

# Economic Impact of COVID-19: Implications for Public Financing

*Joint Learning Network Webinar*

*Pro-Poor Earmarking of Health Taxes for Domestic Resource Mobilization*

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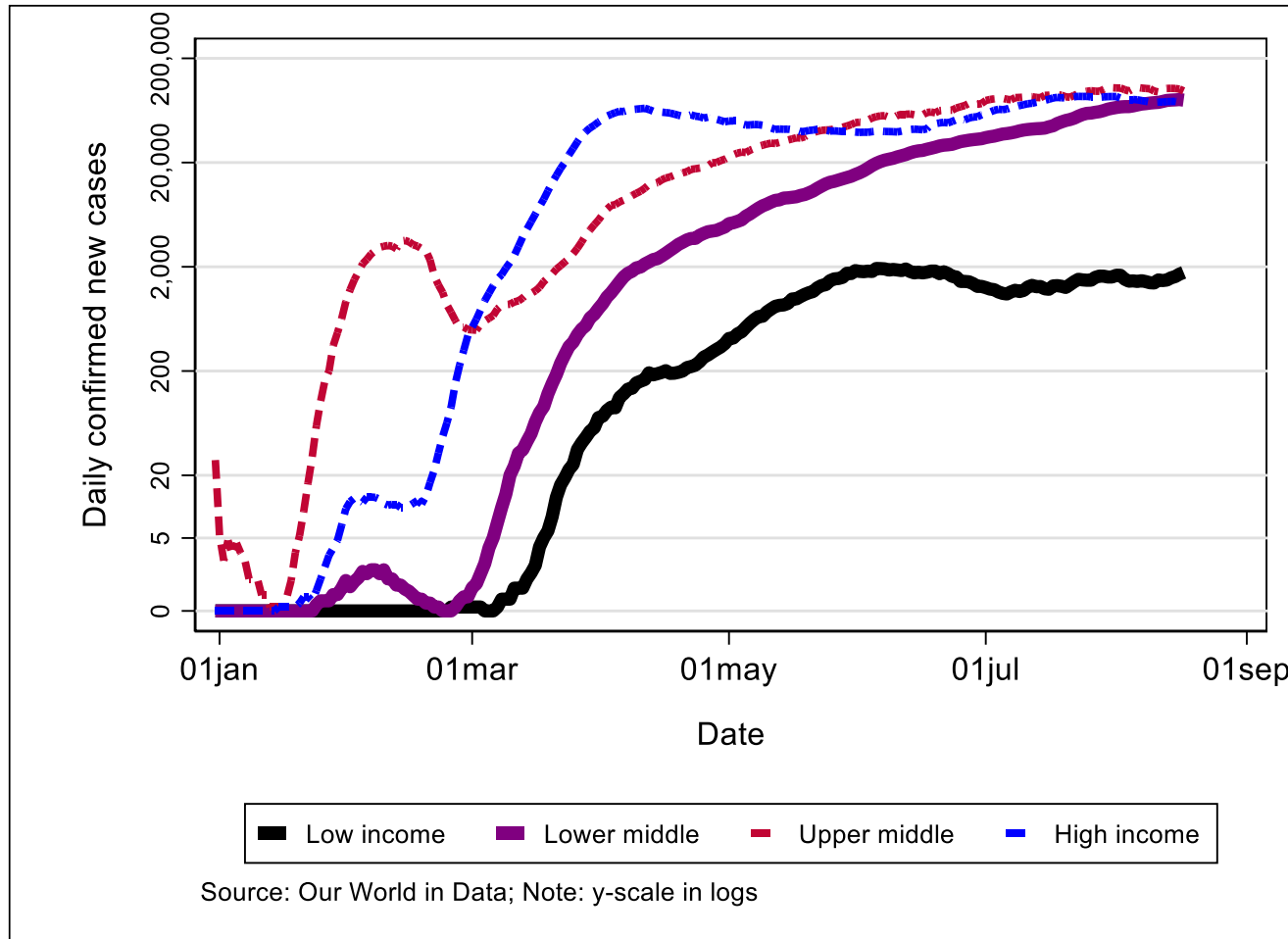
