



THE COST OF STAYING HEALTHY

SEMIANNUAL REPORT OF THE LATIN AMERICA
AND THE CARIBBEAN REGION

OCTOBER 2020



Semiannual report
Latin America and Caribbean region
Fall 2020

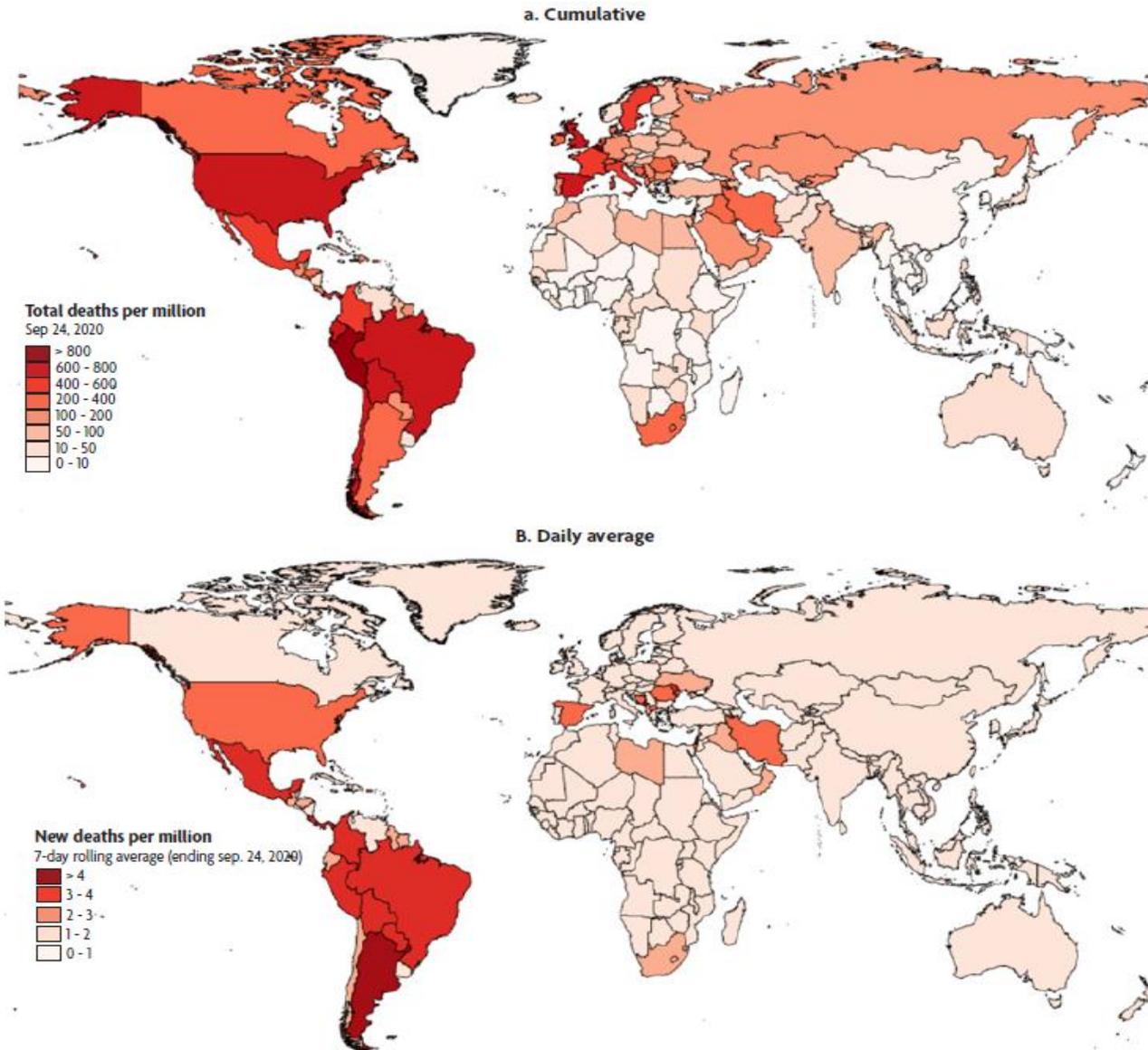
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<https://openknowledge.worldbank.org/handle/10986/34602>

