

OLD SCARS, NEW WOUNDS?

PUBLIC FINANCING FOR HEALTH IN TIMES OF COVID-19

Ajay Tandon

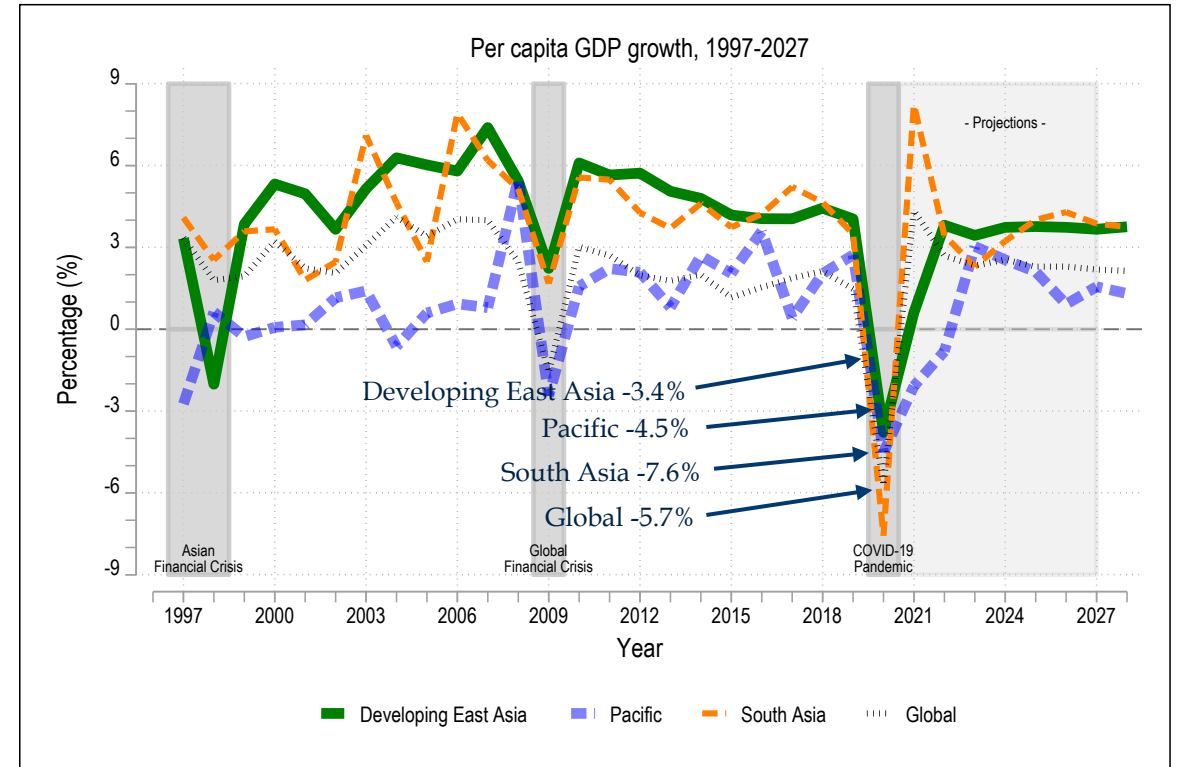
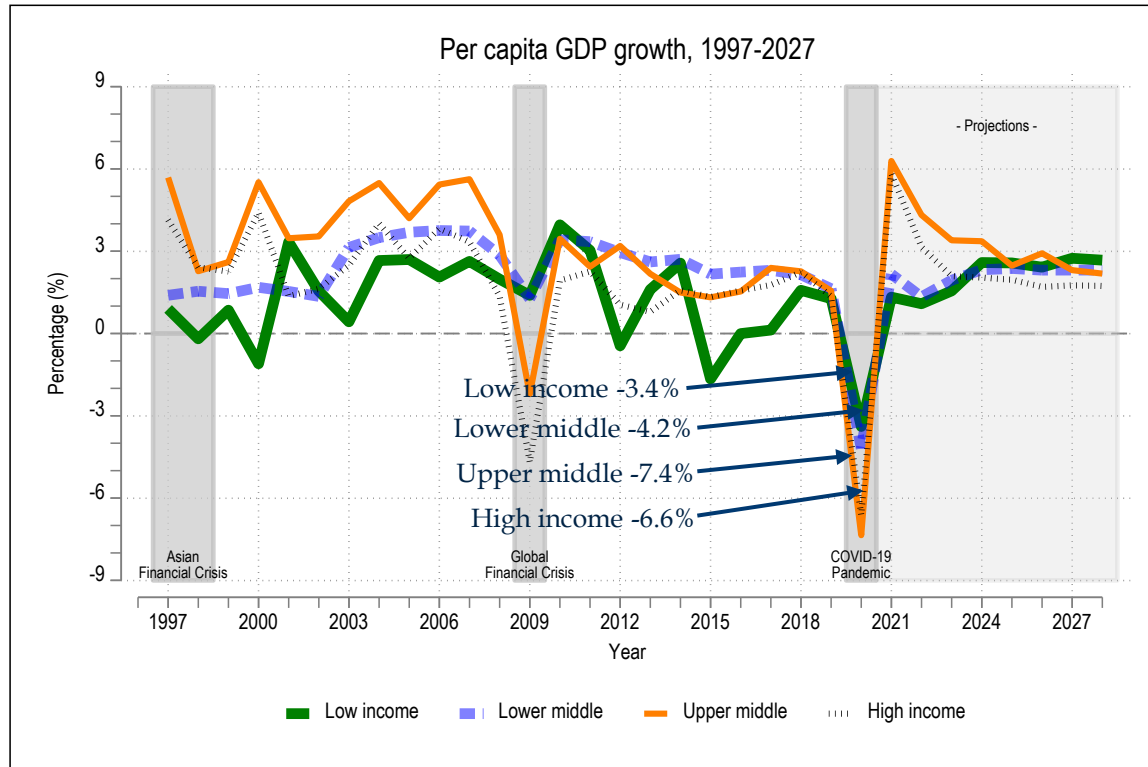
Lead Economist

Health Nutrition and Population Global Practice

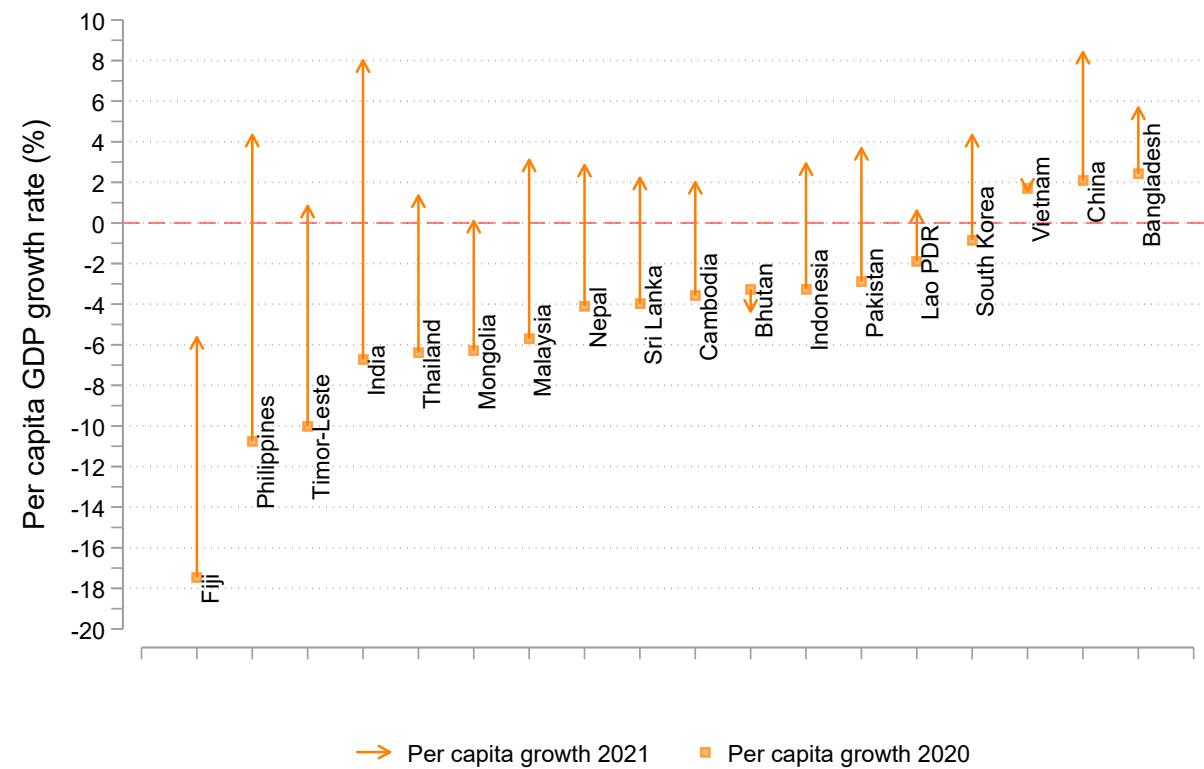
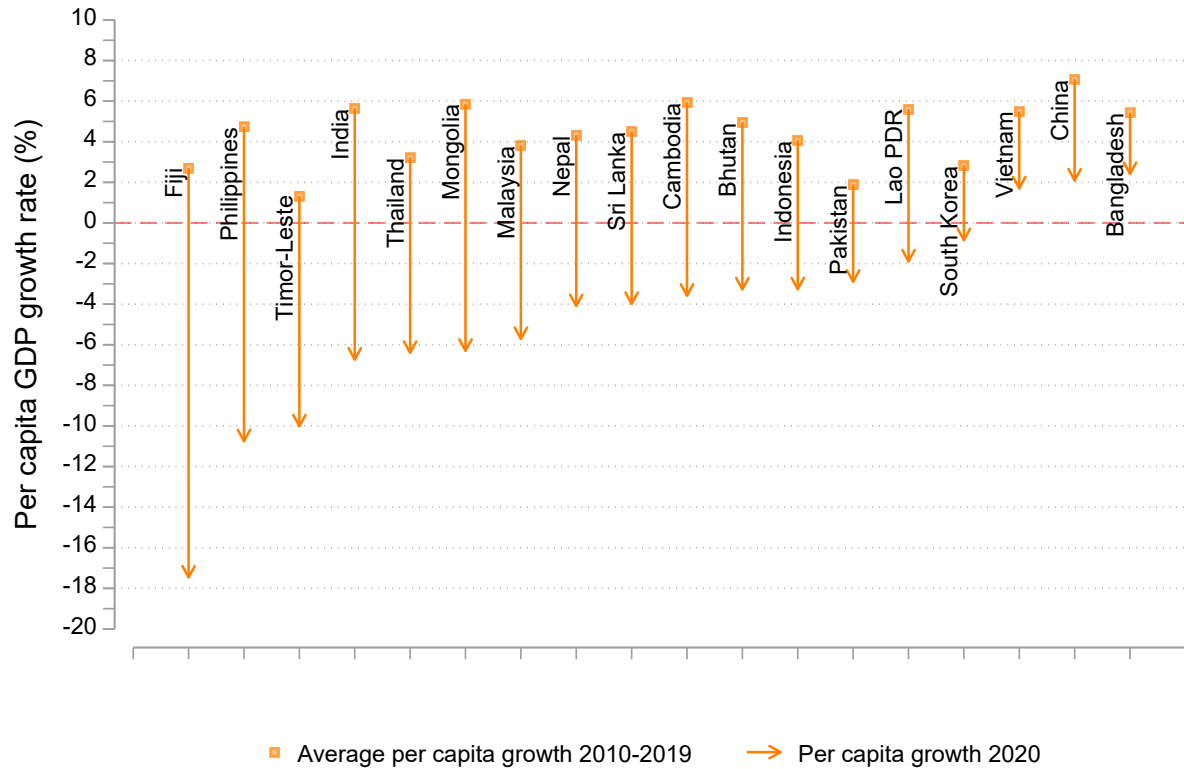
South Asia Region, World Bank

COVID-19 Both Health & Economic Shock

Economic shock **deeper, more widespread** than previous global/regional crises



Wide Diversity in Economic Impact



What Explains Diversity of Economic Impact?

The COVID-19 crisis: what explains cross-country differences in the pandemic's short-term economic impact?

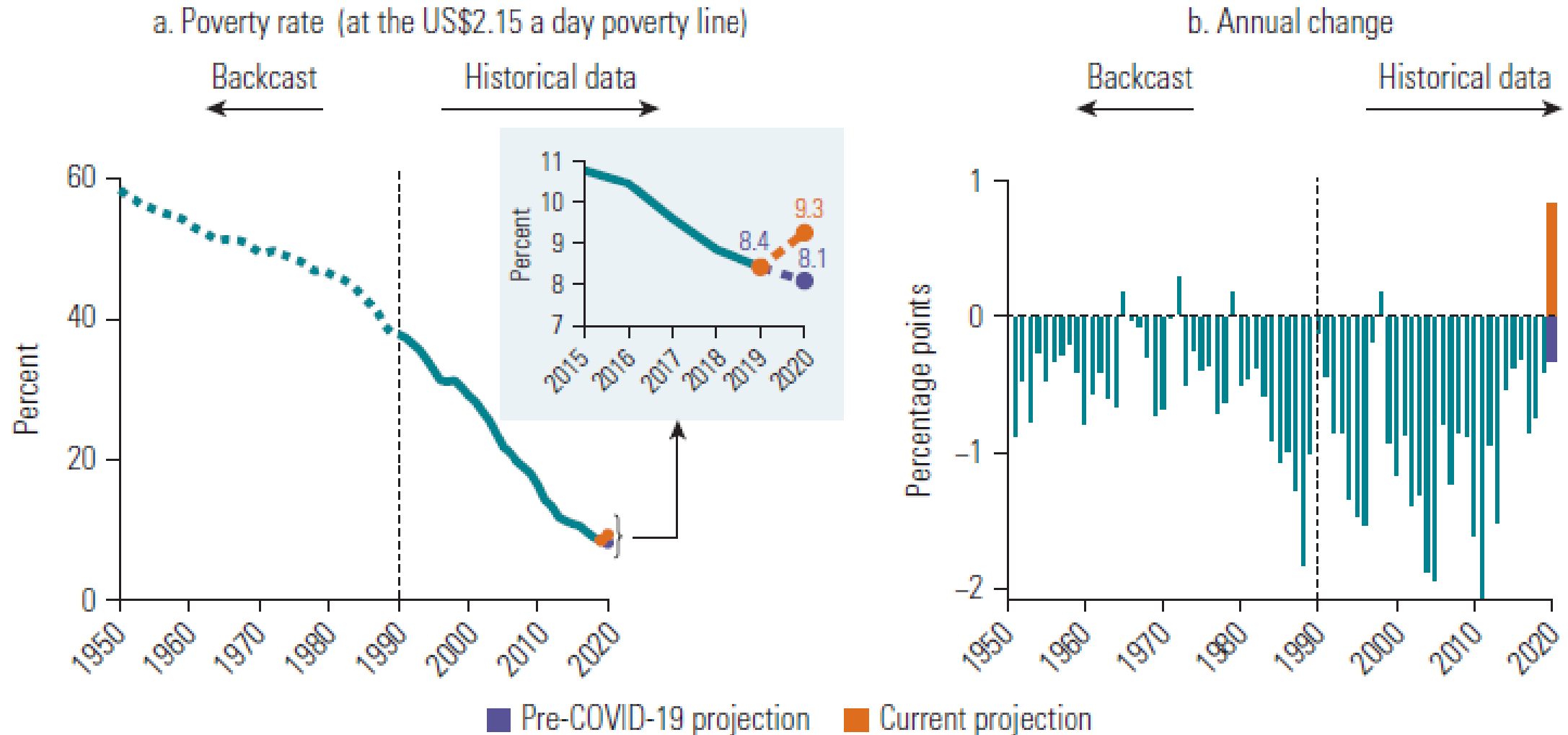
By Lennart Niermann and Ingo Pitterle¹

ABSTRACT

The COVID-19 pandemic has caused the most universal health and socio-economic crisis in recent history. However, the magnitude of the economic damage has differed widely; some countries were hit particularly hard, while others have managed to weather the storm much better. In this paper, we employ a cross-country analysis to identify factors that help explain the differences in the growth impact of the COVID-19 shock. Our findings underscore the critical role of balancing health and economic concerns in managing the pandemic as both a country's exposure to the coronavirus and the stringency of containment measures are

- Country **exposure to the coronavirus** as well as **stringency of containment** negatively correlated with economic impact.
- **Fiscal stimulus** and **good governance** mitigated negative economic impact of COVID-19.
- Countries **lacking economic diversification** – e.g., those dependent on tourism or oil – and having **high debt burden** were more negatively impacted.