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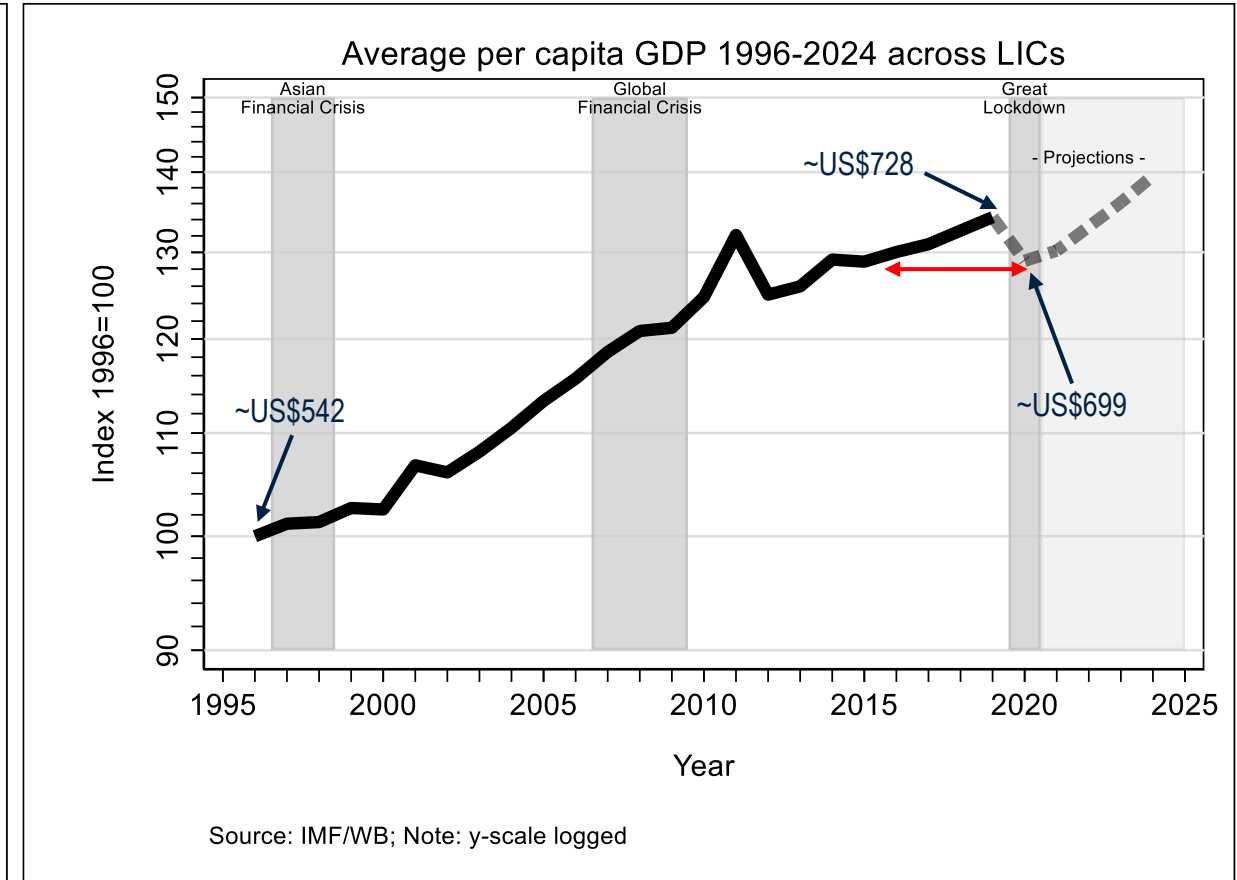
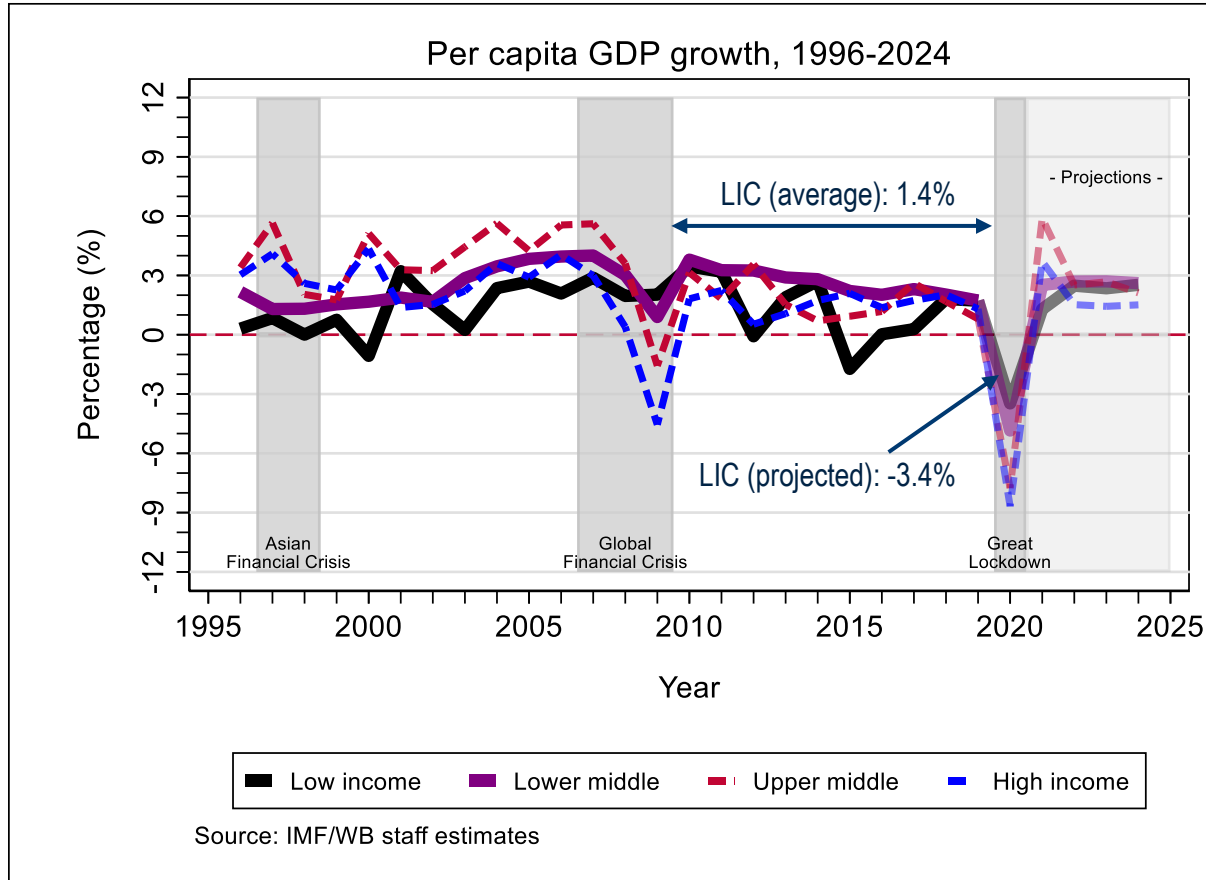
July 2020