One of the worst crises ever

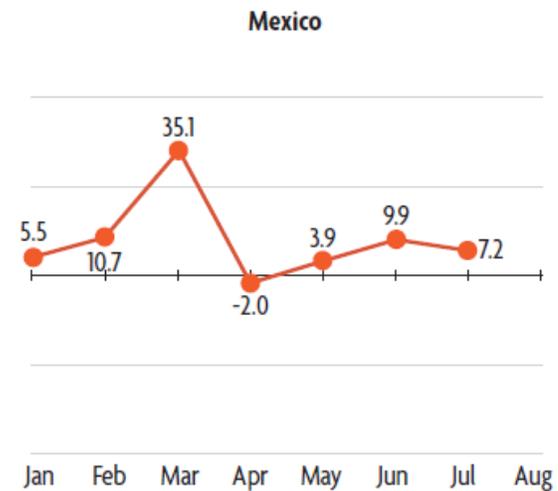
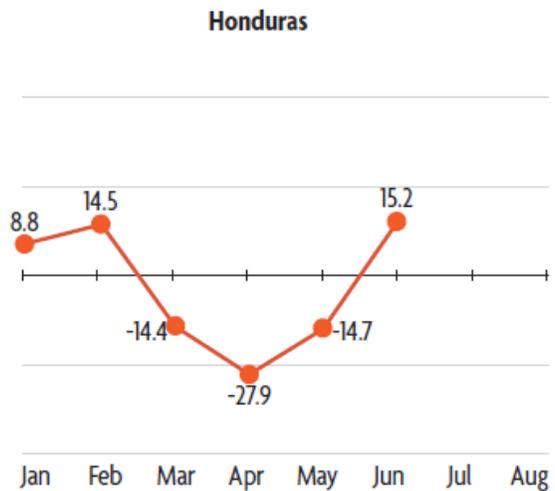
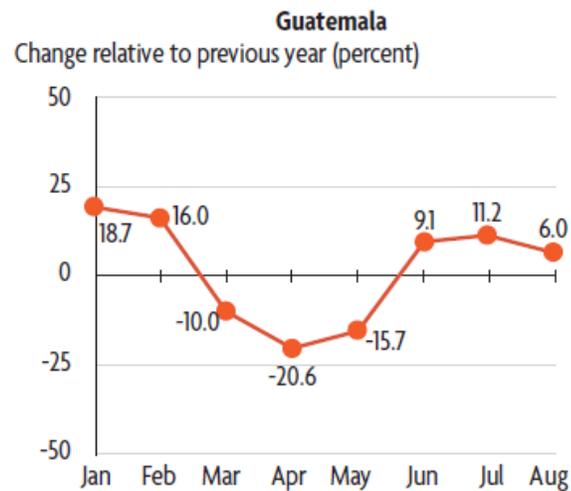
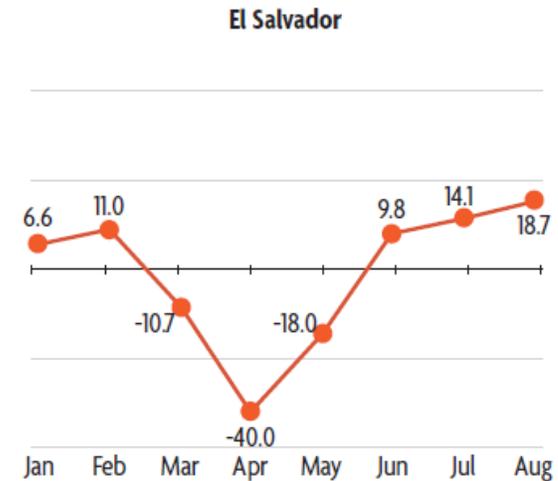
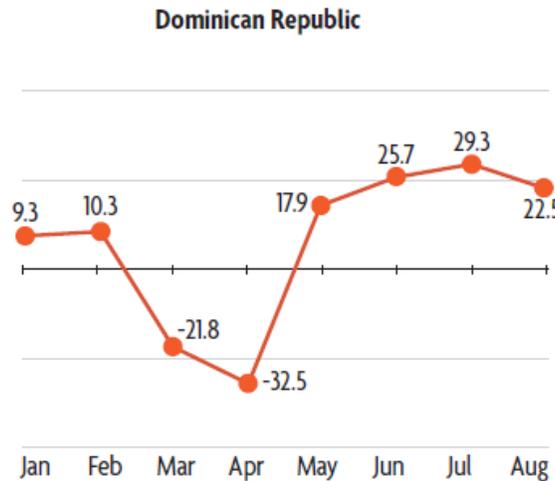
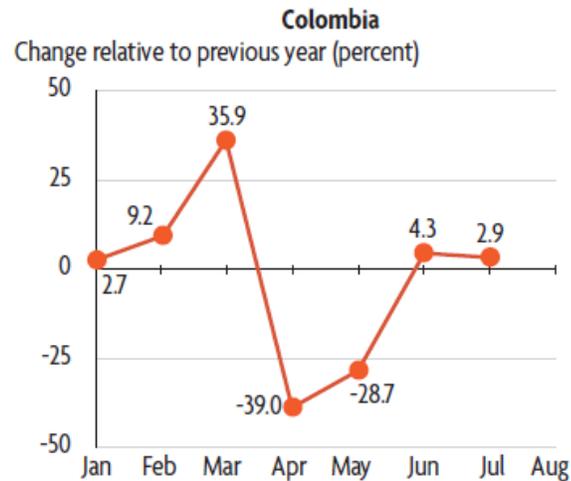
- A bad shock in an already struggling region
- Some welcome surprises on the upside
- A strong policy response despite limited fiscal space
- Damaging economic and social impacts

