



Scenarios for a new development pattern in Latin America and the Caribbean



20 April 2022



NACIONES UNIDAS

CEPAL



Building a New Future

Transformative Recovery with Equality and Sustainability

2020

Thirty-eighth
session of ECLAC
26–28 October



ECLAC

CHAPTER

III

Scenarios for a new development pattern

Introduction

- A. Sustainable development tools and policy packages
- B. Impacts of “big push” policies under different international scenarios amid the COVID-19 crisis
- C. Two case studies: the transition towards sustainable economies in Brazil and Chile
- D. Economic growth with innovation: the greening of the economy as an opportunity for building technological and productive capacities
- E. Energy transition, the balance-of-payments constraint and the role of capacity-building
- F. Conclusions

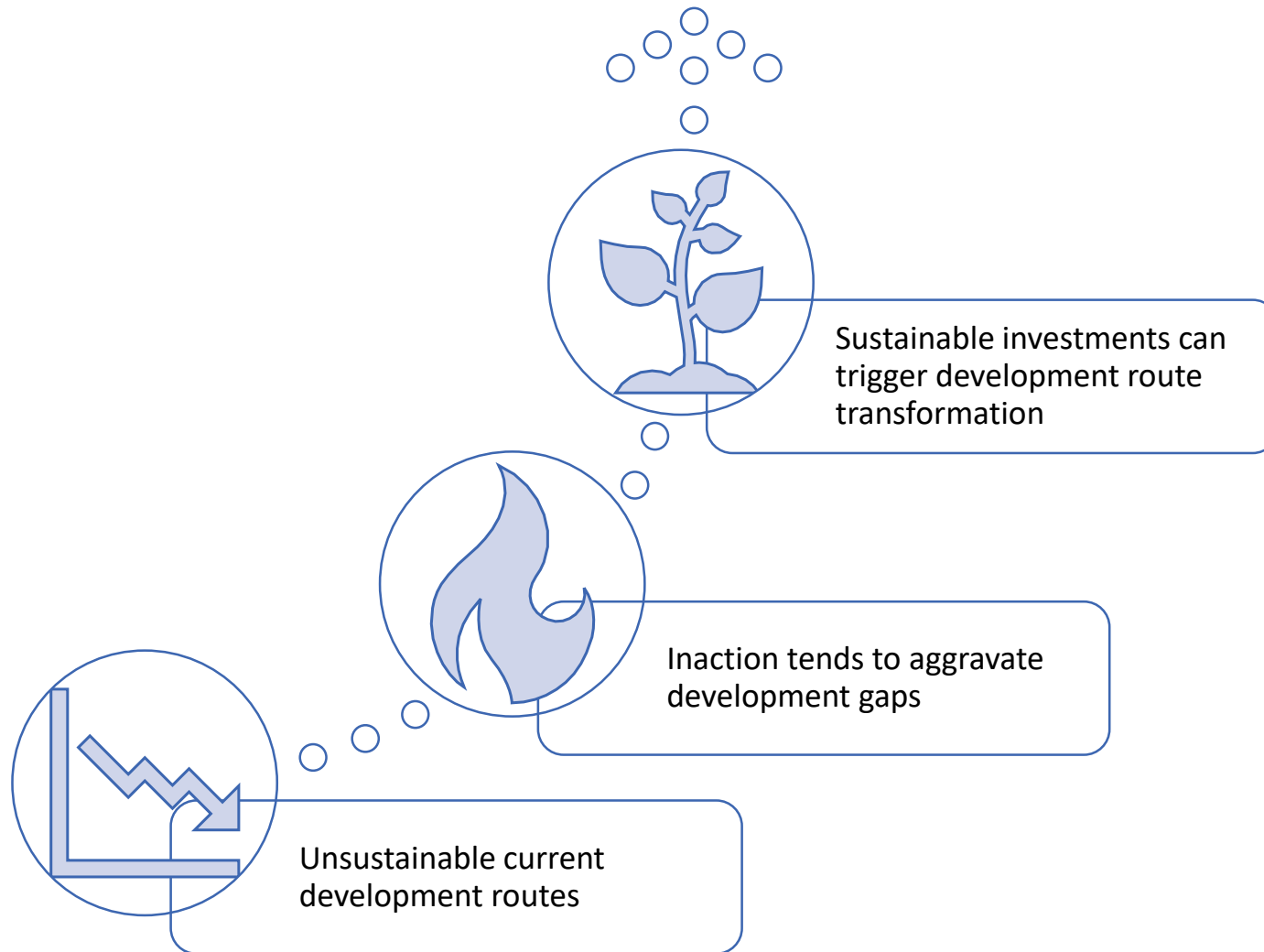
Bibliography

101

Available at: <https://repositorio.cepal.org/handle/11362/46228>



A transformative recovery based on a Big Push for Sustainability



Scenarios

Old normal	Represents the antithesis of the big push for sustainability, as it reproduces the existing social, economic and environmental divides in Latin America and the Caribbean
COVID19 pandemic	Captures the impacts of the COVID19 pandemic (high degree of uncertainty). No policies to promote a recovery based on a big push for sustainability.
Unconditional big push for sustainability	Only the countries of Latin America and the Caribbean introduce a recovery package based on policies intended to drive a big push for sustainability.
Conditional big push for sustainability	The countries of Latin America and the Caribbean introduce an expanded recovery package based on policies intended to drive a big push for sustainability. The rest of the world also adopts measures pursuant to a global environmental agreement.

Simulated with E3ME[©]