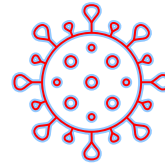
Reversal of Decline in Poverty Rates



Global Economy Perilously Close to Falling into Recession Again



Inflation →
monetary policy
tightening

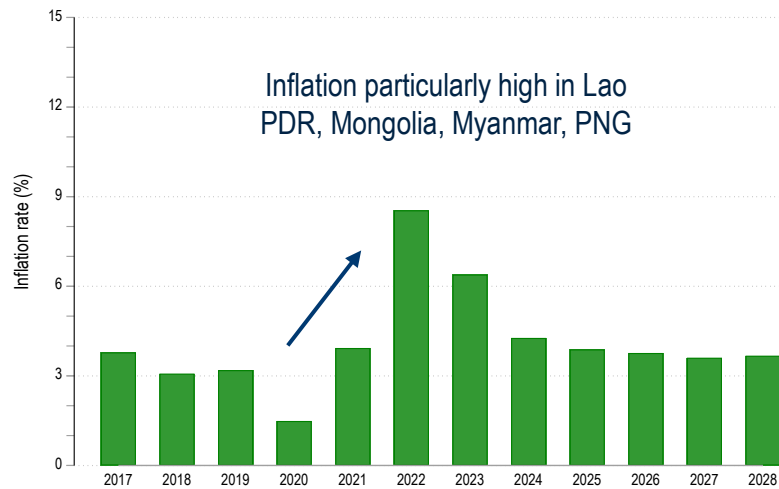


Continued COVID-
19 uncertainty

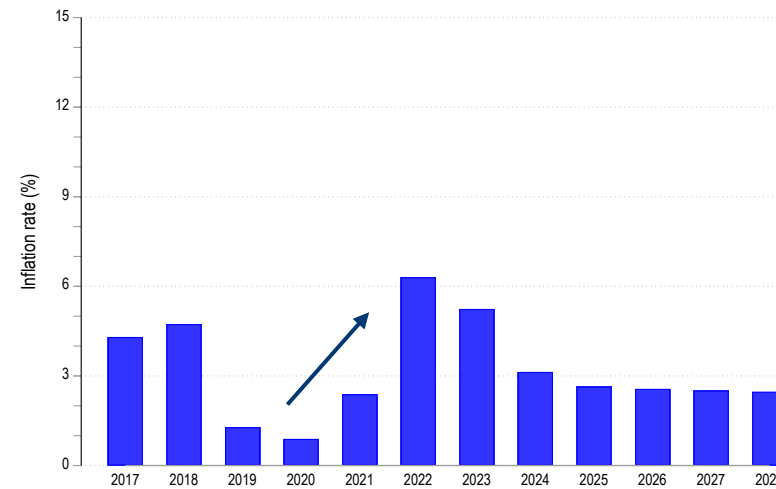


Geopolitical
tensions

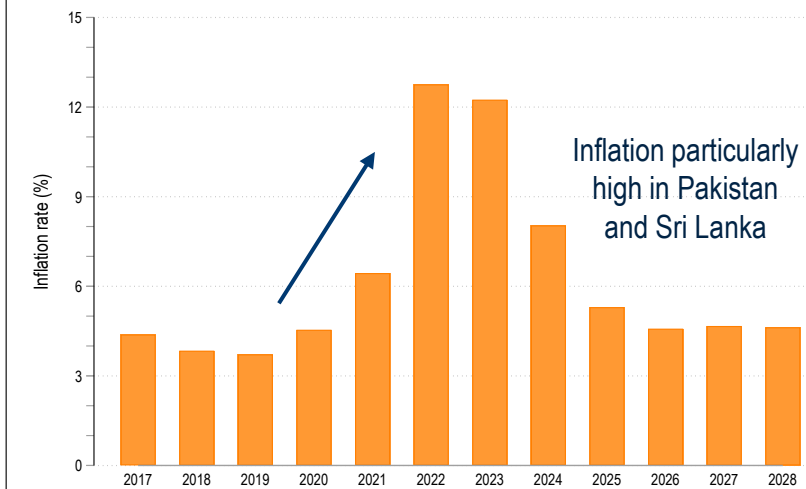
Developing East Asia



Pacific

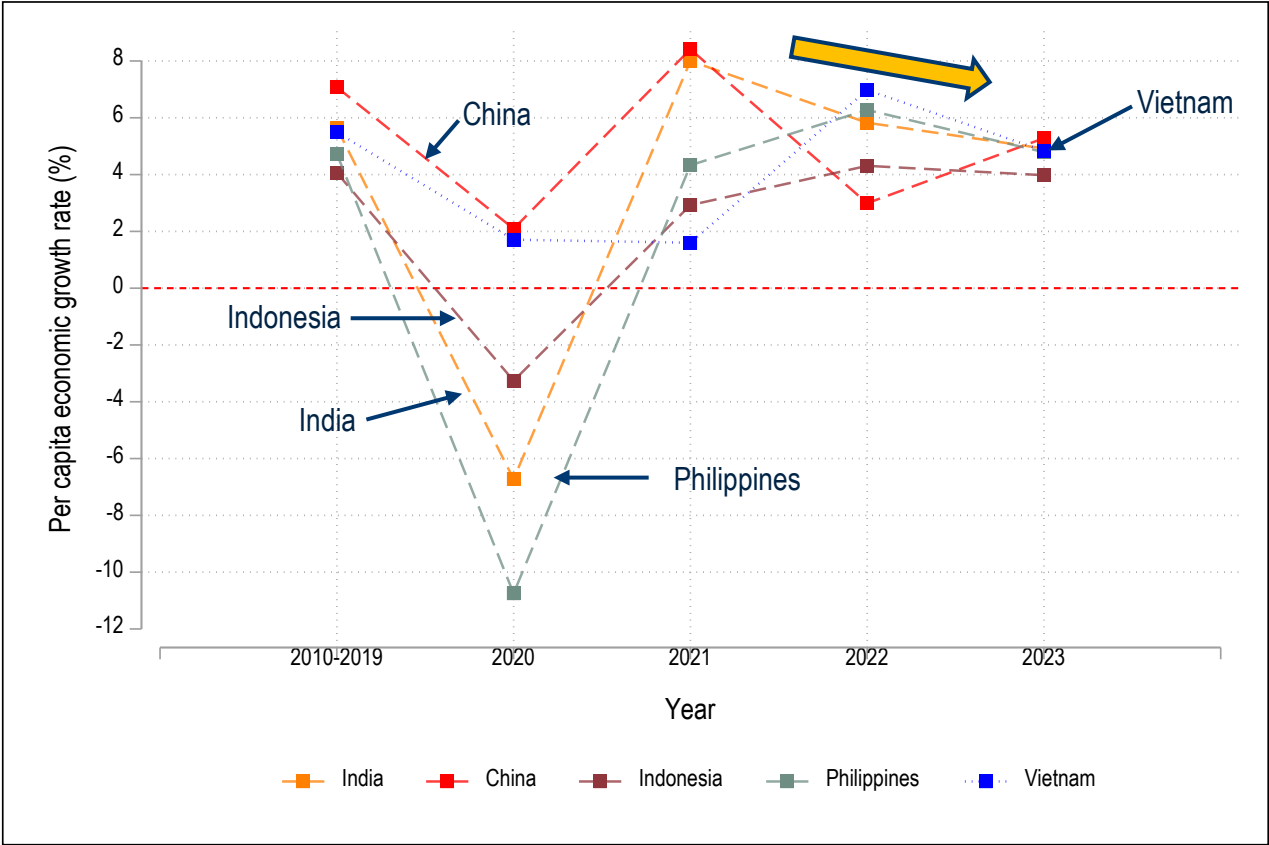
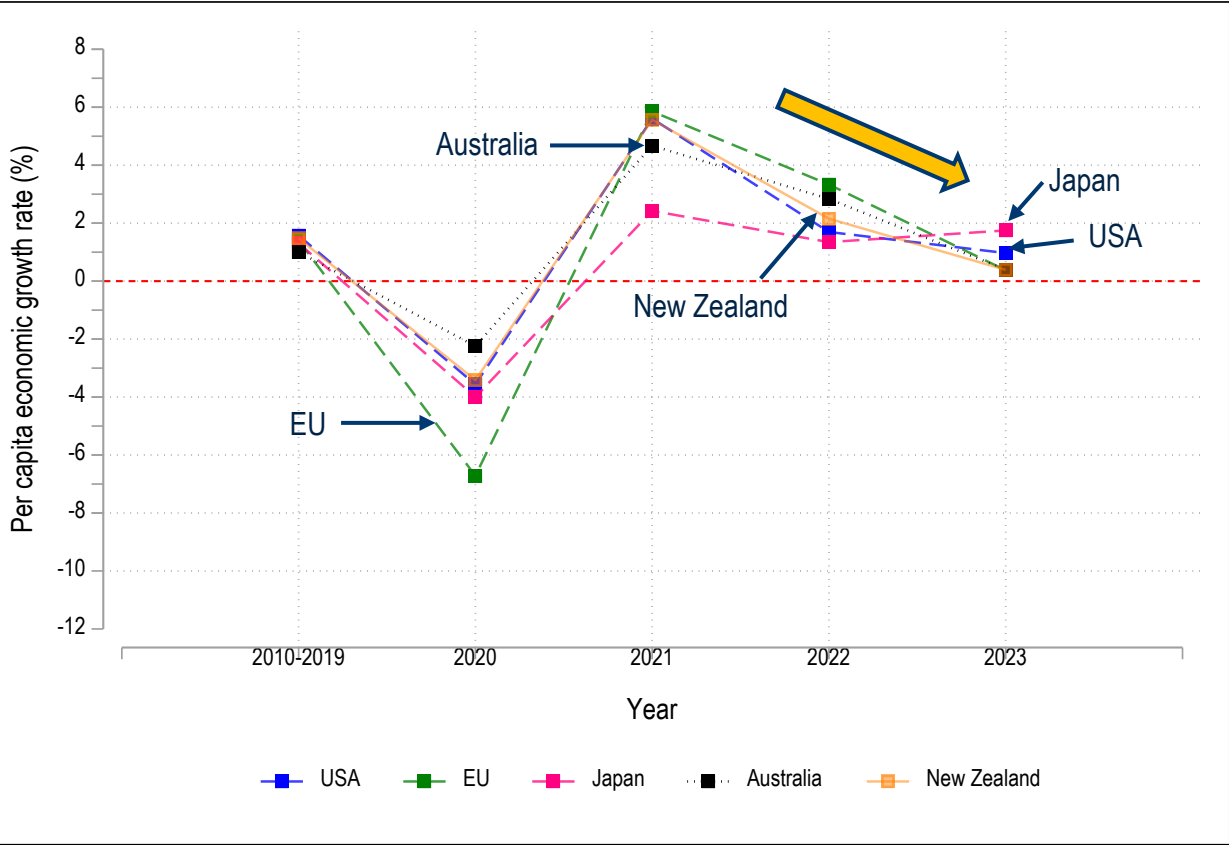


South Asia



Inflation ↑ due to **demand** factors (post-2020 growth acceleration, lagged effect of fiscal stimulus, pent-up demand) as well as **supply** factors (shortages of key commodities exacerbated by Russia's invasion of Ukraine, tight labor market conditions in some countries, currency depreciations). Economic growth expected to be **sluggish** across many economies 2022-2023.

Global Economy Perilously Close to Falling into Recession Again



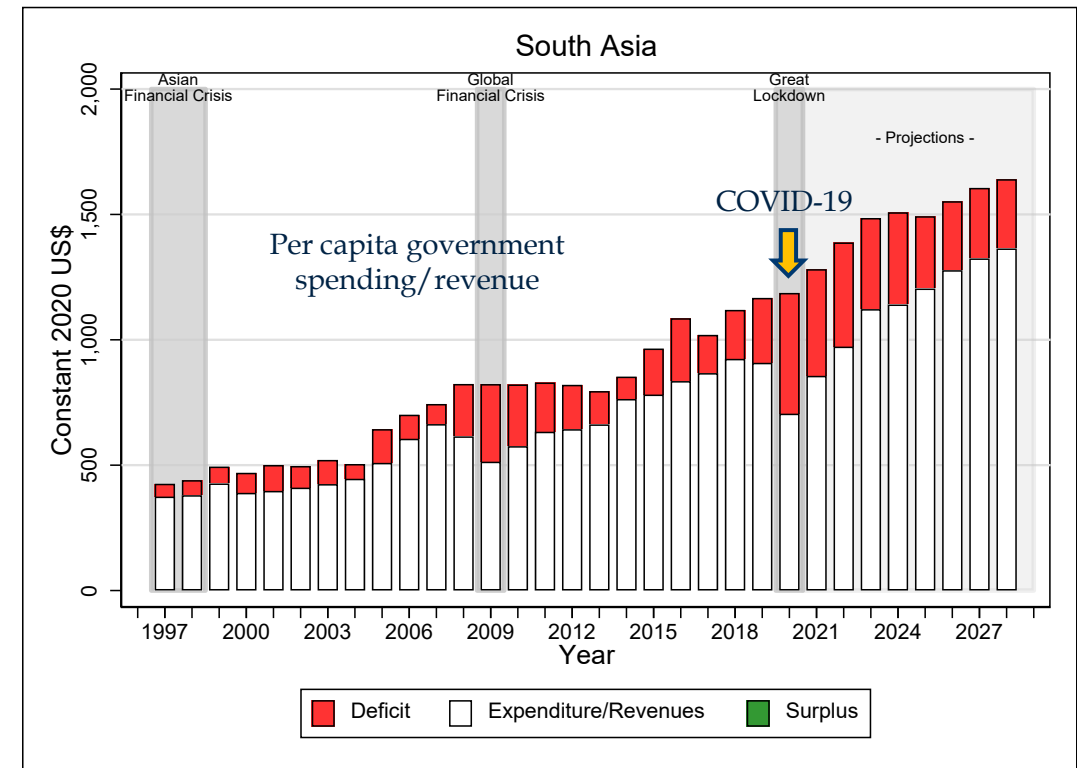
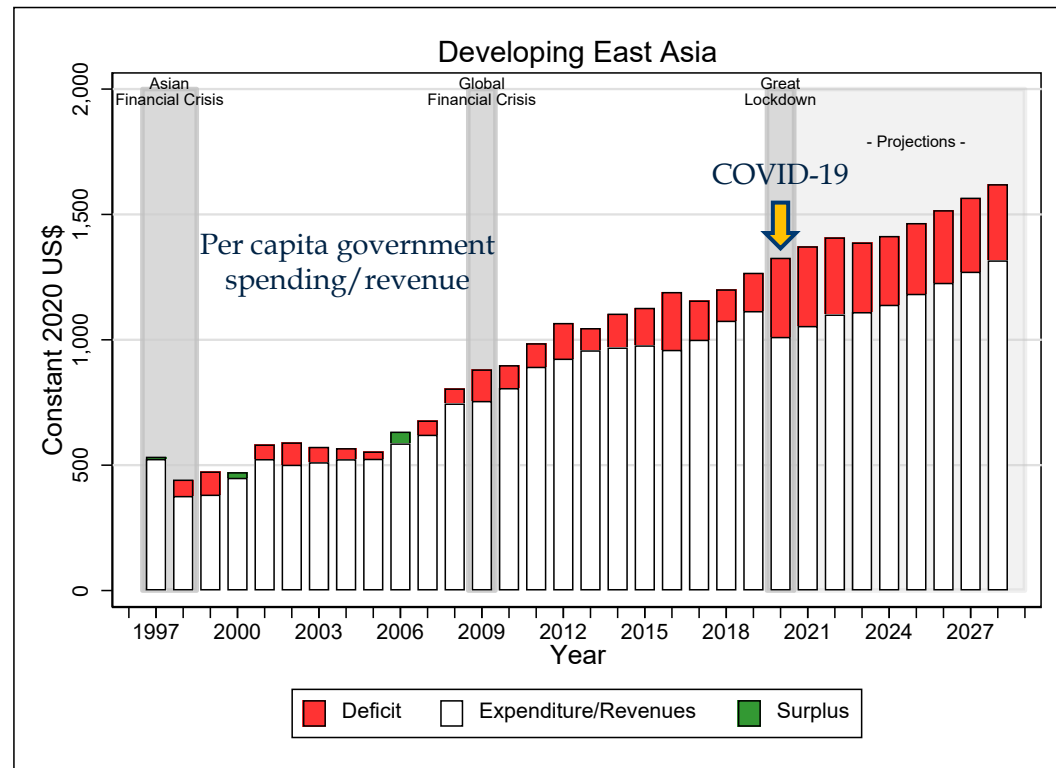
Economic Recovery Slow & Uneven