# COVID-19



- Although many countries have seen improvements, the COVID-19 pandemic continues to grow globally: **>250,000** daily new cases with almost **800,000** confirmed deaths to date
- **USA, Brazil, and India** currently have the highest number of daily new cases.
- Evidence that **non-COVID** health service utilization is also being adversely affected.

# A Deep Global Economic Contraction is Occurring

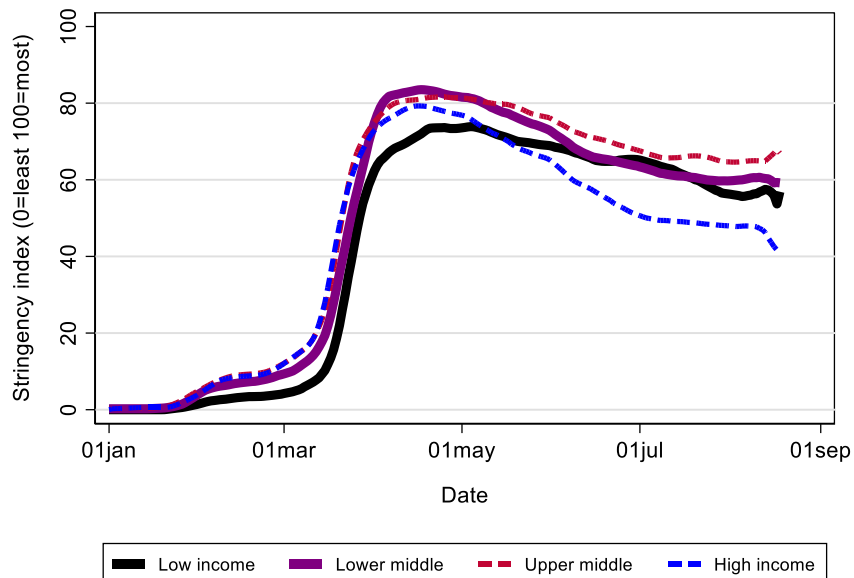


Collateral damage from COVID-19: **unemployment** and **poverty rates** rising; adverse effect on **remittances** and **household incomes**; **income inequality** increasing; consumption and services sector, as well as those in informal sector impacted the hardest...