Policy instruments

Incentives for
investments in
non-conventional
renewable energy

Mandatory fuel
blend

Low-emissions
vehicle mandate

Investments in
reforestation

Fossil-fuel phase
out

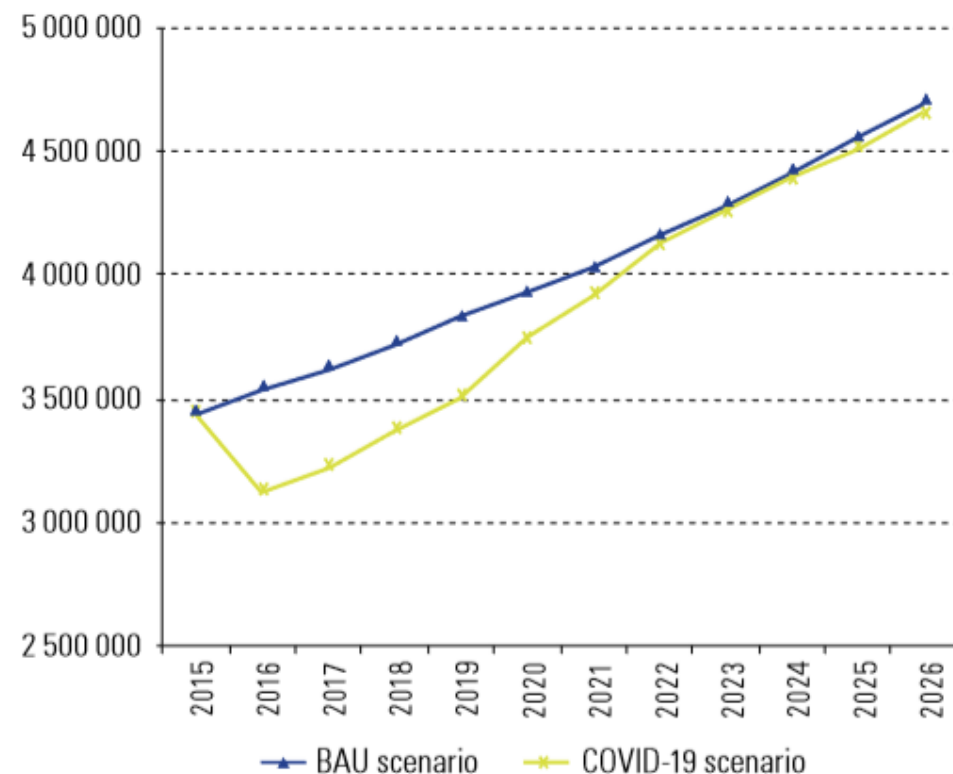
Health fund



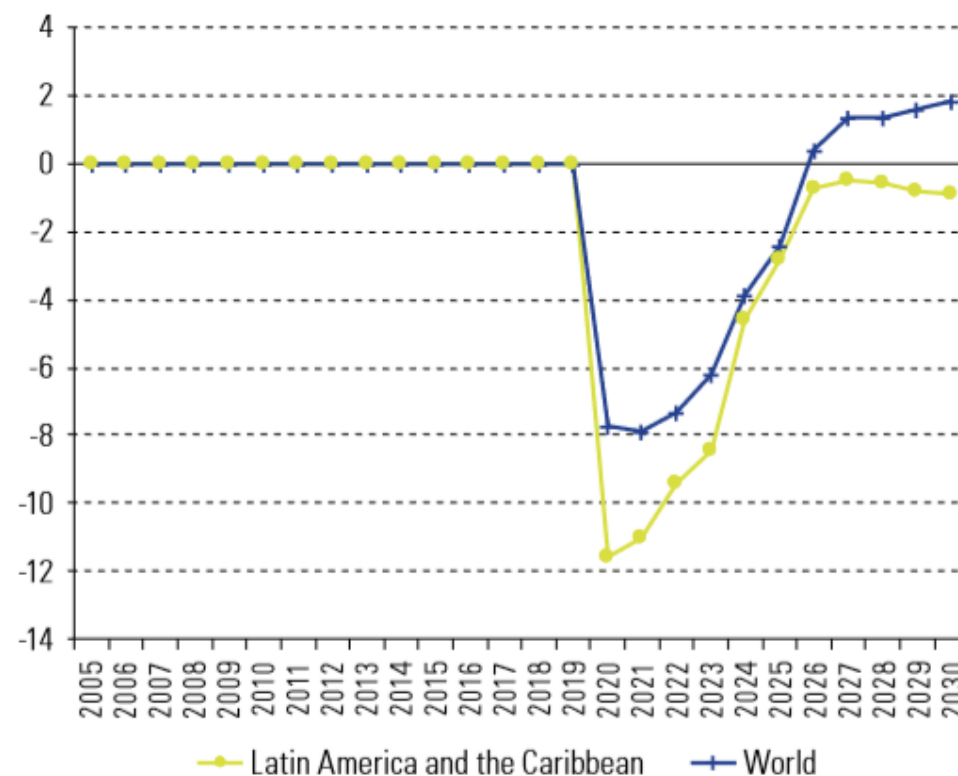
COVID19 impacts on the economy

Latin America and the Caribbean and the rest of the world: absolute and relative impact of COVID-19 on GDP relative to the non-COVID-19 business-as-usual scenario

