

Mitigating austerity: lessons learned from previous fiscal crises

Amanda Glassman

Center for Global Development

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Regional outlook: fiscal pressure ahead

- Period of negative growth in 2020 with modest recovery with vaccines
- Delta + new variant ahead – economic pressures + inflation → likely fiscal pressures
- In health spend, trade-offs with COVID-19 response and vaccination imperatives

Growth Projections: Latin America and the Caribbean

(real GDP growth; percent)

	2019	2020	Projections	
			2021	2022
Latin America and the Caribbean	0.1	-7.0	6.3	3.0
South America ¹	-0.1	-6.6	6.3	2.3
CAPDR	3.2	-7.1	7.7	4.6
Caribbean				
Tourism dependent ²	-0.03	-9.5	2.3	4.1
Commodity exporters ³	0.4	4.0	5.6	21.1
Latin America				
Argentina	-2.1	-9.9	7.5	2.5
Brazil	1.4	-4.1	5.2	1.5
Chile	1.0	-5.8	11.0	2.5
Colombia	3.3	-6.8	7.6	3.8
Mexico	-0.2	-8.3	6.2	4.0
Peru	2.2	-11.0	10.0	4.6

Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Regional aggregates are purchasing-power-parity GDP-weighted averages. CAPDR = Central America, Panama, and the Dominican Republic.

¹Excludes Guyana and Suriname.

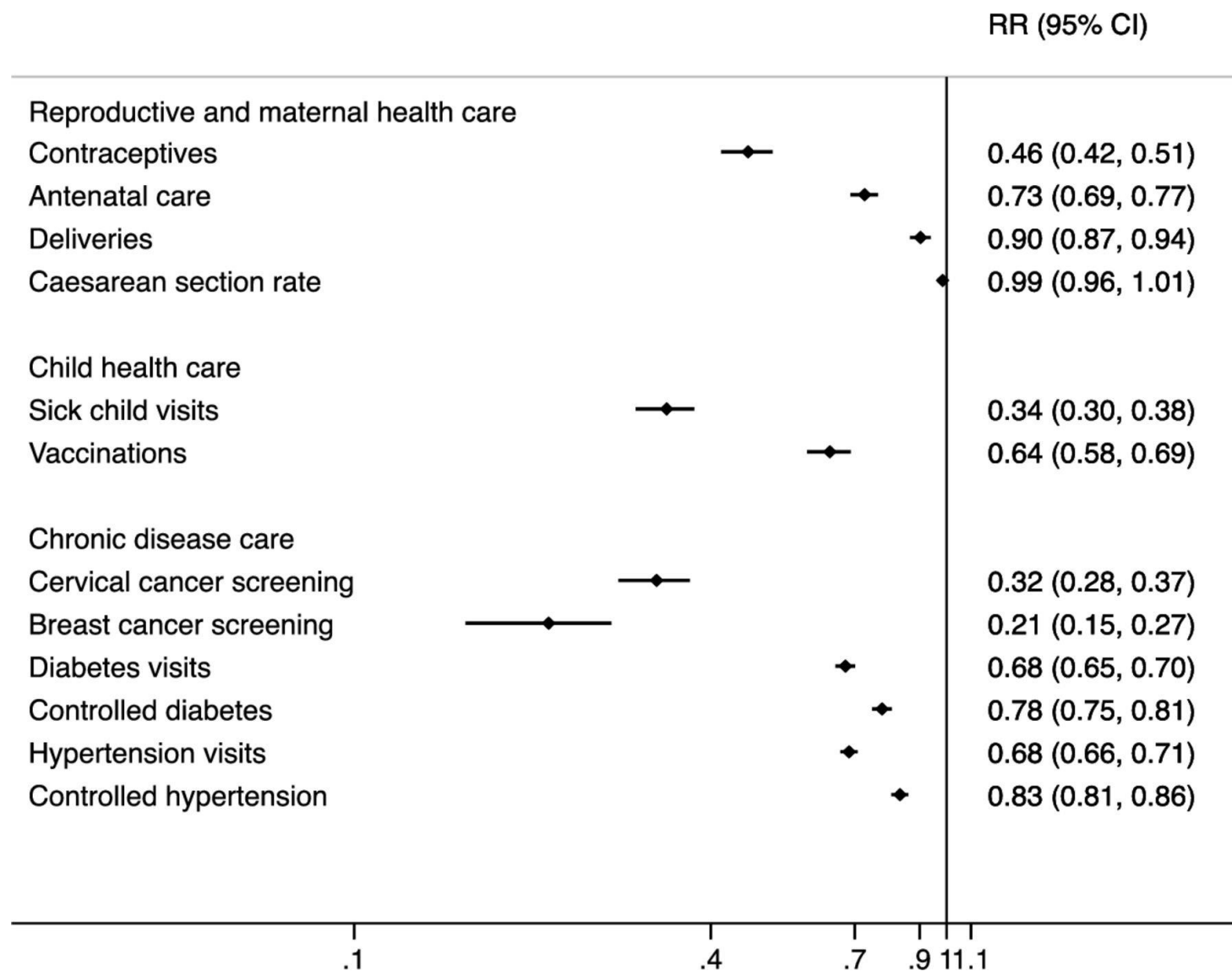
²Includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

