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PRESENTATION BY THE UNITED NATIONS ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC) ON THEMATIC PRIORITIES FOR THE REGION

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Vice Minister of Foreign Affairs of the Dominican Republic, Rubén Silié; Secretary General of the OAS, Luis Almagro; Ambassador Lambert; Summits Secretary, Maria Celina Conte:

Context:

Latin America and the Caribbean face multiple crises that threaten to deepen the region's historical inequalities. In addition to a low-growth trend that undermines the possibility of creating better jobs (regional growth averaged only 0.8 percent between 2014 and 2023), there is an environmental crisis that may jeopardize growth and social progress. This comes in addition to the high financing costs faced by the region as a result of high interest rates in the more advanced economies.

While levels of public debt have declined, they remain high and, together with rising financing costs, constrain fiscal headroom. In fact, debt service in the region's economies is at its highest since 2010. Most countries devote more resources to debt interest payments than to public investment, which is detrimental to economic growth, productive development, and investment in actions to counter climate change, as well as hindering the fight against inequality.

The region should intensify productive development policies with a focus on strategic and dynamic sectors, pursue policies to promote public and private investment, and adjust the financing framework to improve resource mobilization. The Economic Commission for Latin America and the Caribbean (ECLAC) recommends a sectoral approach: an integrating vision that promotes productive transformation policies together with an active macroeconomic policy that stimulates robust, sustained, and sustainable growth. Although conditions and priorities in each country differ, it is essential to carry out productive transformations that will help them to diversify beyond raw materials, generate quality employment, and become part of the geographic reconfiguration of the global supply chain.

Given that debt service is at historic highs, a growth-enhancing policy framework should include the establishment of institutional mechanisms for debt restructuring and relief, as well as support for the inclusion of disaster, hurricane, and climate change risks.

Climate-related official development assistance (ODA) should be encouraged to support mitigation strategies in sectors with the greatest potential for reducing greenhouse gas emissions, such as transport and energy, together with adaptation strategies in sectors closely linked to the ecosystem, such as agriculture, forestry and fisheries, or water supply and sanitation.

Thematic priorities for the region:

1. Social and economic effects of climate change. Climate change-related shocks (heatwaves, hurricanes, floods, phenomena such as El Niño) will require significant investments in adaptation to offset their economic and social impact, including on infrastructure and population relocation. ECLAC has calculated that by 2050, such climate shocks could cost the region's countries between 9 and 12 points of GDP, so this issue needs to be included in public investment priorities.
   - The search for innovative financing systems for climate change mitigation and adaptation.
   - Promotion of the circular economy, the bioeconomy, biodiversity, and sustainable tourism, all highly competitive areas in several countries in the region.

2. Taking advantage of opportunities related to the world's energy transition towards renewable energies and electromobility, which are creating global competition for access to and control of critical minerals and resources (such as lithium, copper, nickel, manganese, cobalt, and graphite), of which the region has a significant proportion of global reserves.

3. Gaps in access to, and use of, digital technologies are significant in the countries of the region: In terms of access, in 2022, Internet penetration in the region was over 80 percent, an increase of approximately 20 percentage points compared to 2016.[1] However, household Internet penetration in urban areas is 80.1 percent, in contrast to 44.4 percent in rural areas; in households in the highest income quintiles it is 84.7 percent, while in the lowest income quintiles it is 50.3 percent.
   a. investment gap in telecommunications infrastructure relative to regions such as Europe, or countries such as the United States, which invest around twice as much in GDP terms.
   b. problems related to the regulatory and incentive environment for infrastructure deployment in low profitability areas. Other factors are related to demand gaps.
   c. Low uptake of digital technologies—even the most basic—by businesses. While uptake gaps persist for mature technologies, they are far larger when it comes to emerging digital technologies, such as artificial intelligence (AI). For example, between 2010 and 2021, overall private investment in AI in the whole of Latin America did not exceed 1.7 percent of the amount of investment of the United States, and 5 percent of that of China, and only 2.7 percent of scientific publications on AI were authored in Latin America. Advanced technology-based ventures are a key driver of digital development. In the last decade, these have increased significantly in

[1] This growth was the result of several factors: expansion of broadband Internet coverage driven by the deployment of 4G and 5G networks, declining access costs thanks to the development of telecommunications markets, and increasing uptake of mobile devices, among others.

the region: of every 10 startups, almost 9 (86 percent) are based on digital technologies or belong to the sector. In 2022, there were 34 unicorn companies (start-ups valued at more than US$1 billion) in the region. However, this number is still far from the 633 and 180 in the United States and Europe, respectively.

- the digital revolution and the enormous potential of trade in services and e-commerce or digital commerce. As regards digital integration, regulatory harmonization is needed on issues such as cybersecurity, privacy and data protection, data transfer protocols, platform taxation, and e-commerce facilitation, as is strengthening local capacities for interconnectivity in terms of regulatory frameworks, bandwidth, fiber optics, and digital literacy. In this regard, there is an agenda for Latin America and the Caribbean to develop a regional digital ecosystem, which has been negotiated and updated at successive gatherings of the Ministerial Conference on the Information Society in Latin America and the Caribbean, but progress has been slower than would be desirable.
- Digitalization can be a powerful tool to address the region’s structural problems in different dimensions, such as education, health, security, justice, institution building, and productive transformation, among others.

4. High gender inequality: Gender inequality remains unacceptably high in the region’s countries. A structural gender gap based on the sexual division of labor and the unfair social organization of care leads women to shoulder most of the unpaid work of caring for children and the elderly, which is influenced by a lack of care networks that might allow women to engage in paid work. In addition, the aging population is pushing up demand for elderly care, to the point that in some countries in the coming years it will exceed demand for childcare. There are significant intergovernmental efforts under way in this area in the region and a regional gender agenda has been developed that sets out ECLAC's proposal for moving towards a care society and its implications for public policy, including financing.