A. Absolute variation in GDP in Latin America and the Caribbean, 2015–2026
(euros at constant 2005 prices)



B. Variation in GDP relative to the business-as-usual scenario, 2005–2030
(percentages)

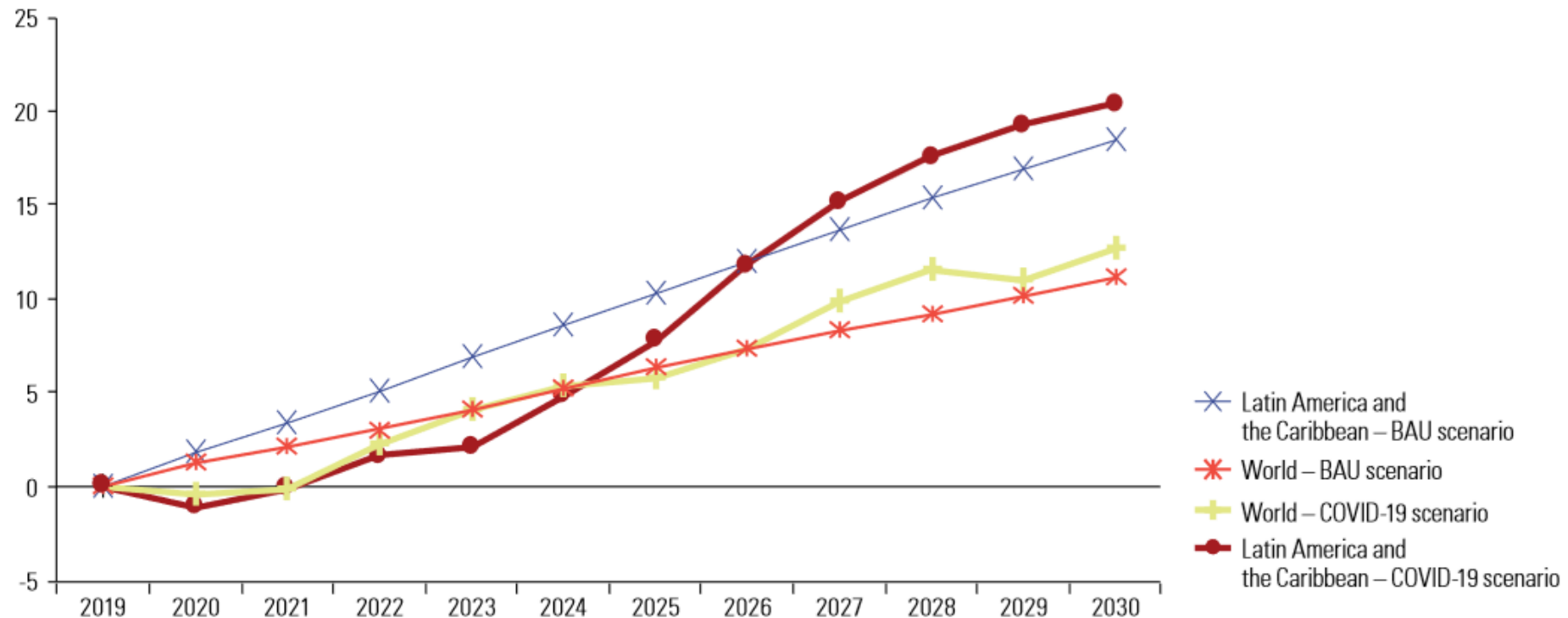


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.



COVID19 impacts on GHG emissions

Latin America and the Caribbean and the rest of the world: variations in CO₂ emissions relative to 2019 under the business-as-usual and COVID-19 scenarios, 2019–2030
(Percentages)