³Includes Guyana, Suriname, and Trinidad and Tobago.

Signs that (some, many?) Latin American governments may not be effectively protecting essential services

- Increased mortality is observed in almost all countries of the region during 2020; in certain cases, more than 200% excess mortality ([OSF Preprints | Exploring excess of deaths in the context of covid pandemic in selected countries of Latin America](#))
 - COVID-19 but also interruptions in other essential health services and changes in livelihoods
- Health services have been adversely affected and not protected, neither financially nor operationally
 - Mexico - Svetlana et al 2021 (next slide)
 - <https://www.cgdev.org/publication/indirect-health-effects-covid-19-emerging-findings-kenya-philippines-south-africa-and>

Risk ratios (RRs) for the average effect of COVID-19 (level change) on health service use and outcomes, Mexican Institute of Social Security, January 2019–December 2020.



Svetlana V Doubova et al. BMJ Glob Health 2021;6:e006204

Policies that can smooth crisis when they hit

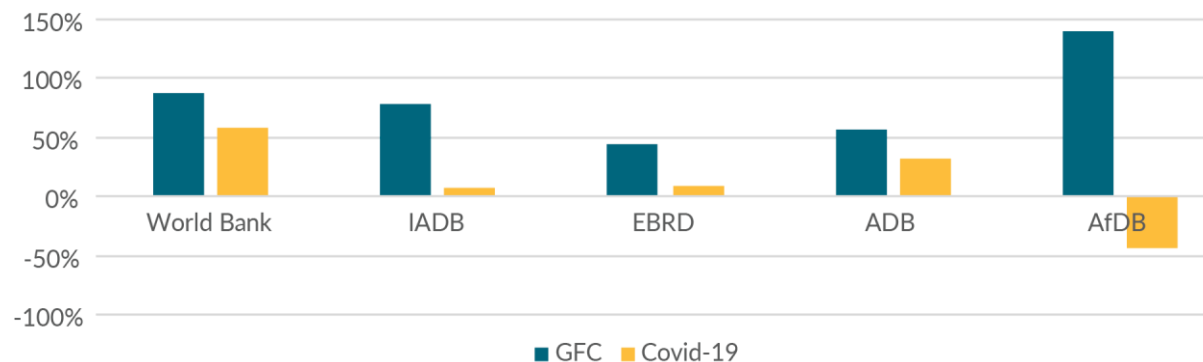
Strategy	Examples
Adopt cost-sharing for lower priority services including financial caps, value-based purchasing	<ul style="list-style-type: none"> • China increases co-pay for IV injections • Colombia uses comparator price of cost-effective generic for reimbursement, not actual price
Plan to smooth cyclical effects, unexpected expenditures	<ul style="list-style-type: none"> • Estonia health insurance reserve fund disburses automatically when contributions fall to cover package obligations • Mexico fund for budgetary contingencies to cover shortfalls associated with excess demand or state budget crunches
Improve efficiency	<ul style="list-style-type: none"> • Implement financial / performance risk-sharing • Collect data on production of HBP-services and conduct operational research to identify areas for efficiency gains, etc.
Adjust benefits	<ul style="list-style-type: none"> • Disinvestment from ineffective or minimally effective services and products