Pandemic recovery interrupted by **inflation** (resulting in monetary policy tightening) and **geopolitical developments** (Russia's invasion of Ukraine) → it will take **many years** for some countries to **recover**

Did not contract in 2020	Pre-pandemic 2019 per capita levels of economic activity projected to recover by								Expected not to recover by 2028
	2021	2022	2023	2024	2025	2026	2027	2028	
Bangladesh		Cambodia	Marshall Islands						Myanmar
China	India	Indonesia		Bhutan		Micronesia			Samoa
Nauru	Kiribati	Lao PDR	Philippines	Mongolia	Fiji	Palau			Solomon Islands
Timor-Leste	Pakistan	Malaysia	Thailand	Tonga		Papua New Guinea			Sri Lanka
Vietnam		Maldives	Tuvalu						Vanuatu
		Nepal							

Overall Public Financing Landscape Also Impacted

Government revenues ↓ and government expenditure ↑ in 2020, leading to higher deficits



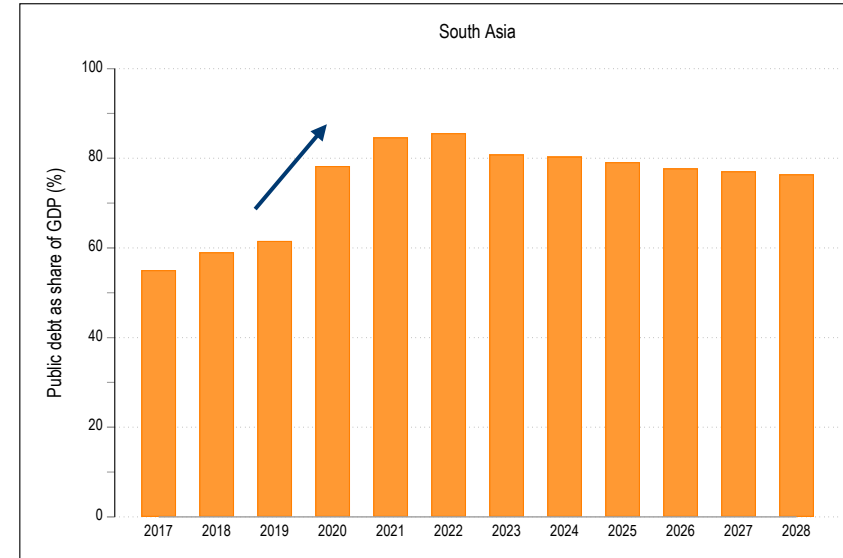
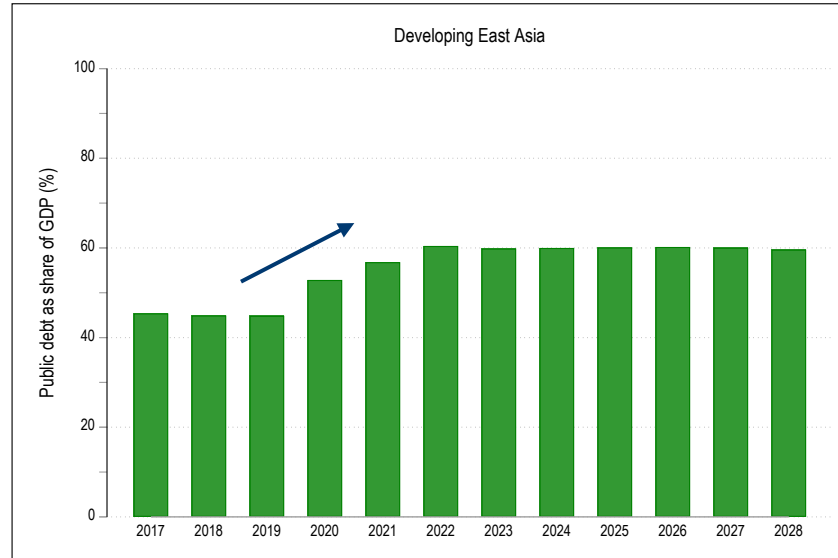
Public Spending on Health ↑ in 2020 as a Result of COVID-19

Increases in public spending for health in 2020 driven by **increases in overall government spending** financed via deficits, although in some countries health was also further **prioritized** as share of overall government spending

Group	Year	Current health spending per capita	Share of GDP (%)	Public share of current (%)	Public per capita	Public Share of GDP (%)	Health share of public spending (%)	Share of public (%)			OOP share of current (%)
								General taxation	SHI	External	
Developing East Asia	2017–2019	187	4.4	51	102	2.2	8	74	18	8	40
	2020	212	5.2	54	120	2.9	9	75	16	9	37
South Asia	2017–2019	173	5.3	41	109	2.0	7	88	1	11	50
	2020	174	6.1	43	115	2.6	8	91	1	8	48
Global	2017–2019	1,143	6.5	56	777	3.8	11	71	20	9	31
	2020	1,218	7.1	59	865	4.4	12	72	19	9	29

Public Debt Burden Has Increased

Public debt ↑ beginning in 2020



Defaulted

- Sri Lanka
- Argentina
- Belize
- Belarus
- Ecuador
- Lebanon
- Suriname
- Zambia

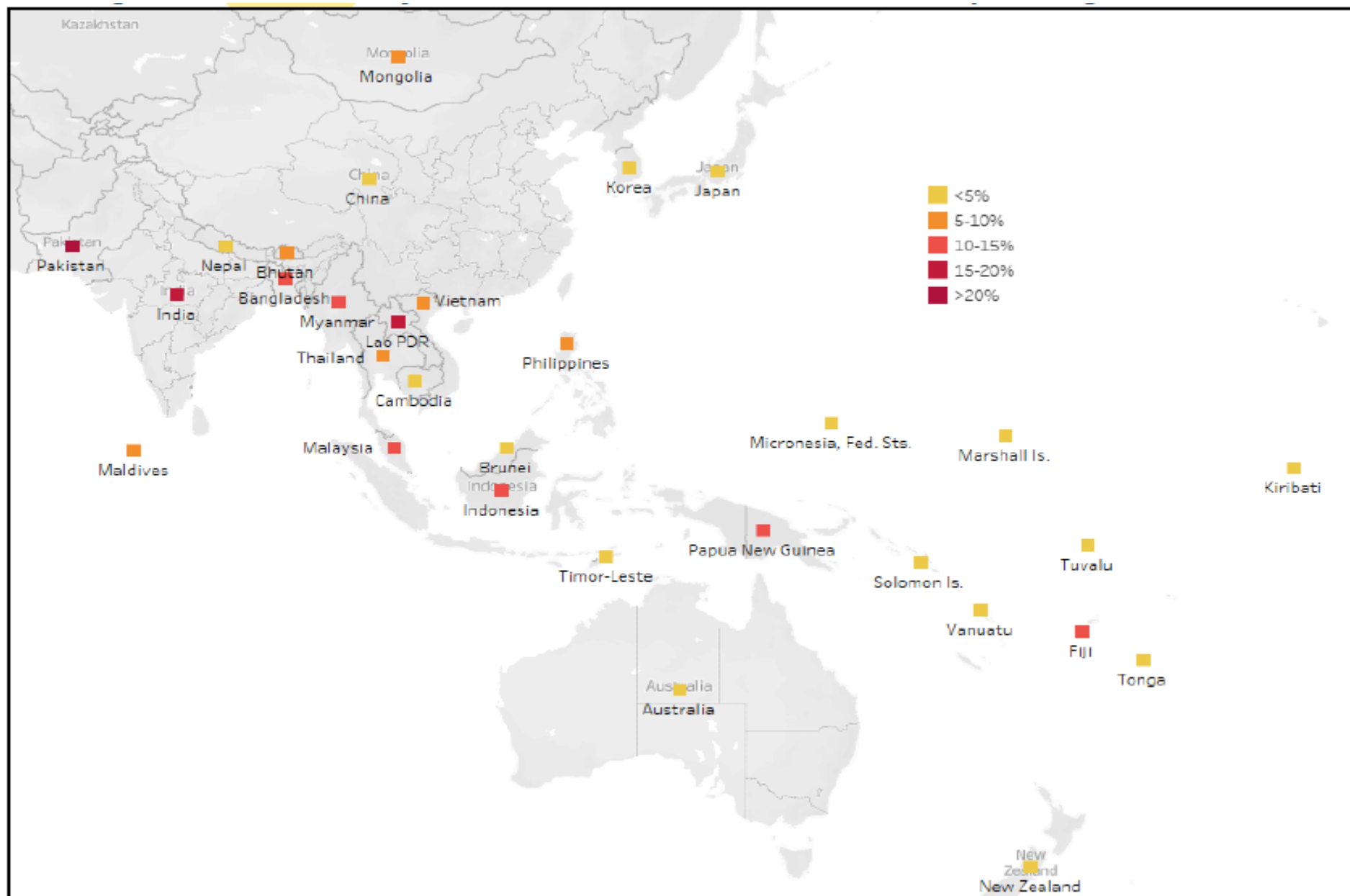
High Risk

- Afghanistan
- Maldives
- Kiribati
- Lao PDR
- Marshall Islands
- FSM
- PNG
- Samoa
- Tonga
- Tuvalu