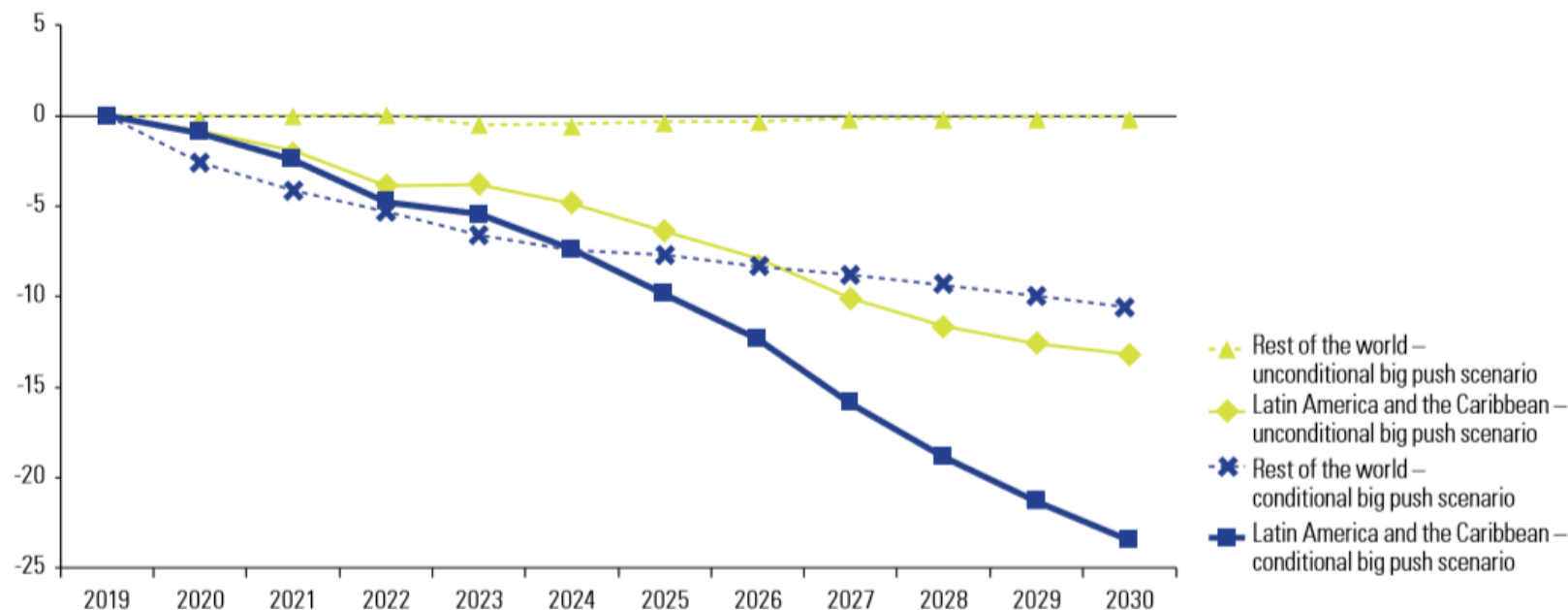


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.

Note: The COVID scenario is the BAU scenario with the addition of the impacts of the pandemic.

Big push for sustainability unconditional and conditional scenarios: GHG emissions