Inflation adjustment to protect services and providers

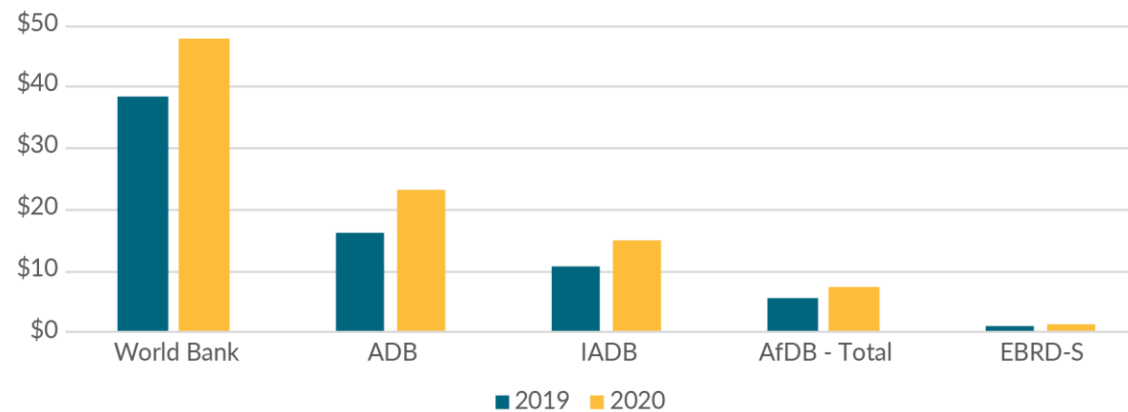
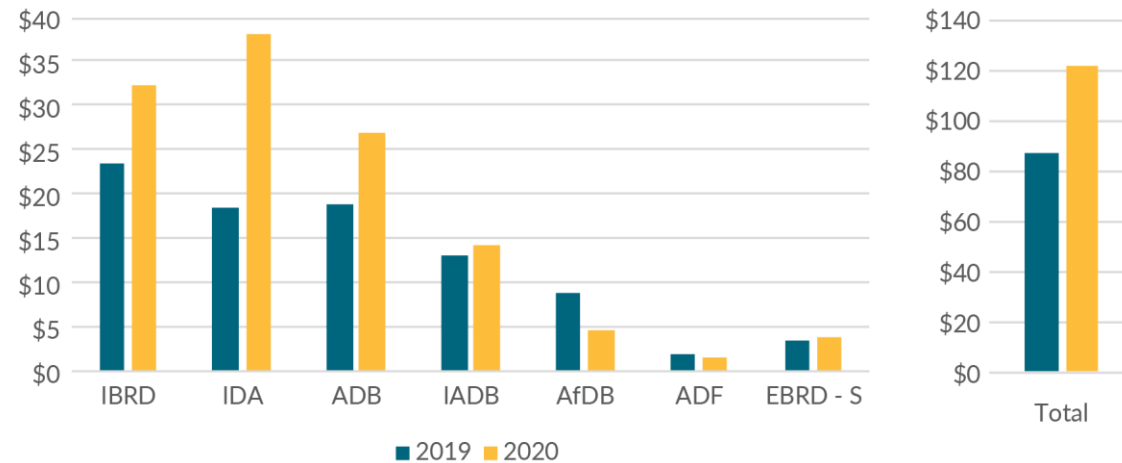
Country	Approach	Frequency	Issues
Israel	Health cost index intended to adjust for changes in prices of inputs, composed of other indices (CPI, average wage of health care providers, average wage of public servants), published methodology and evaluation	Annual	Did not reflect changes in hospital costs (such as per diem rate) when inpatient care represented 40% of all spending
Mexico (out of date!)	Financial and actuarial valuation of CAUSES and high-cost interventions packages (FPGC), established by law	Annual	No published methodology, no published evaluations
Uruguay	Formula that reflects price changes in inputs using CPI, exchange rates and wages	Biannual	Changes in actual utilization and expenses not fed into formula, no published methodology, no published evaluations