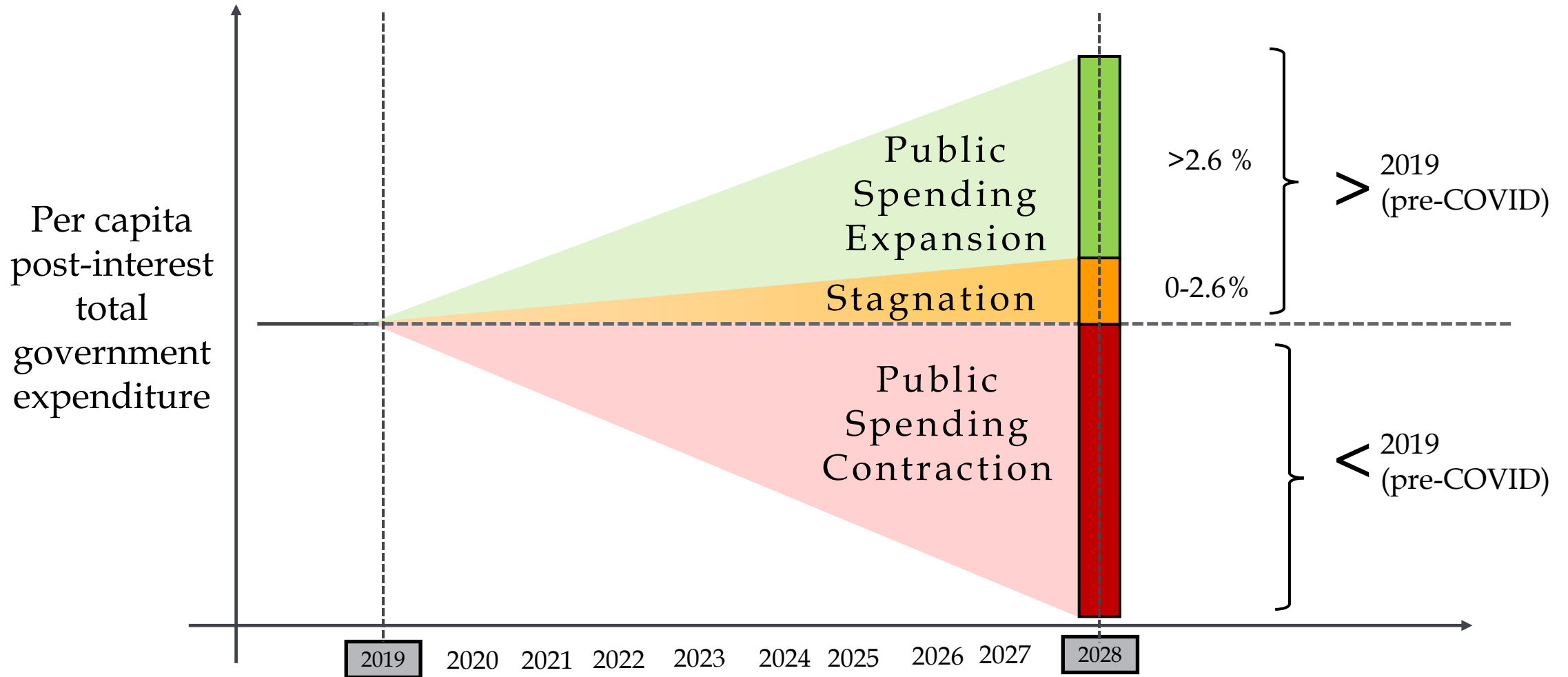
Moderate Risk

- Bhutan
- Solomon Islands
- Timor-Leste
- Vanuatu

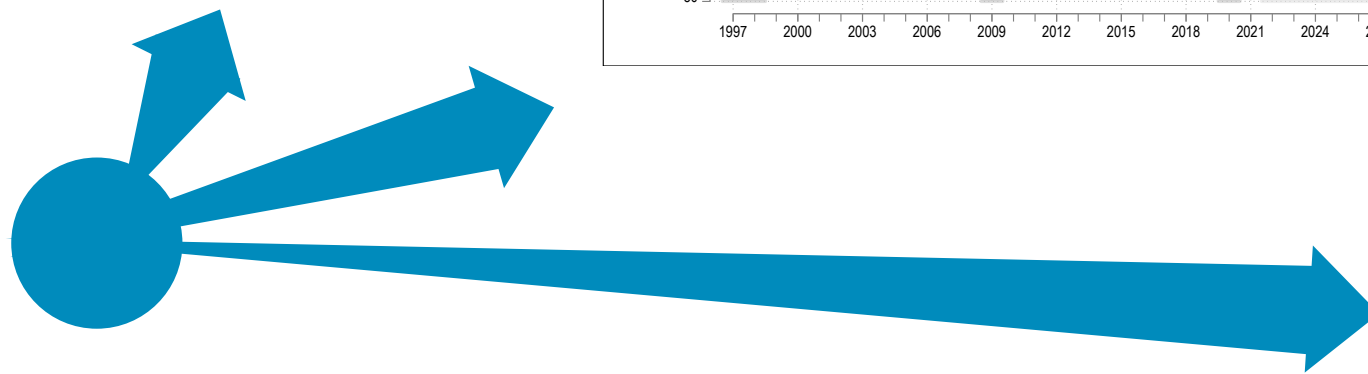
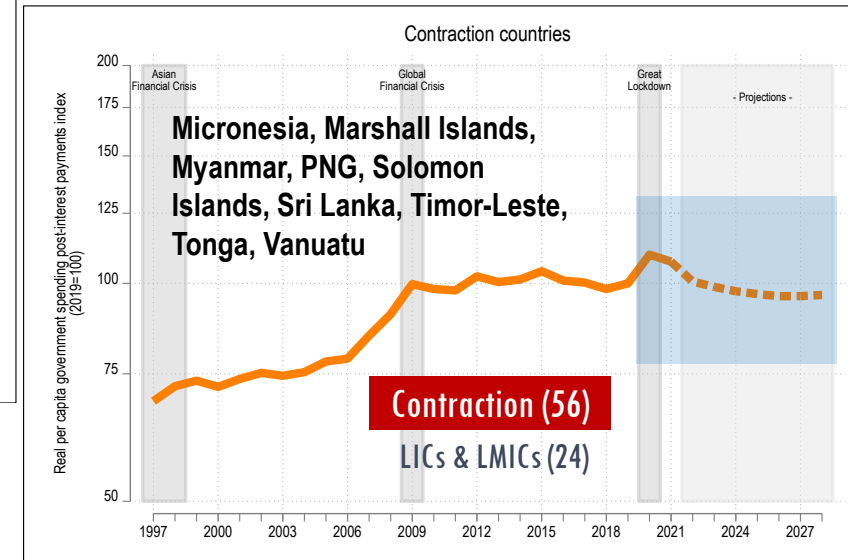
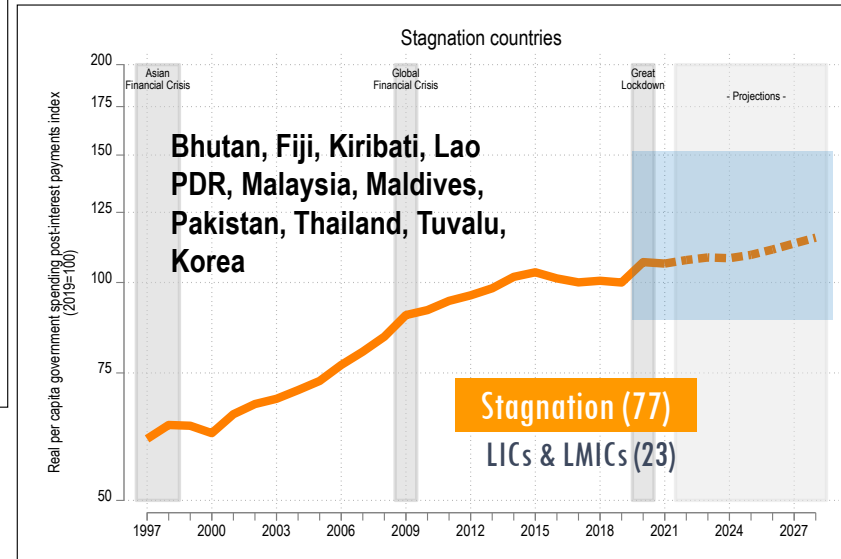
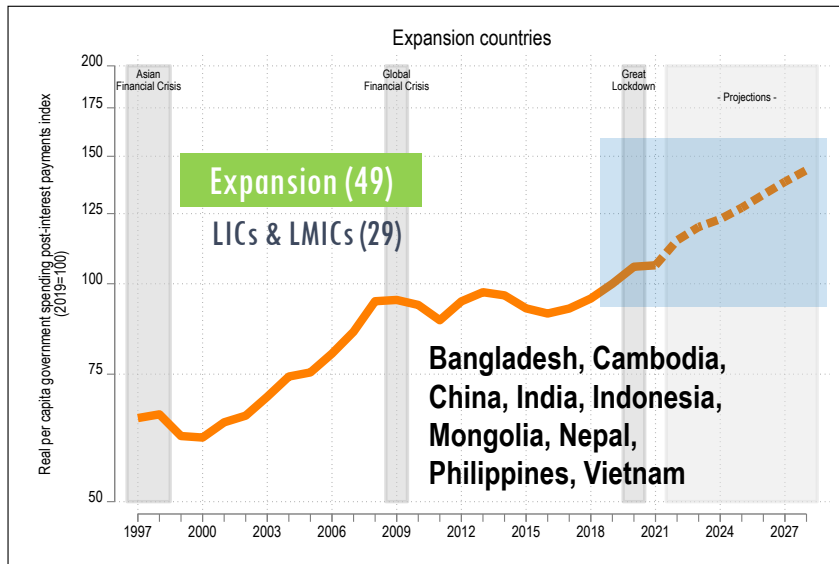
Interest Payments Share of Total Government Expenditure, 2022-2028



Multiple Pathways Are Emerging

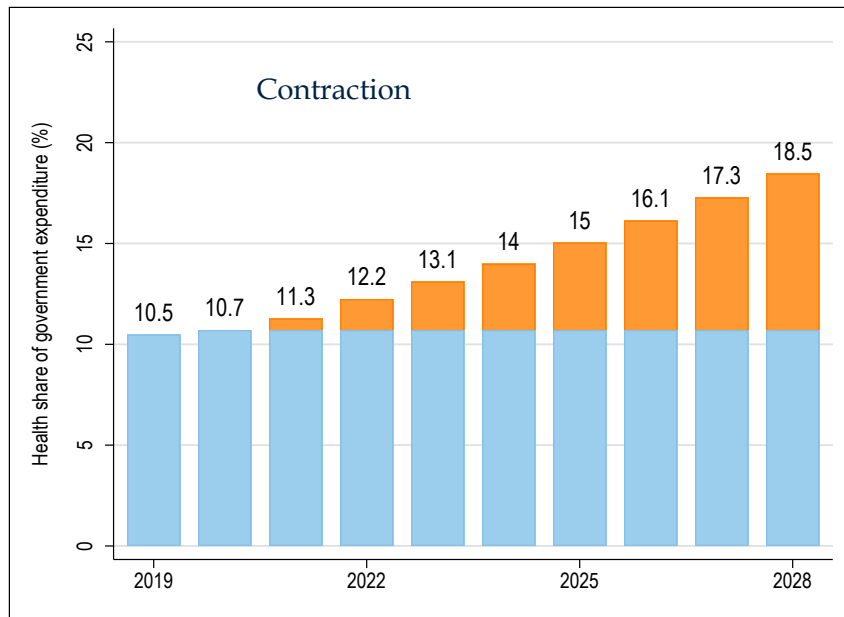


Large Disparities in Country Capacity for Public Investments

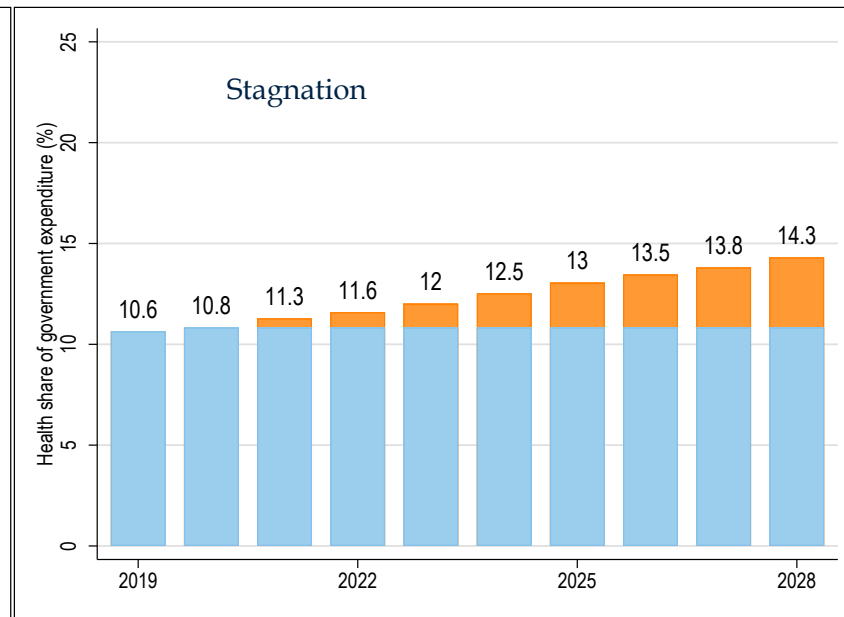


Risks to Public Spending on Health

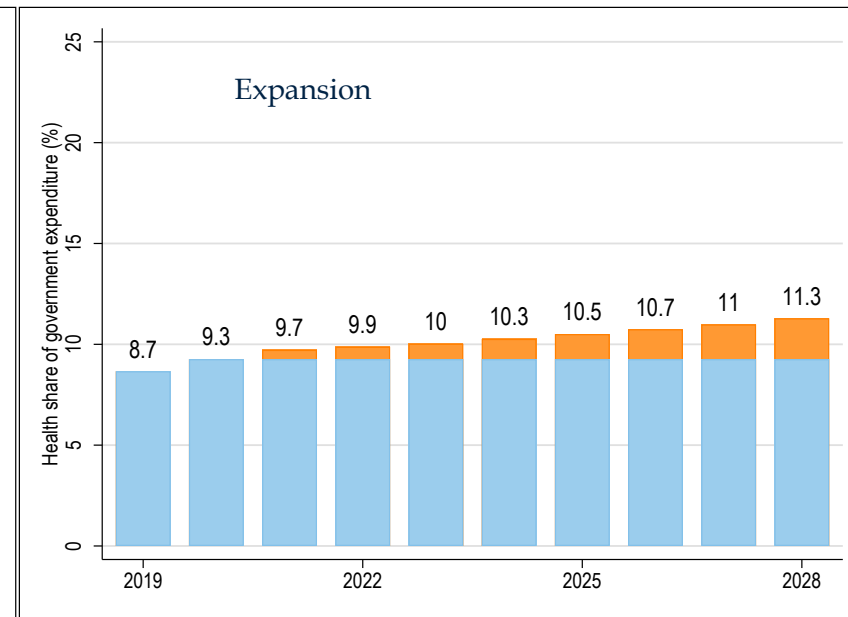
Fiscal tightening → **health's share of government spending** will need to **increase** to preserve pre-COVID trend growth rates in public spending on health



Countries whose post-interest government expenditure is estimated to **contract**

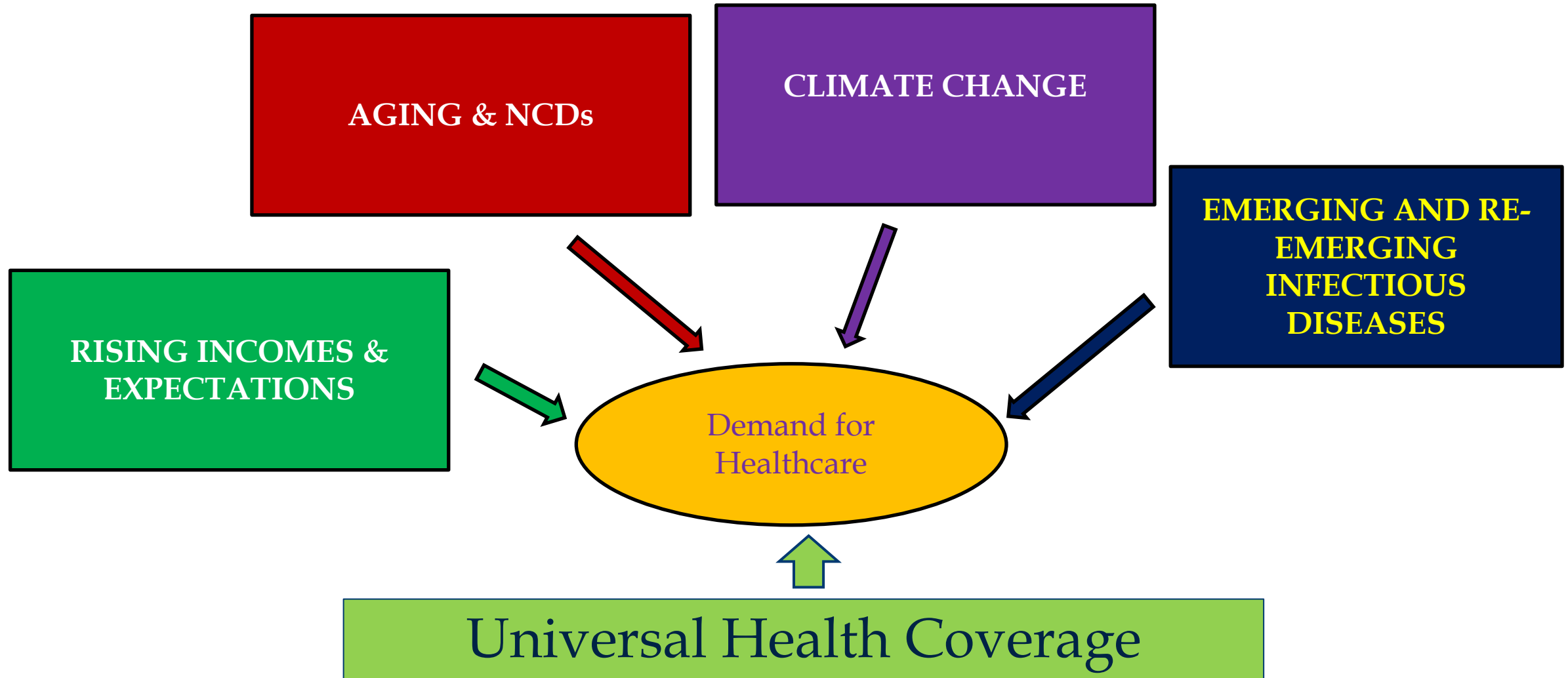


Countries whose post-interest government expenditure is estimated to **stagnate**



Countries whose post-interest government expenditure is estimated to **expand**

Medium-Term Risks + Unfinished UHC Agenda + New/Emerging Risks



Recommended UHC Monitoring Tracer Indicators



Reproductive, Maternal, Newborn, Child:

- Proportion with access to modern contraceptives
- Antenatal care coverage (4+)
- DTP3 vaccine coverage
- Care-seeking behavior for pneumonia

Infectious Diseases:

- TB effective treatment
- HIV treatment
- Proportion sleeping under bed net
- Access to improved sanitation

Noncommunicable Diseases:

- Normal blood pressure

- Mean fasting plasma glucose
- Tobacco nonsmoking

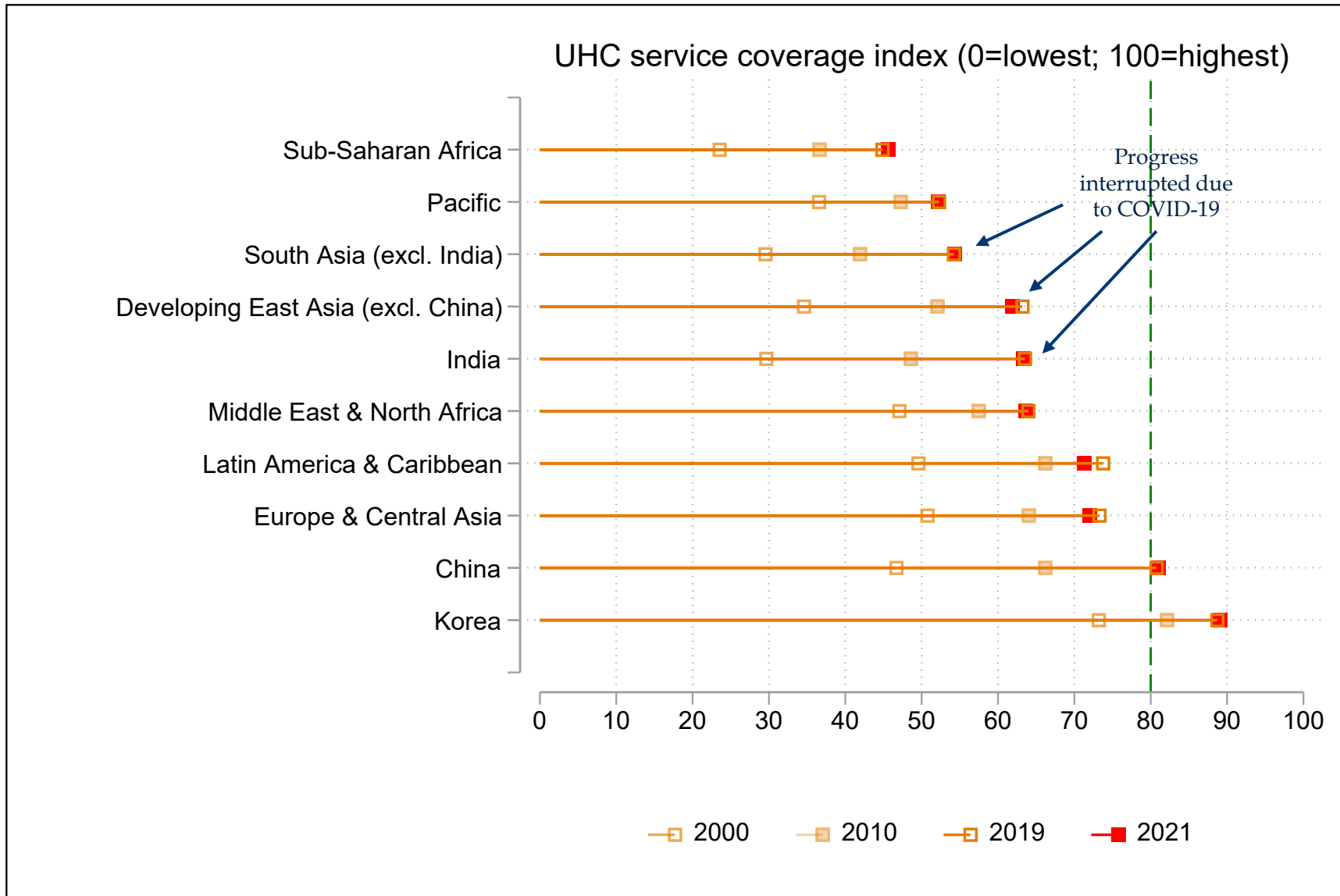
Service Capacity & Access:

- Hospital bed density
- Health worker density
- International Health Regulations (IHR) core capacity index

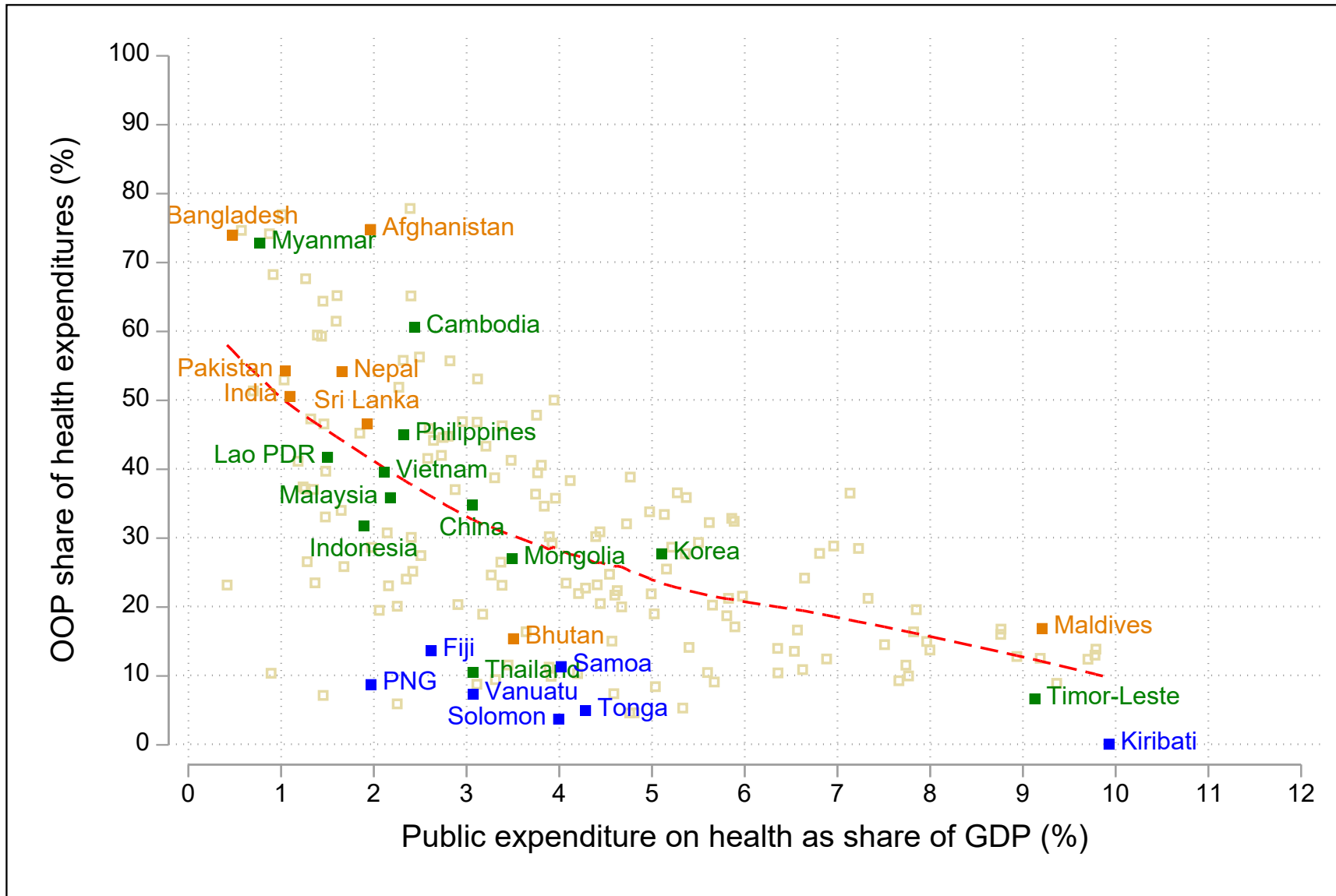
Financial Hardship:

- Proportion with 'large' OOP spending as share of household budget (>10% and >25%)
- Proportion of households impoverished or pushed deeper into poverty as a result of OOP spending on health

UHC Trends in Recent Decades

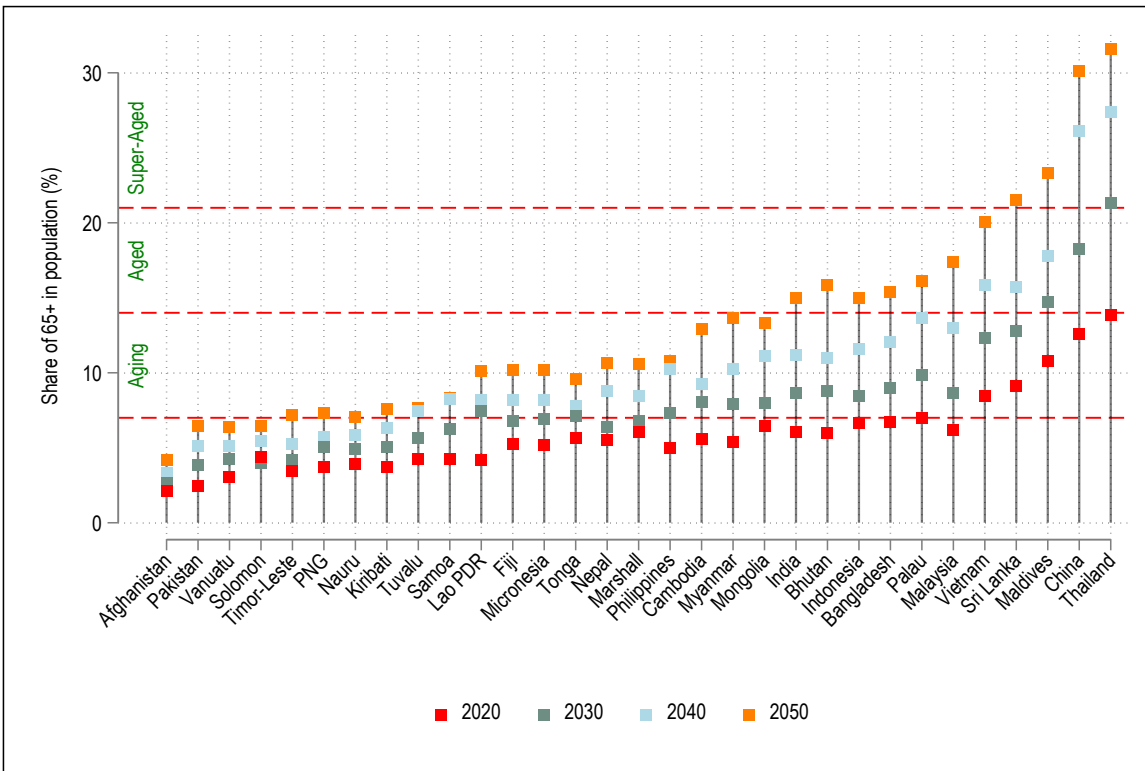


Public vs OOP Spending

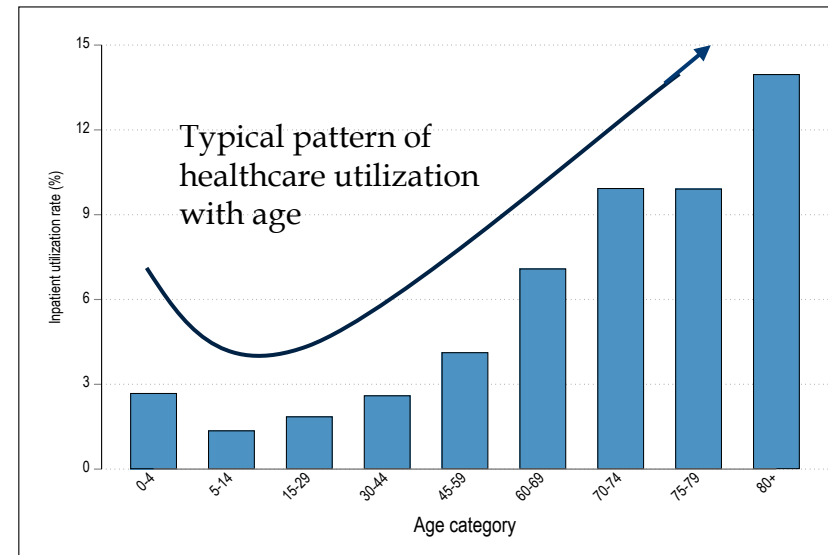
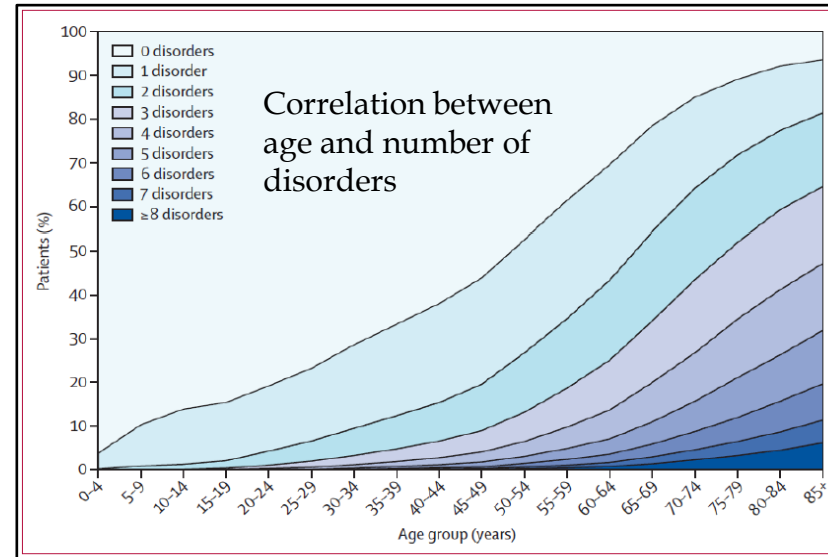


Share of Population 65+ Rising

Ageing risk factor for NCDs; greater complexity, greater multi/comorbidities, more costly health needs



Ageing also impacts ability of governments to raise revenue and finance health and long-term care



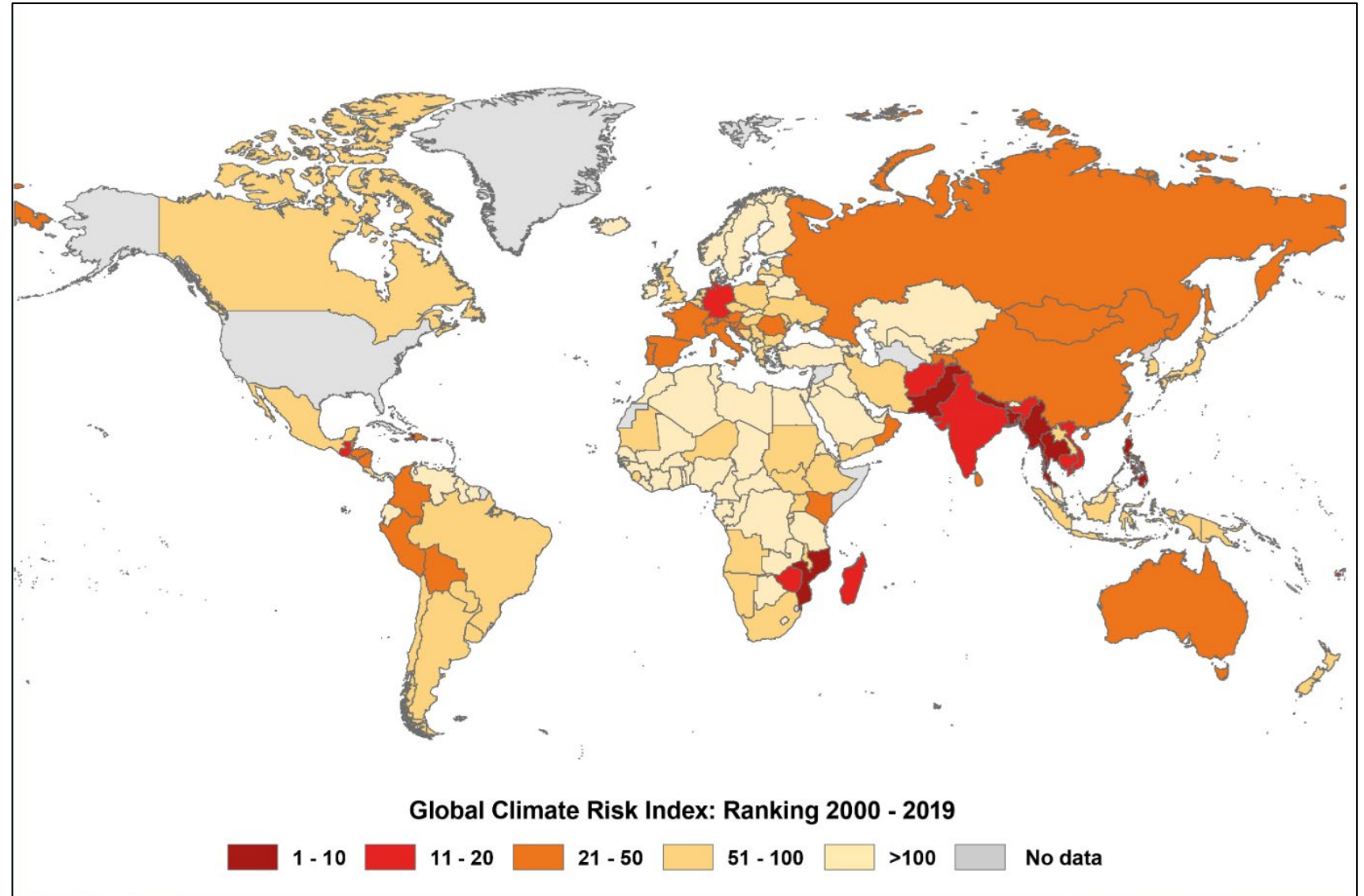
Example from a country: annual health care claims for an elderly person can be 4-5x that of a young person