# Extent of Economic Impact Differs Across Countries

## Lockdown stringency

The longer and more severe the lockdown measures (as measured by stringency index) the bigger the expected economic impact



Source: Hale et al (2020)

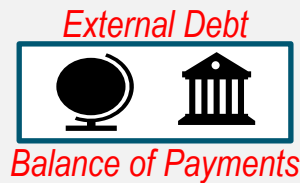
## External integration



Jamaica  
Cambodia  
Georgia  
Thailand



Djibouti  
Cambodia  
Congo



Kyrgyz Republic  
Mozambique  
Paraguay



Nepal  
El Salvador  
Honduras  
Armenia

## Fiscal vulnerability

Afghanistan  
Niger  
Rwanda



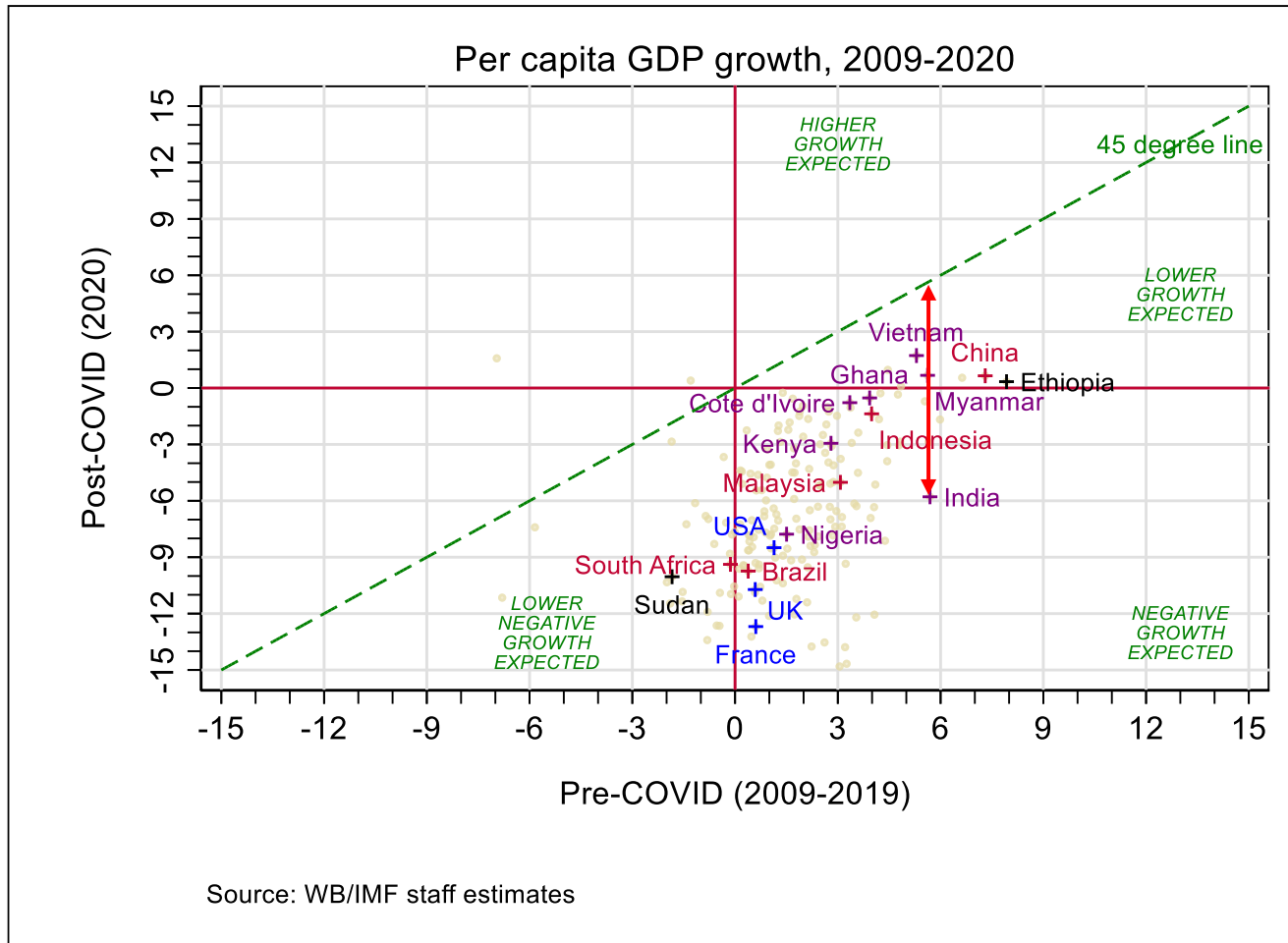
Nigeria  
Myanmar  
Bangladesh  
Indonesia