One of the worst hit regions in the world



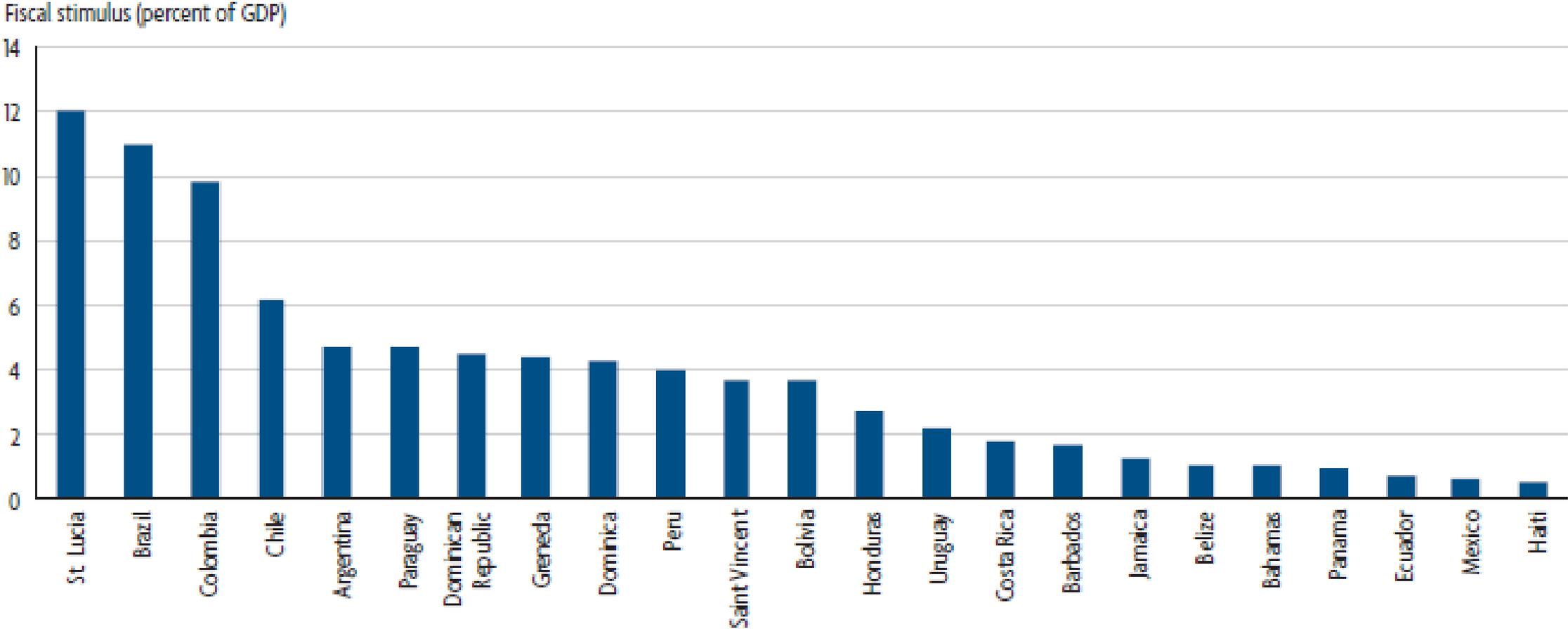
Note: Cumulative figures are up to September 24, 2020. The daily average is for the week ending on September 24, 2020.
Source: Roser et al. (2020).