Age Cohort	National
00-04	15,313
05-09	5,301
10-14	4,369
15-19	6,726
20-24	5,894
25-29	6,790
30-34	13,256
35-39	10,708
40-44	11,380
45-49	13,962
50-54	18,956
55-59	24,234
60-64	29,131
65+	20,980
ALL AGES	11,671

A Changing Climate

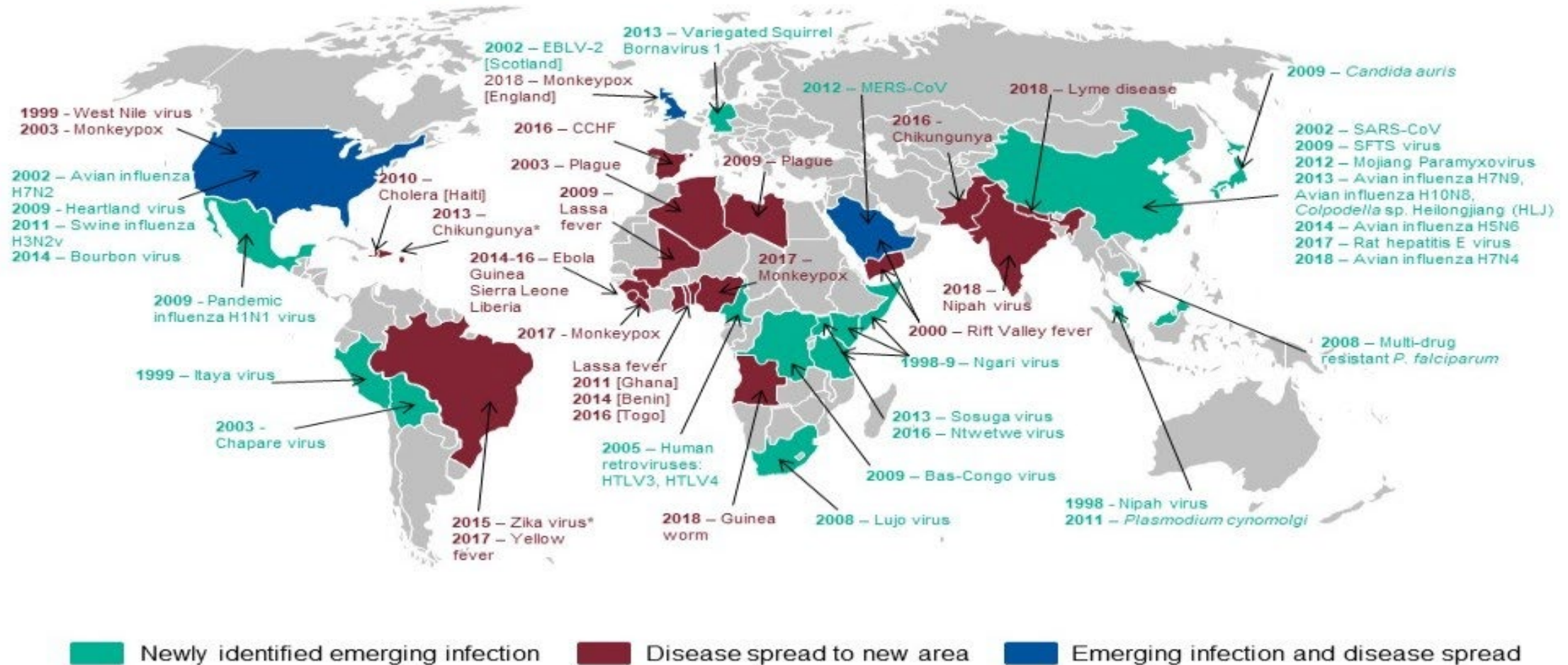
Asia-Pacific highly exposed to climate change impacts

Economic growth in region highly carbon intensive



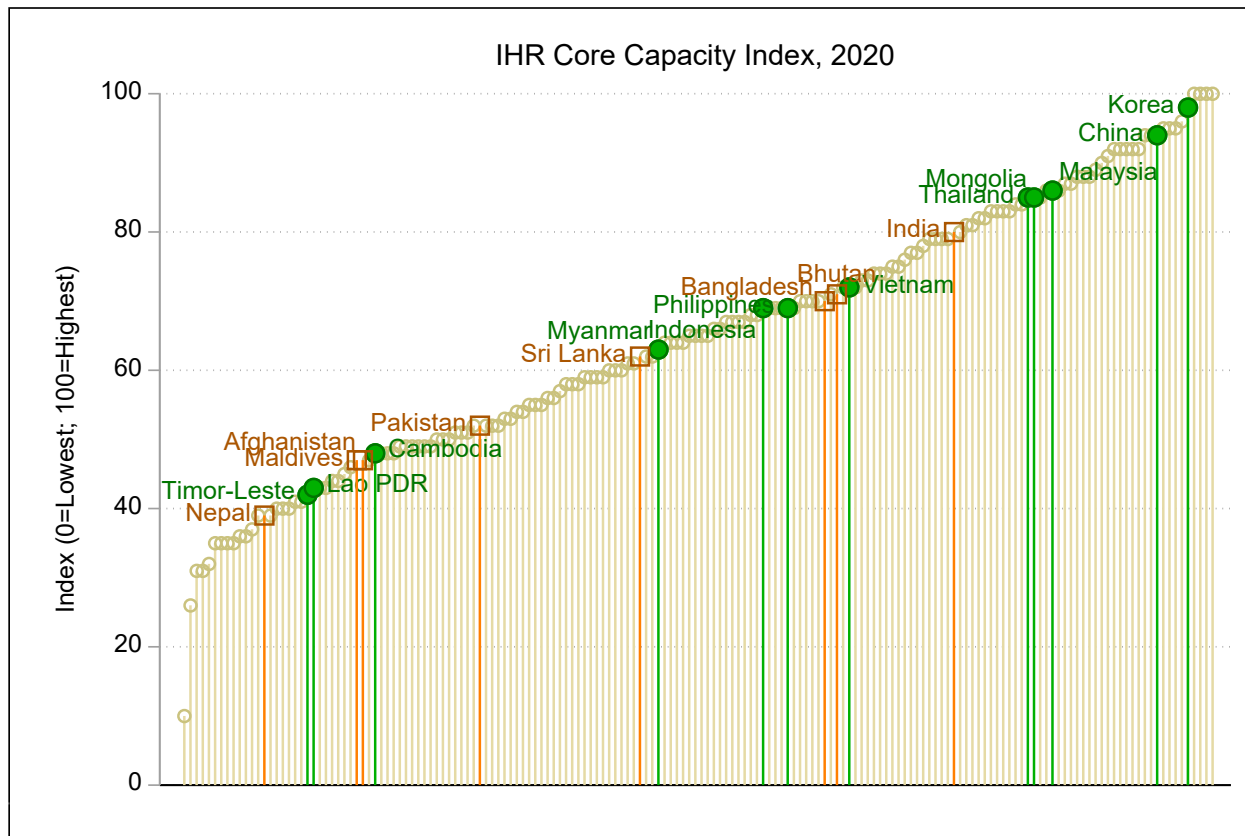
Threat of New Infections

Global map of significant and new emerging infections in humans: spread to new areas since 1998



*Incursion followed by regional spread

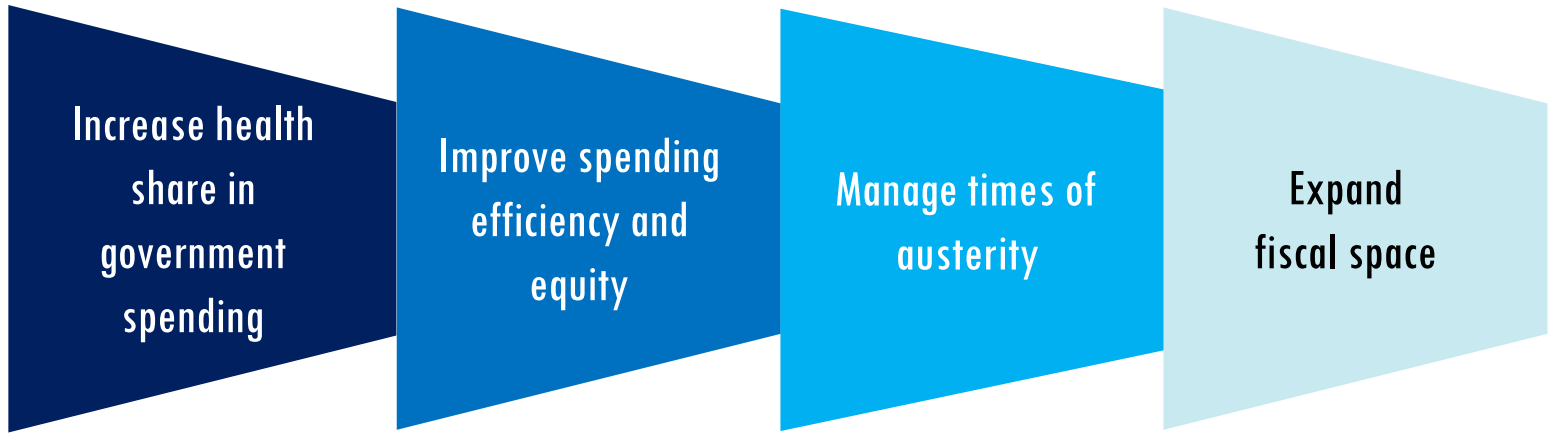
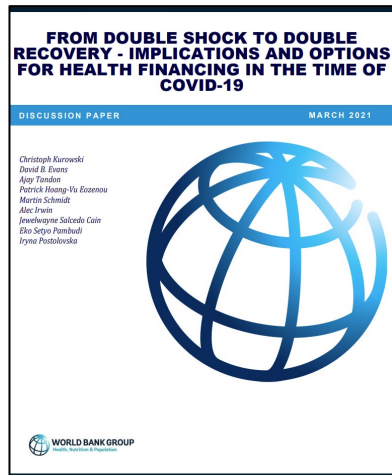
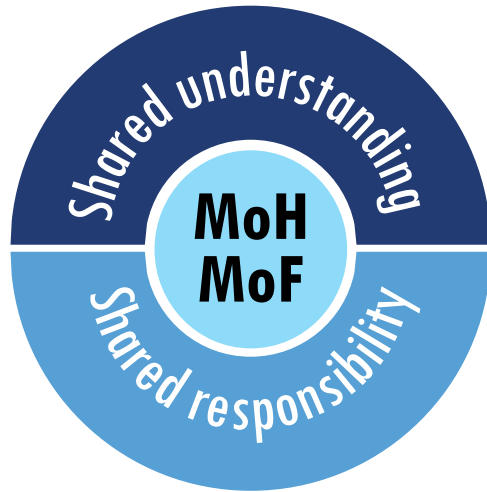
Pandemic Preparedness Remains Weak in Many Countries



- Legislation and financing
- IHR coordination and national focal point functions
- Zoonotic events and the human-animal health interface
- Food safety
- Laboratory
- Surveillance
- Human resources
- National health emergency framework
- Health service provision
- Risk communication
- Points of entry
- Chemical events
- Radiation emergencies

International Health Regulations (IHR) core capacity index: tracer indicator to measure **health security** calculated as average percentage of attributes of **13 IHR core capacities and health emergency preparedness measures**

...now bold action is needed in many places to avoid that countries are falling behind.



- Make economic case for health
- Demonstrate positive impact of health on other sectors (education, labor, etc.)
- Improve public financial management, absorption

- Strengthen financing of essential public health functions
- Increase financing for primary health care
- Tackle common sources of inefficiencies
- ...

- Protect spending priorities
- Identify saving options
- Understand and monitor effects of spending cuts
- Protect spending for the poor
- ...

- Increase health taxes
- Reduce inefficient subsidies (e.g., fuel and energy)
- Strengthen domestic resource mobilization
- ...

Develop financing literacy and capacity within health sector

Key Take-Away Messages

Global headwinds and additional economic risks – monetary tightening, inflation -- are constraining macro-fiscal recoveries across many countries

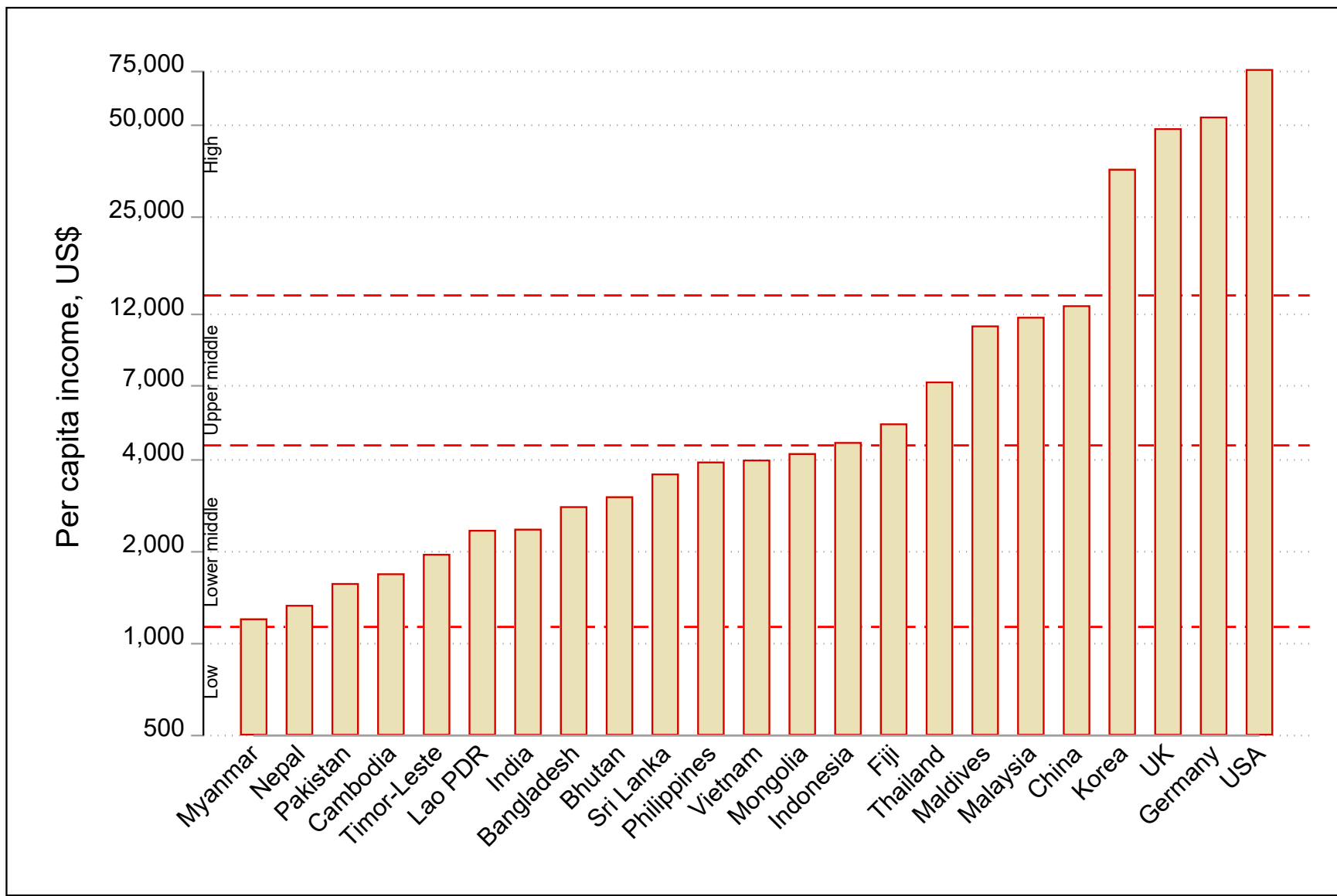
Although health spending increased due to COVID-19, ability of many countries to undertake much-needed additional public investments in health will likely remain constrained in the medium-term