Kenya  
India  
Egypt  
Sri Lanka  
Ghana  
Uganda  
Bangladesh  
Pakistan



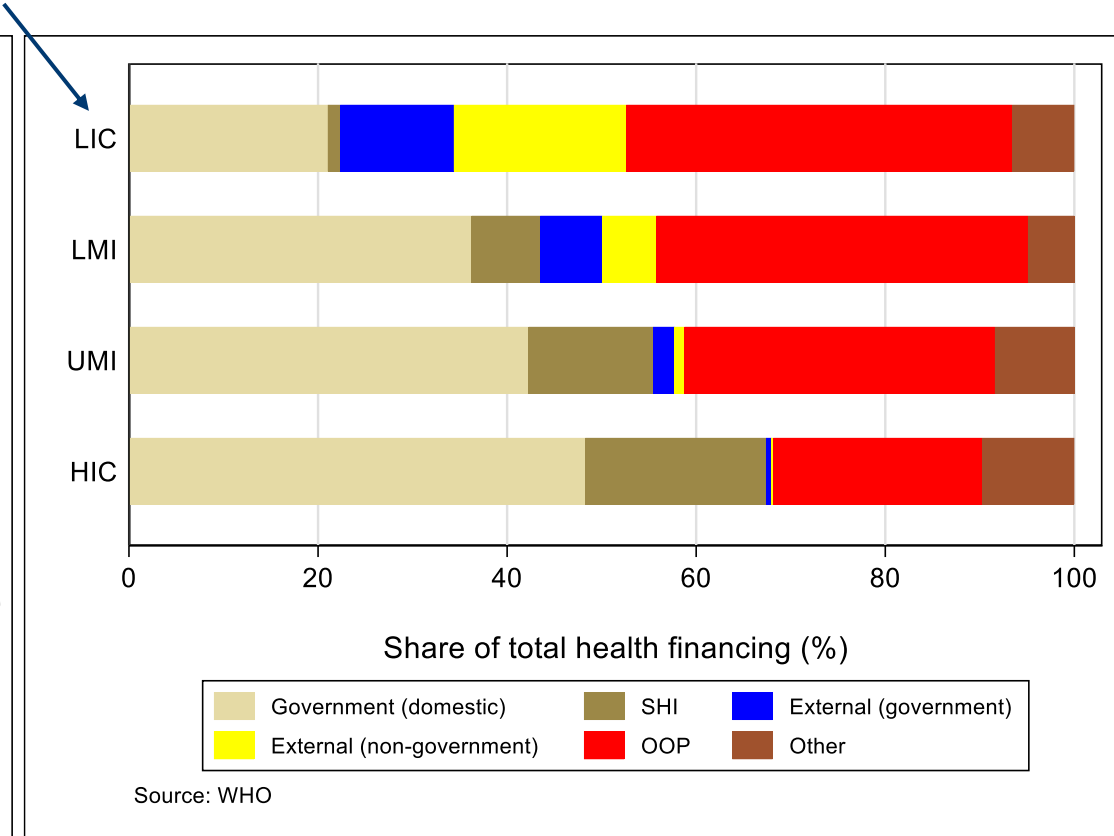
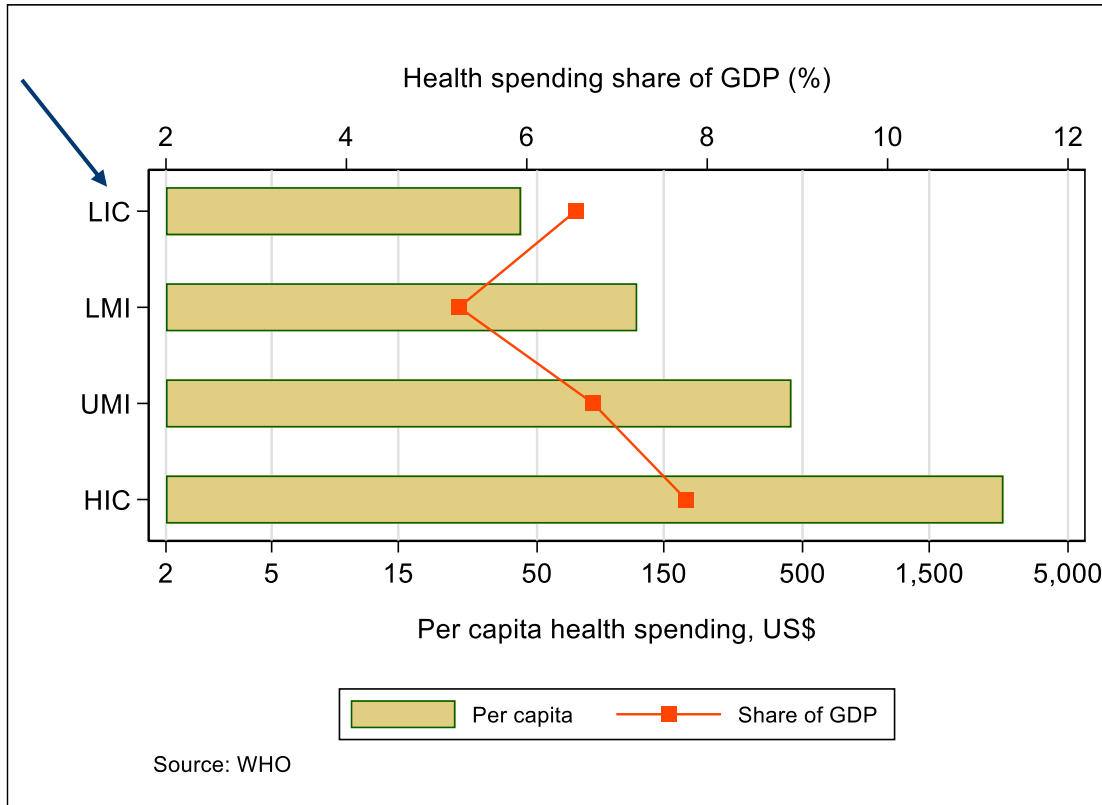
# Per Capita GDP Growth Will Decline in Almost All Countries