Latin America and the rest of the world: variations in CO₂ emissions relative to 2019 levels under different big push scenarios, 2019–2030
(Percentages)



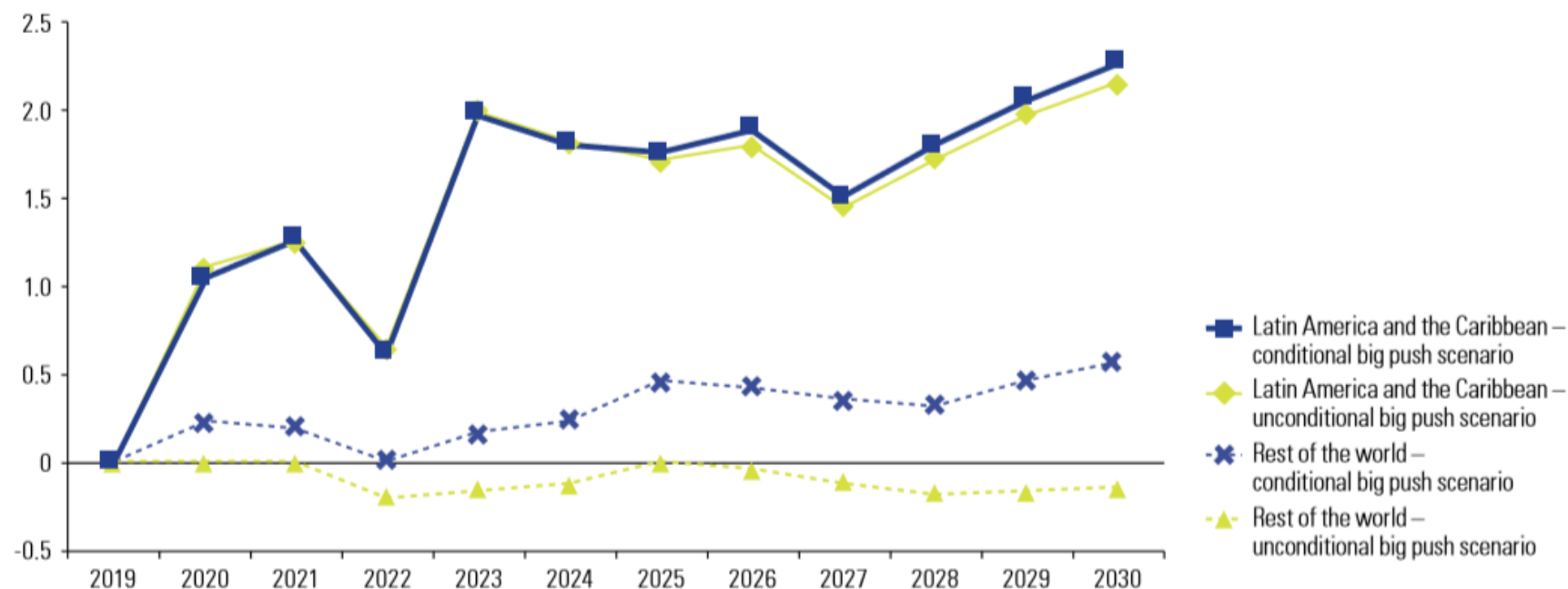
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.