In addition to continuing and accelerating progress towards UHC, pressures on financing for health are rising from ageing, chronic NCDs, need for investment in pandemic preparedness

New, bold action will be needed in countries where public financing for health is at risk: including efficiency, equity, additional revenues, and making the economic case for and multi-sectoral impact of health

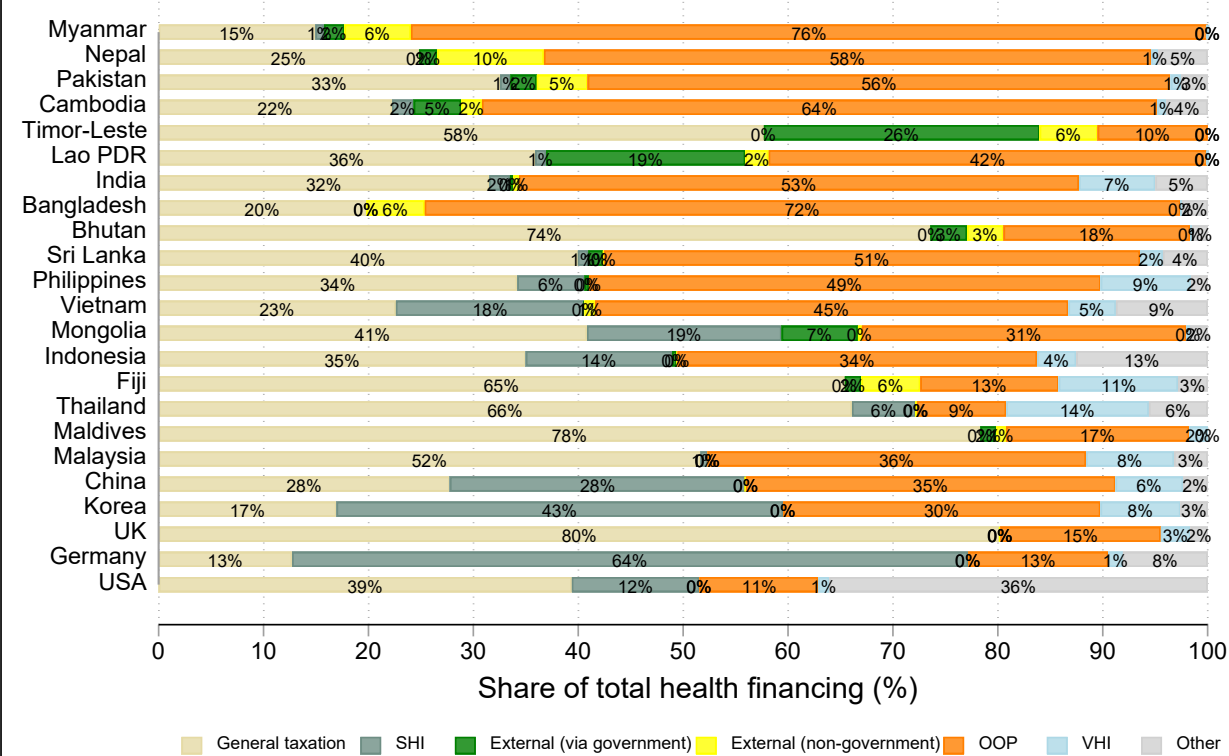
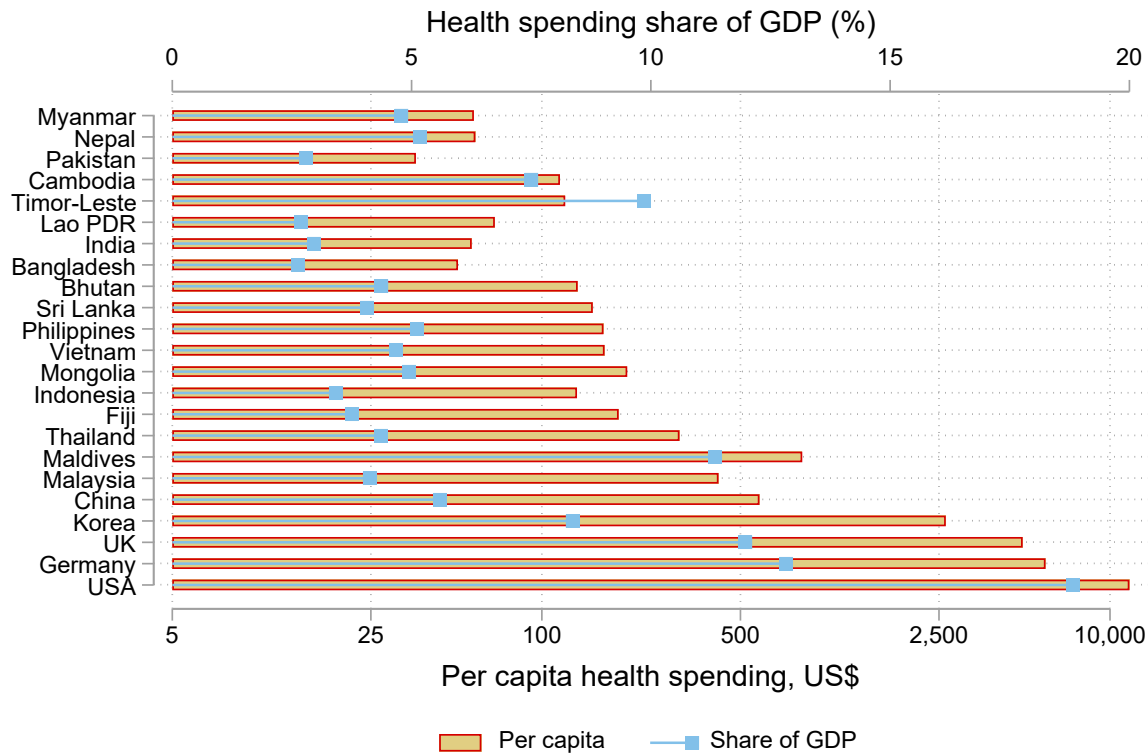
Additional Slides

Cross-Country



Source: WDI (2023)

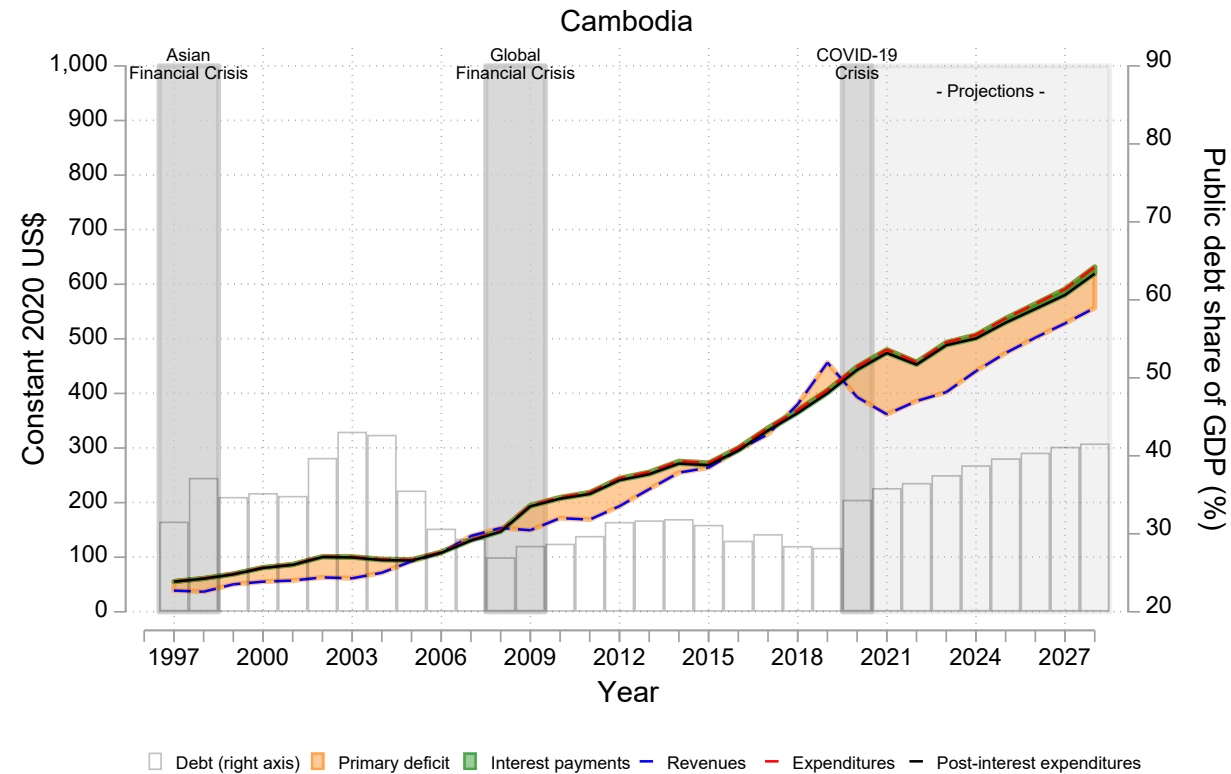
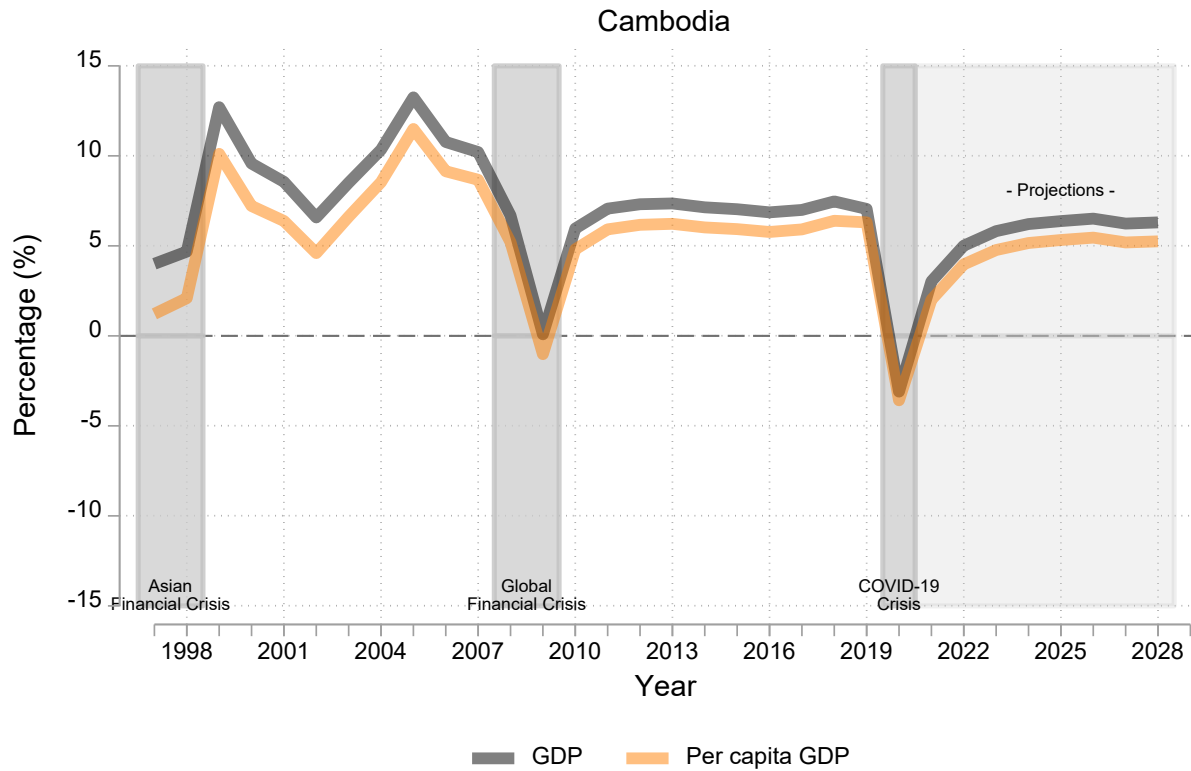
Cross-Country



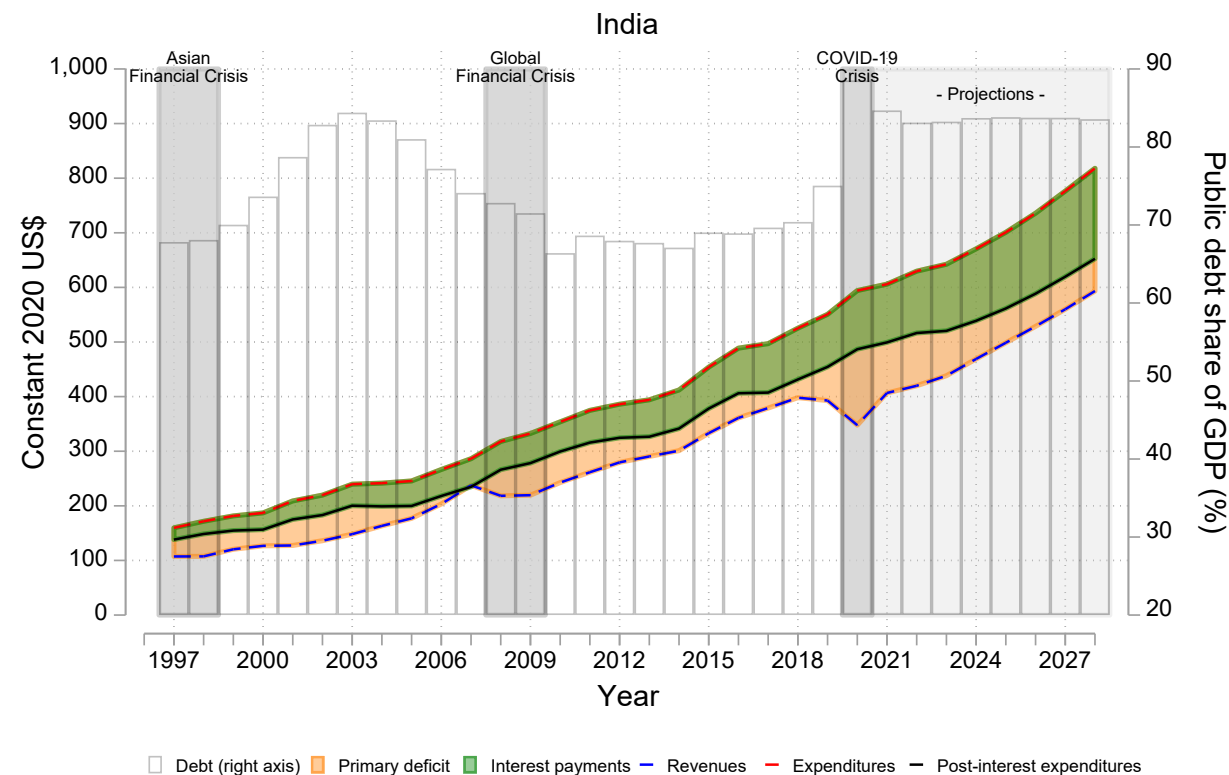
Public Spending on Health ↑ in 2020 as a Result of COVID-19

