

## Editorial

The *Latin American Economic Outlook (LEO) 2020* considers the digital transformation as an opportunity to overcome development traps faced by the region, which have been exacerbated during the Covid-19 pandemic. This transformation is affecting development trajectories across the globe. In Latin America and the Caribbean, it offers opportunities to speed up development.

The appropriate use of new technologies has provided innovative and efficient solutions to face the pandemic and ease the burden of lockdown and social distancing by connecting people, businesses, markets and institutions. On the other hand, during the pandemic, we have witnessed the consequences and the cost of the digital divide more profoundly. Many people have been left out of the benefits of digital technologies, and have therefore been excluded from e-learning and teleworking solutions.

The 2030 Agenda recognises that “the spread of information and communication technology and global interconnectedness has great potential to accelerate human progress, to bridge the digital divide and to develop knowledge societies”. In LEO 2020, we argue that digitalisation is effective for development, but only if universal and inclusive.

The widespread use of these technologies can help boost productivity, promote social inclusion, as well as the decarbonisation of the economy, and support public institutions’ response to citizens’ increasing demands. However, the digital economy also involves significant risks, which are higher for developing countries. If not channelled properly, it could lead to increased market concentration, higher inequalities, job losses, and privacy and security issues. The LEO 2020 emphasises that the digital transformation will not boost development automatically. It entails a series of public policies that need to be co-ordinated within national development strategies, and calls upon new and reinforced international partnerships, more than ever, to reap the benefits of the digital transformation.

### **Urgent interventions are needed to support the socio-economic recovery**

The pandemic is pushing GDP growth to historical lows across the LAC region, as well as increasing poverty and inequality. Policy interventions to preserve human, productive and financial capacities have been implemented. Nevertheless, financial and institutional capacities are limited and structural challenges, such as high informality, low productivity and socioeconomic vulnerability, accentuate the need for strong and effective actions.

The challenges created by the Covid-19 crisis are numerous, but bold policies and partnerships, at both national and international level, can turn this complicated scenario into an opportunity to redefine the social contract, putting people’s well-being at the centre. This participatory process must contribute to defining and implementing stronger social protection systems, better and more accessible healthcare, more robust and inclusive public finances, and inclusive and sustainable productive strategies. More than ever, international co-operation and co-ordination are crucial in several socio-economic domains to preserve social cohesion, including the management of public and foreign debt.

## A call for action to make the most of digital transformation

Digital transformation can play a major role to turn this crisis into a new development opportunity and address the region's development traps. Hence, this publication calls for a number of actions along this front.

*First*, the region is characterised by a predominance of micro and small firms that have low productivity, are often disconnected from their markets and do not have the capacity to absorb the shock created by the pandemic. In this respect, digital tools can help drive productivity growth and increase their competitiveness, in particular for companies that are lagging behind. Policies should therefore aim to support the uptake of technological tools with holistic digital ecosystems, adequate infrastructures, and appropriate digital skills.

*Second*, digital divides need to be addressed in order to bring the benefits of the digital transformation to all. A human-centric approach to digital technologies can increase the quality of life within households and therefore improve the social welfare of Latin American societies and promote environmental sustainable development. Disparities in access and use across territories, socio-economic, age or gender groups persist, and these may widen in the context of the pandemic. This can lead to the creation of gaps between winners and losers, and therefore poses additional threats to social cohesion and stability.

*Third*, digital technologies will bring both opportunities and challenges to the labour market. A number of jobs in the region are at high risk of automation, while others will experience substantial changes in the way they are performed. Policies to boost productivity must play a strong role in matching market needs and in ensuring a smooth transition from obsolete to new jobs.

*Fourth*, to ensure the benefits of the digital transformation are enjoyed at home and at the office, appropriate skills need to be developed early in life and along people's lifespan. Among those who have fewer skills, a higher proportion of women have no computer experience. Providing disadvantaged schools and students with more access to ICTs is not enough on its own, programmes that develop the right skills for both students and teachers are also needed.

*Fifth*, new digital technologies can transform public institutions and make them more credible, efficient, inclusive and innovative. This can help restore trust in governments by simplifying complex bureaucratic systems, providing more inclusive public services, including e-health or e-learning that reach more disadvantaged segments of society, becoming more open and transparent, and allowing the participation of citizens in decision-making processes.

There is a major condition for the above actions to be undertaken: At the national level, these policy actions need to be co-ordinated within national development strategies and with a direct link to digital agendas. This would unlock the potential of digital policies to become a decisive factor in the progress towards better social welfare.

The Covid-19 crisis makes the need for international co-operation and new partnerships in the region more important than ever. Digital transformation comes with many challenges that are cross-border in their nature, and hence calls for stronger international co-operation. These include areas like regulation and standards, investment, trade, digital security or tax challenges arising from the digitalisation of the economy. Stronger partnerships can also promote more relevant knowledge sharing and technological transfers in several dimensions, therefore contributing to closing the digital divide. The region already possesses a number of platforms on which to build upon, such as the Digital Agenda for LAC (e-LAC). In this respect, transfers of experiences from the

OECD and the European Union to the region can go a long way and should therefore be strengthened.

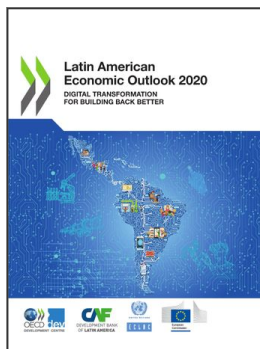
Digital transformation will not solve development issues by itself. We firmly believe that to reap the benefits of digital technologies we need greater co-operation on the broader issues that enable these technologies to be used in an inclusive, socially responsible and sustainable manner. Countries from Latin America and the Caribbean must not miss the opportunity of embracing a sustainable digital transformation.

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