Negotiating budgets during crisis

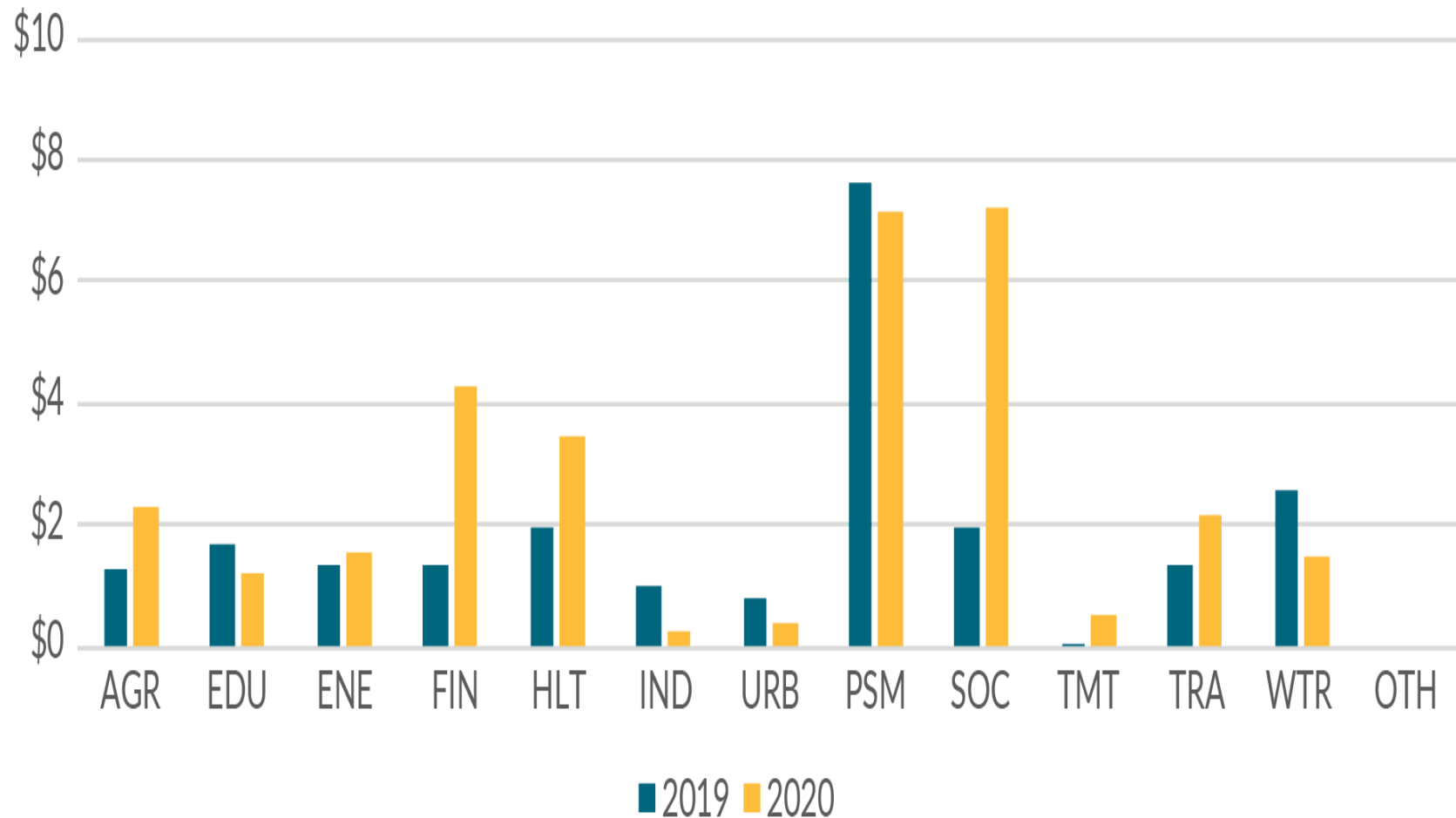
- Have we defined essential health services and products that **MUST** be sustained
- Have we understood the expenditure (and actions) necessary to do this even while dealing with C19 and C19 vaccination
- Which budget items are stickiest (salary), and so what gets cut?
- Is health ministry and insurance agencies and/or subnational governments prepared to negotiate with MOF?
- Role of the MDB?



Total commitments and disbursements MDB (\$billions)



IBRD commitments by sector (\$billions) less than \$4bn incremental in MIC in health!



[Source: MDB COVID-19 Crisis Response: Where Did the Money Go? | Center For Global Development \(cgdev.org\)](#)