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								General taxation	SHI	External	
Cambodia	2017–2019	96	6.3	30	28	1.9	8.0	82	6	13	61
	2020	116	7.5	32	38	2.4	8.7	78	7	15	61
India	2017–2019	58	2.9	34	20	1.0	3.4	94	6	1	54
	2020	57	3.0	37	21	1.1	3.4	93	6	1	51
Indonesia	2017–2019	112	2.9	49	54	1.4	8.5	71	28	1	36
	2020	133	3.4	55	74	1.9	10.2	83	17	1	32
Korea	2017–2019	2,374	7.6	59	1,393	4.5	14.0	29	71	0	32
	2020	2,642	8.4	61	1,612	5.1	13.6	32	68	0	28
Mongolia	2017–2019	165	4.0	65	107	2.6	8.5	64	29	7	33
	2020	200	4.9	71	141	3.5	9.4	64	26	10	27
Thailand	2017–2019	282	3.9	72	202	2.8	14.4	92	8	0	10
	2020	305	4.4	70	215	3.1	13.2	92	8	0	11

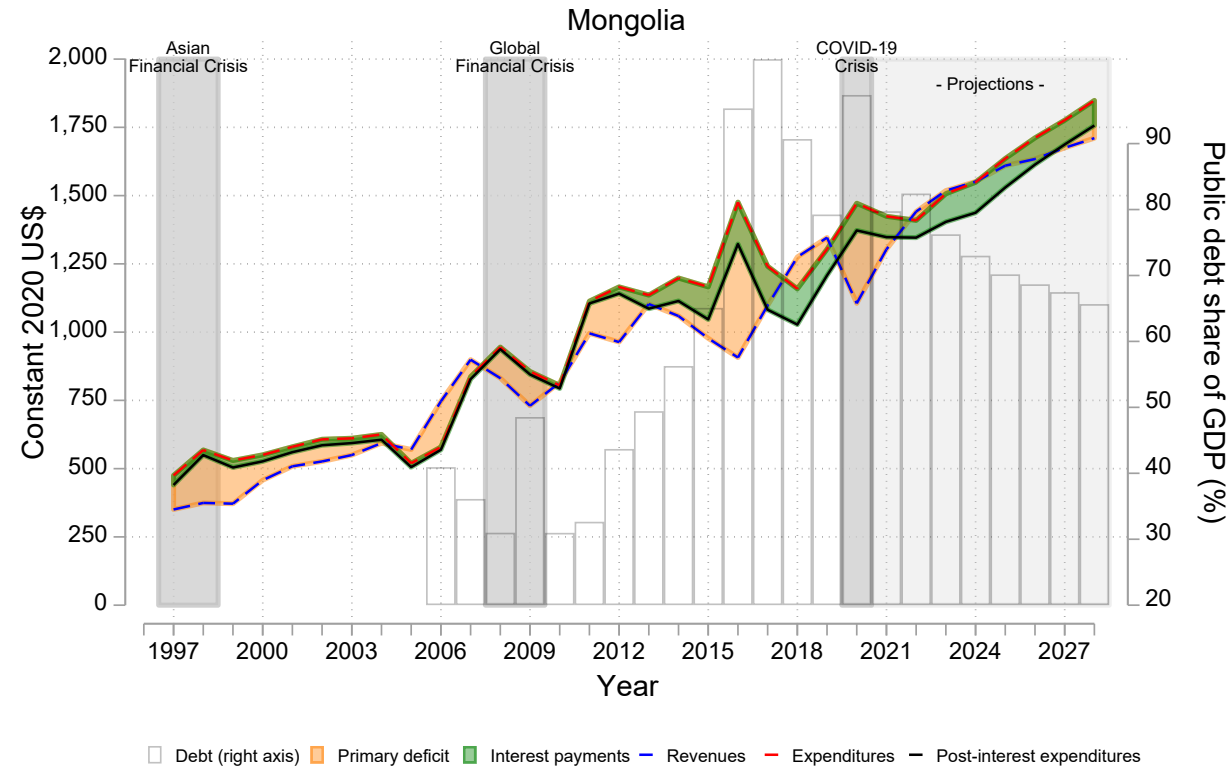
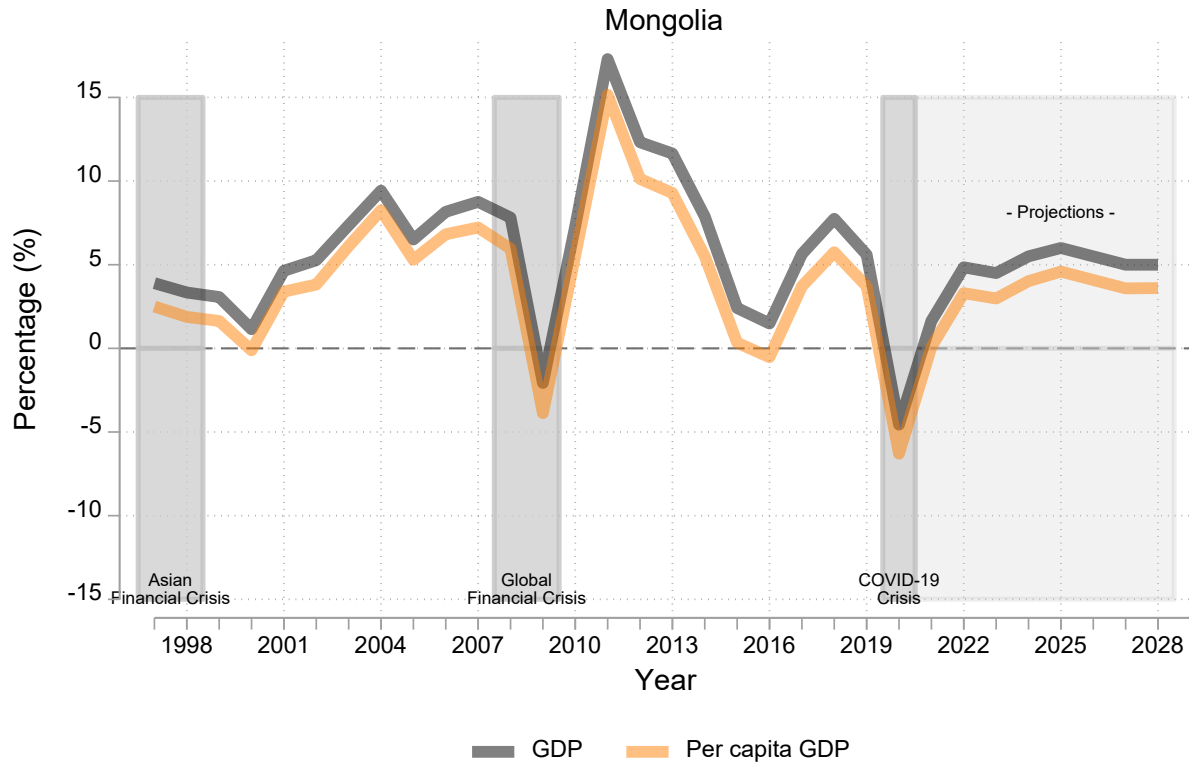
Cambodia



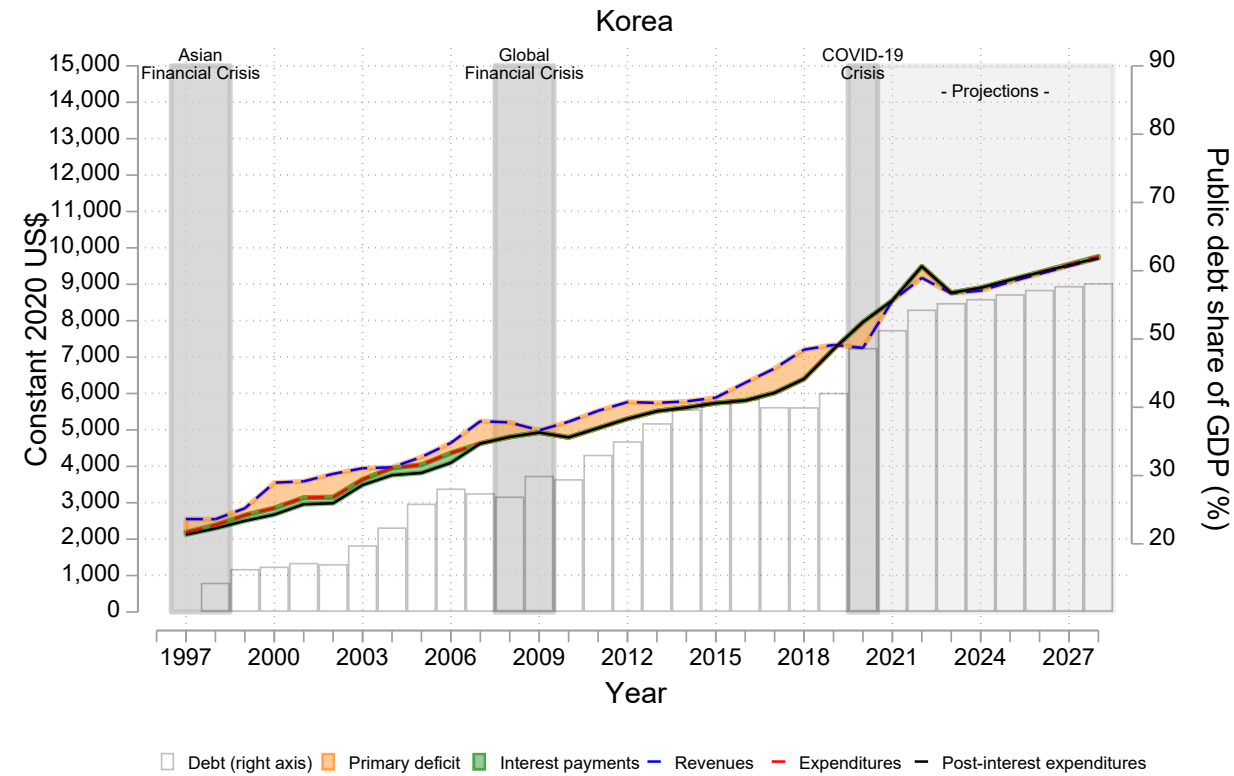
India



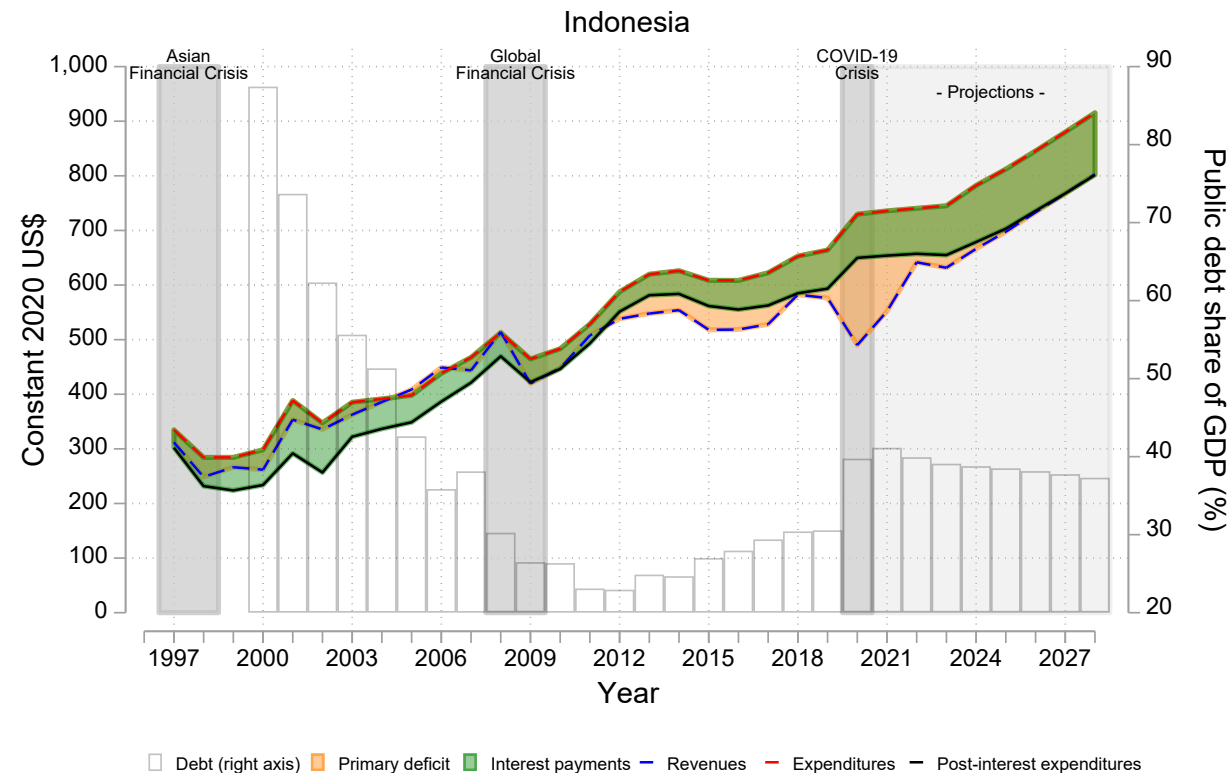
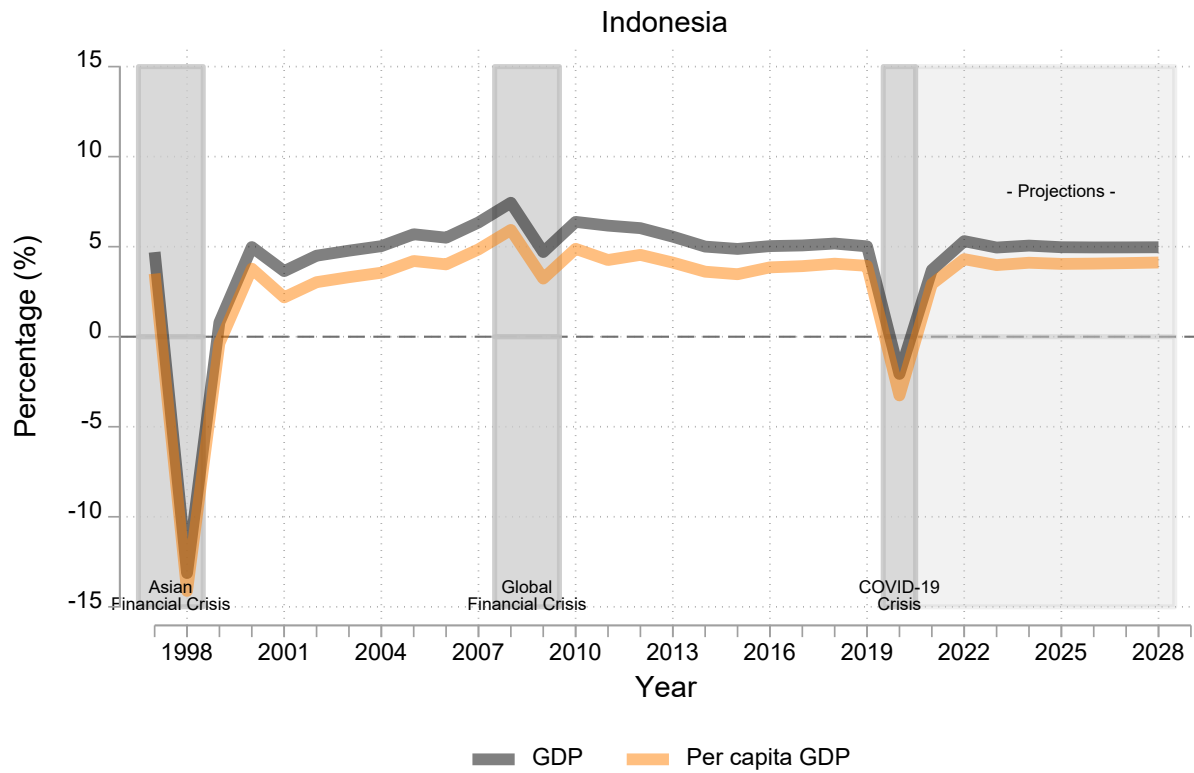
Mongolia



Korea



Indonesia



Thailand