- Current projections indicate **South Africa, Brazil, UK, France, Sudan** will see economic contractions in excess of **-9%** in 2020.
- **USA, Nigeria, India, Malaysia** expected to see a decline between **-5%** to **-9%**.
- **China, Myanmar, Ethiopia, Vietnam** will likely see a slowdown in economic growth but are not currently expected to see an economic contraction.

# Implications of the adverse economic impact from COVID-19 will depend on how health is financed across countries...

Health Financing Sources Differ Across Countries: On Average, OOP & External Financing Prominent in LICs



# Economic Growth is Not the Only Determinant of Public Spending on Health

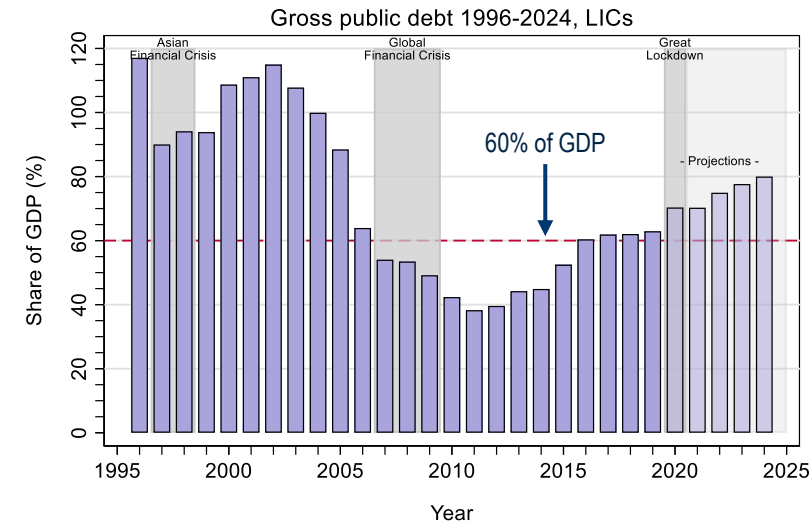
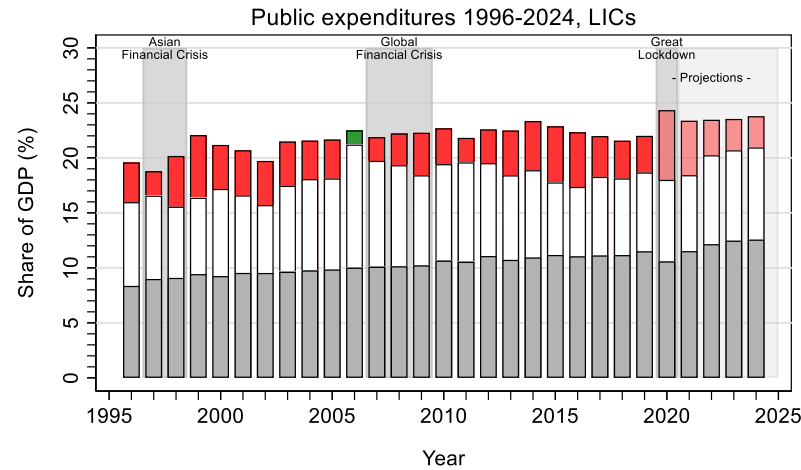
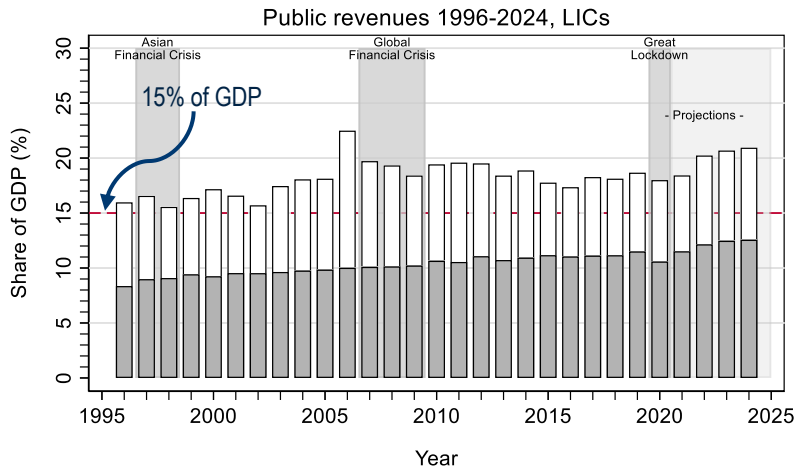
...public spending on health depends not only on what happens to economic growth, but also on public revenues and on the ability of countries to implement countercyclical fiscal and monetary policies (e.g., by borrowing) and to changes in priority for health in government budgets



*India (2018-2019)*  
4% X 28% X US\$2,100 = US\$21

*India (2020-2021)*  
? X ? X US\$2,000 = ?