Note: The unconditional scenario for Latin America and the Caribbean represents the outcome of a situation in which environmental policies are applied to enable the countries of Latin America and the Caribbean to fulfil their unconditional nationally determined contributions (NDCs) in the absence of a global cooperation agreement for the mitigation of emissions. The conditional scenario for Latin America and the Caribbean represents the outcome of a situation in which a global environmental agreement is reached that enables the countries of the region to fulfil their conditional NDCs and the countries of the rest of the world to fulfil their NDCs and, in addition, international cooperation for mitigation is in place. The unconditional scenario for the rest of the world represents the outcome of a situation in which no global environmental agreement is concluded. The conditional scenario for the rest of the world represents the outcome of a situation in which there is a global environmental agreement under which the countries in the rest of the world fulfil their NDCs and the countries of Latin America and the Caribbean fulfil their conditional NDCs.



Big push for sustainability unconditional and conditional scenarios: GDP

Latin America and the Caribbean and the rest of the world: GDP trends relative to the COVID-19 scenario with the application of big push policies in different international contexts, 2019–2030
(Percentages)



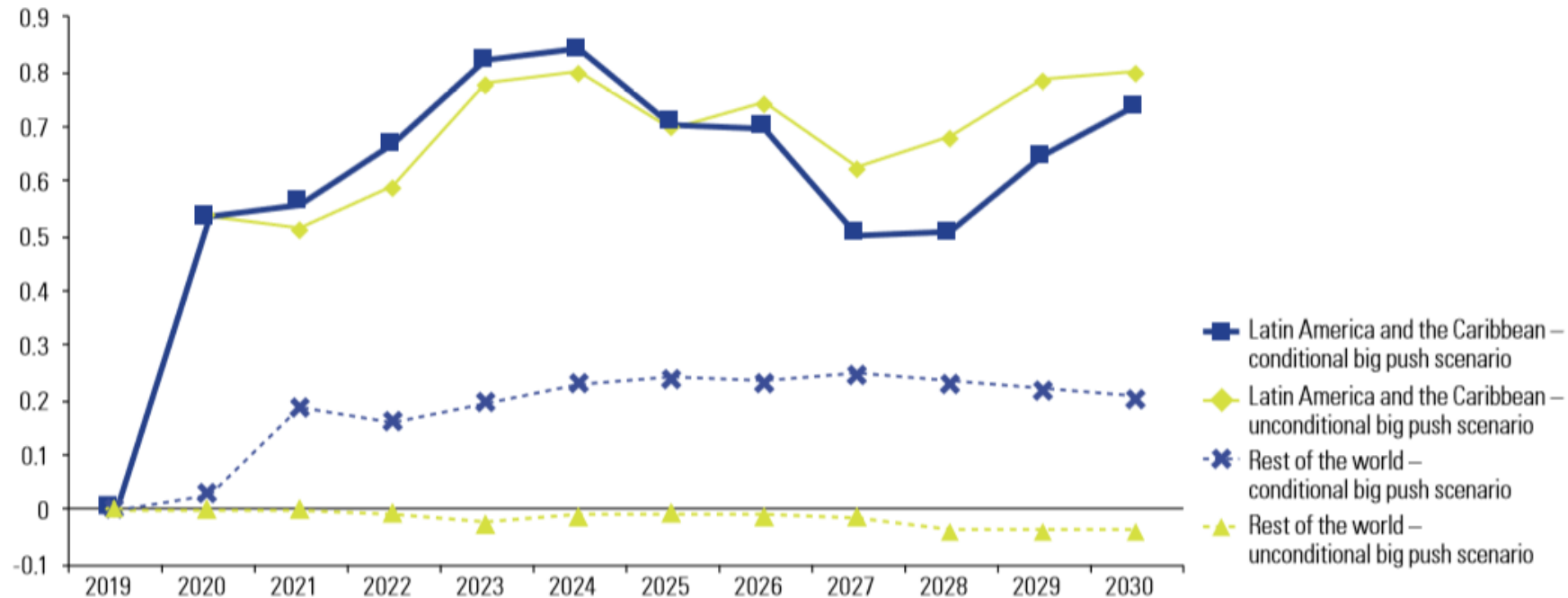
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.

