to increasing effectiveness of State anti-money laundering (AML) control measures and anti-corruption mechanisms, including those in the framework of procurement due to the emergency, politically exposed persons (PEP), and non-profit organizations.

Similarly, and in keeping with the commitment of the Chair, States participating in the Summits Process and the JSWG entities should continue implementing the anti-corruption agenda of the "Lima Commitment: Democratic Governance against Corruption."

The health crisis, which has already become a socio-economic crisis, has manifested itself in profound social discontent, which requires strengthening forum for dialogue, participation, and social consensus to address long-term challenges that the recovery phase entails.

It will be key to ensure that national efforts to recover from the pandemic include the most vulnerable segments of the population—including migrants and returnees.

Lastly, it is considered essential that coordination and collaboration among the entities that comprise the JSWG continue to be strengthened, in the interest of furnishing countries in the region support to implement the Summit mandates, including those that emanate from the upcoming Summit of the Americas.