# Lower Public Revenues, Higher Deficits/Debt Projected



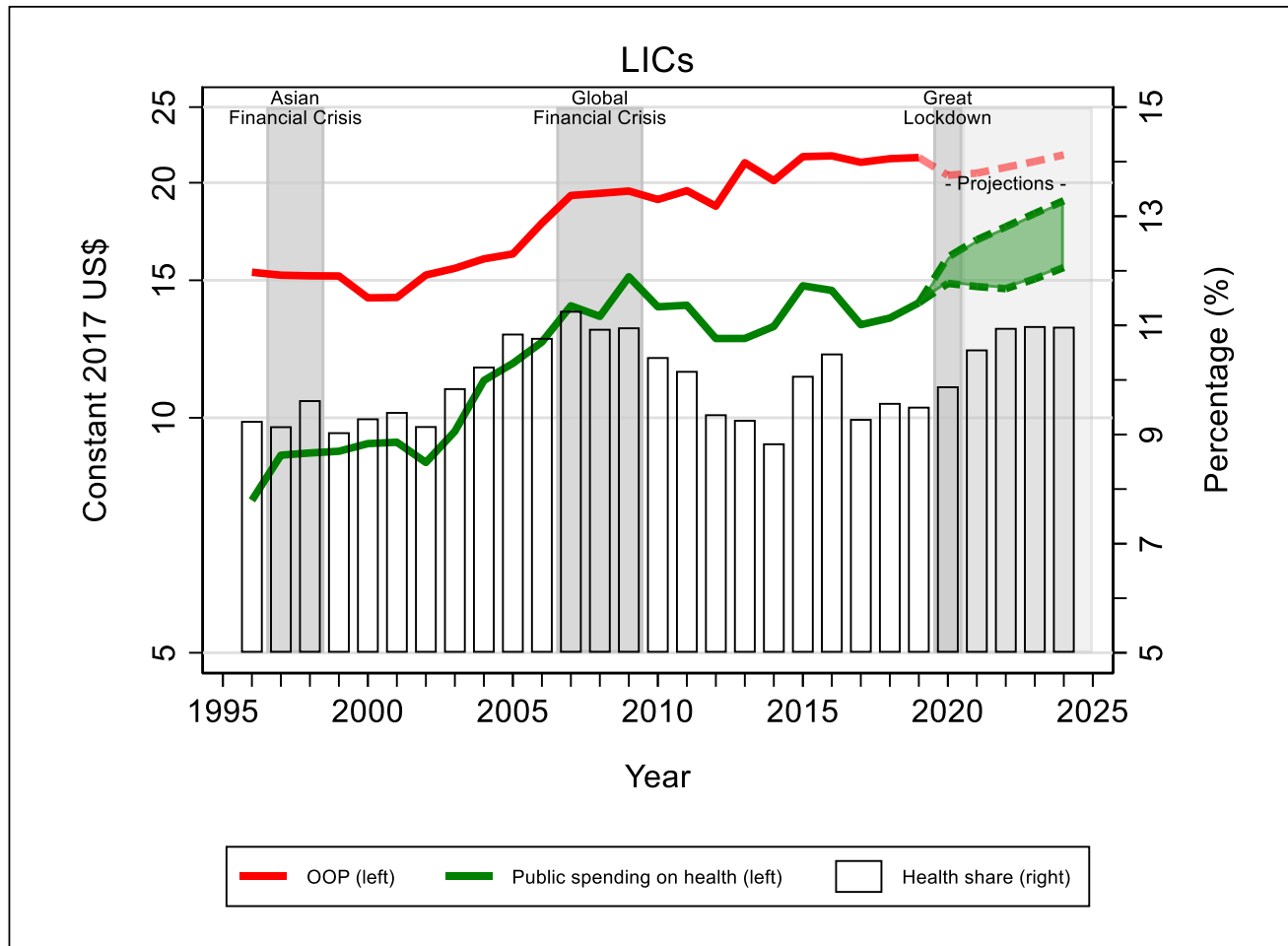
Revenues expected to decline...

...shortfalls in revenues made up by borrowing...

...leading to higher public debt levels.



# Slowdown/Contraction in Health Financing Expected



- Even with countercyclical increase in total government spending share of GDP by increasing borrowing and rising debt, growth in per capita total government spending is expected to **slowdown or contract** in LICs.
- Health's share of public spending will need to **increase** to preserve previous trend growth rates and to offset likely declines in OOP spending.
- Higher debt → greater debt servicing in future; **fiscal tightening may continue** for several years beyond end of current crisis.

# Summary: A Crisis for Health Financing

A massive global economic contraction is occurring: causing a rise in unemployment, poverty, inequality as well as declining public revenues, remittances, and household incomes; Most countries have significantly increased borrowing to mitigate the effects of the crisis

Higher borrowing may help mitigate immediate impact but rising debt levels will likely imply fiscal pressures for many years to come; Cutting unproductive spending, increasing public revenues (including via pro-health taxes), and debt relief measures will all be needed to be looked as possible options for fiscal space, including for health

Without pro-active reprioritization, public financing for health will stagnate/decline across many countries, risking reversal of years of progress made towards UHC; health will need to make a strong and clear case for continued investments to maintain or increase allocations during annual budget submissions

Budget submissions will also need to be realistic and sustainable and require some demonstration of reallocation and reprioritization with health within agreed strategies to address priorities and improve overall population health, especially for the poor, as well as to ramp up pandemic preparedness