Note: The unconditional scenario for Latin America and the Caribbean represents the outcome of a situation in which environmental policies are applied to enable the countries of Latin America and the Caribbean to fulfil their unconditional NDCs in the absence of a global cooperation agreement for the mitigation of emissions. The conditional scenario for Latin America and the Caribbean represents the outcome of a situation in which a global environmental agreement is reached that enables the countries of the region to fulfil their conditional NDCs and the countries of the rest of the world to fulfil their NDCs and, in addition, international cooperation for mitigation is in place. The unconditional scenario for the rest of the world represents the outcome of a situation in which no global environmental agreement is concluded. The conditional scenario for the rest of the world represents the outcome of a situation in which there is a global environmental agreement under which the countries in the rest of the world fulfil their NDCs and the countries of Latin America and the Caribbean fulfil their conditional NDCs.



Big push for sustainability unconditional and conditional scenarios: employment

Latin America and the Caribbean and the rest of the world: trends in employment relative to the COVID-19 scenario with the application of big push policies in different international contexts, 2019–2030
(Percentages)



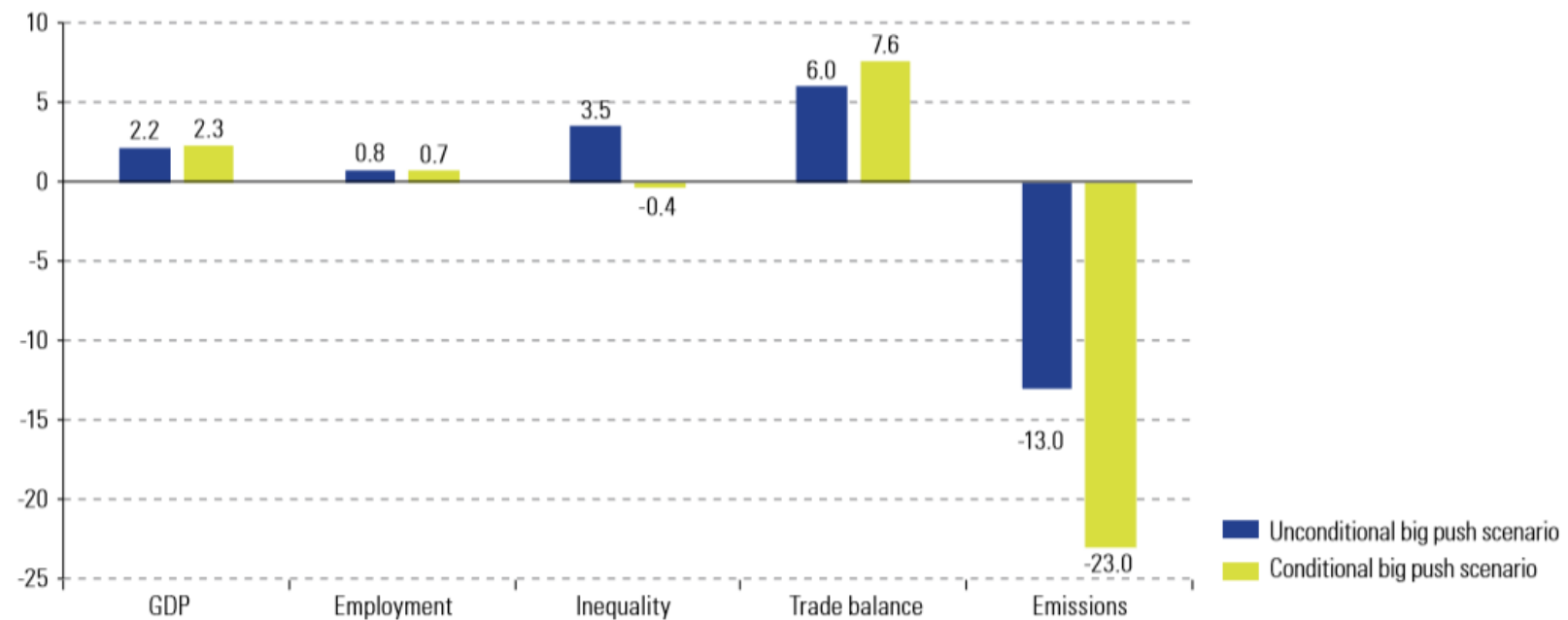
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.

Note: The unconditional scenario for Latin America and the Caribbean represents the outcome of a situation in which environmental policies are applied to enable the countries of Latin America and the Caribbean to fulfil their unconditional NDCs in the absence of a global cooperation agreement for the mitigation of emissions. The conditional scenario for Latin America and the Caribbean represents the outcome of a situation in which a global environmental agreement is reached that enables the countries of the region to fulfil their conditional NDCs and the countries of the rest of the world to fulfil their NDCs and, in addition, international cooperation for mitigation is in place. The unconditional scenario for the rest of the world represents the outcome of a situation in which no global environmental agreement is concluded. The conditional scenario for the rest of the world represents the outcome of a situation in which there is a global environmental agreement under which the countries in the rest of the world fulfil their NDCs and the countries of Latin America and the Caribbean fulfil their conditional NDCs.



Big push for sustainability unconditional and conditional scenarios: main results

Latin America and the Caribbean: effects of big push policies on the main variables of the model relative to the COVID-19 scenario, 2030
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of E3ME model simulations.

Note: The unconditional big push scenario represents the outcome of a situation in which environmental policies are applied to enable the countries of Latin America and the Caribbean to fulfil their unconditional NDCs in the absence of a global cooperation agreement for the mitigation of emissions. The conditional scenario represents the outcome of a situation in which a global environmental agreement is reached that enables the countries of the region to fulfil their conditional NDCs and the countries of the rest of the world to fulfil their NDCs and, in addition, international cooperation for mitigation is in place.



Key conclusions

- Policies designed to help the Latin American and Caribbean economies recover from the impacts of the COVID19 pandemic by generating a big push for sustainability have a positive impact on job creation and GDP growth while at the same time reducing emissions in line with the conditional and unconditional NDCs.
- A combination of big push policies and a global environmental agreement is the approach that has the greatest effect on emissions while at the same time boosting aggregate world demand.
- Unilaterally applied big push policies in the region tend to increase inequality relative to the BAU, but this effect disappears when international cooperation is forthcoming. Without such cooperation, social transfer policies become an even more important tool for averting an increase in inequality.
- Under the BAU scenario, the trade deficit tends to deepen owing to the region's low level of structural competitiveness. This trend weakens when the region introduces big push policies and weakens even further if the rest of the world also raise commitments to lower emissions. Nonetheless, although these policies do curb this trend, they do not actually reverse it. Hence the pivotal importance of including industrial and technology policies in the long-term recovery package for the region.





Thank you



www.cepal.org



NACIONES UNIDAS

CEPAL