But remittances have held unexpectedly well



Source: Central banks.

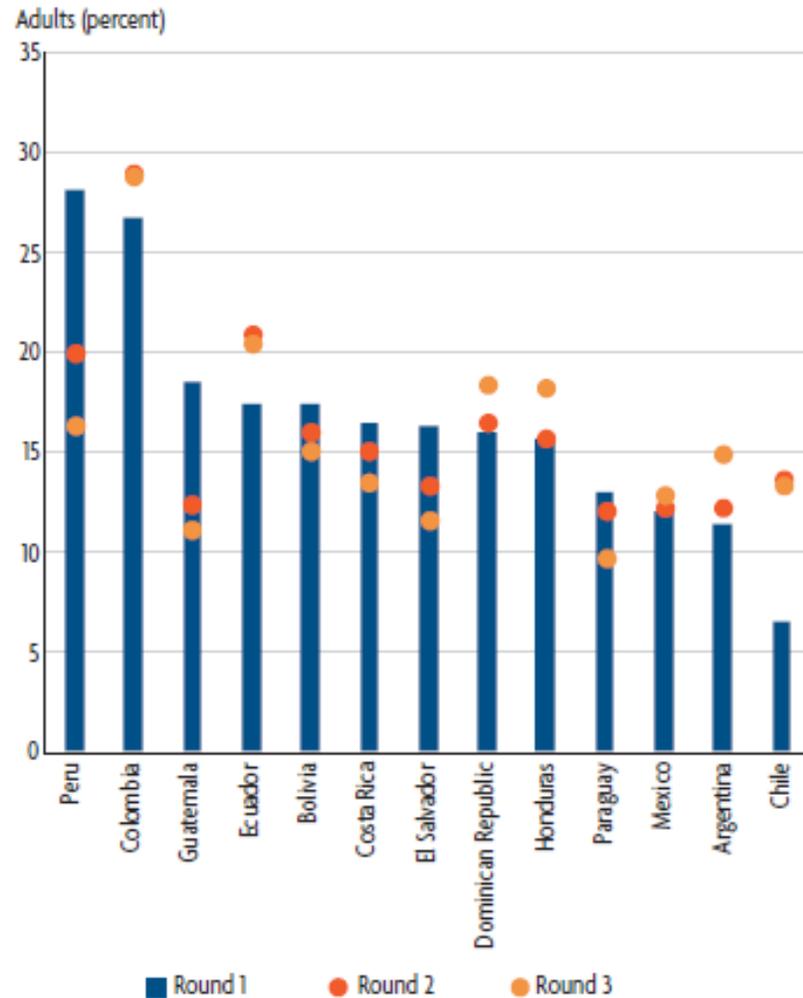
Despite limited fiscal space a strong policy response



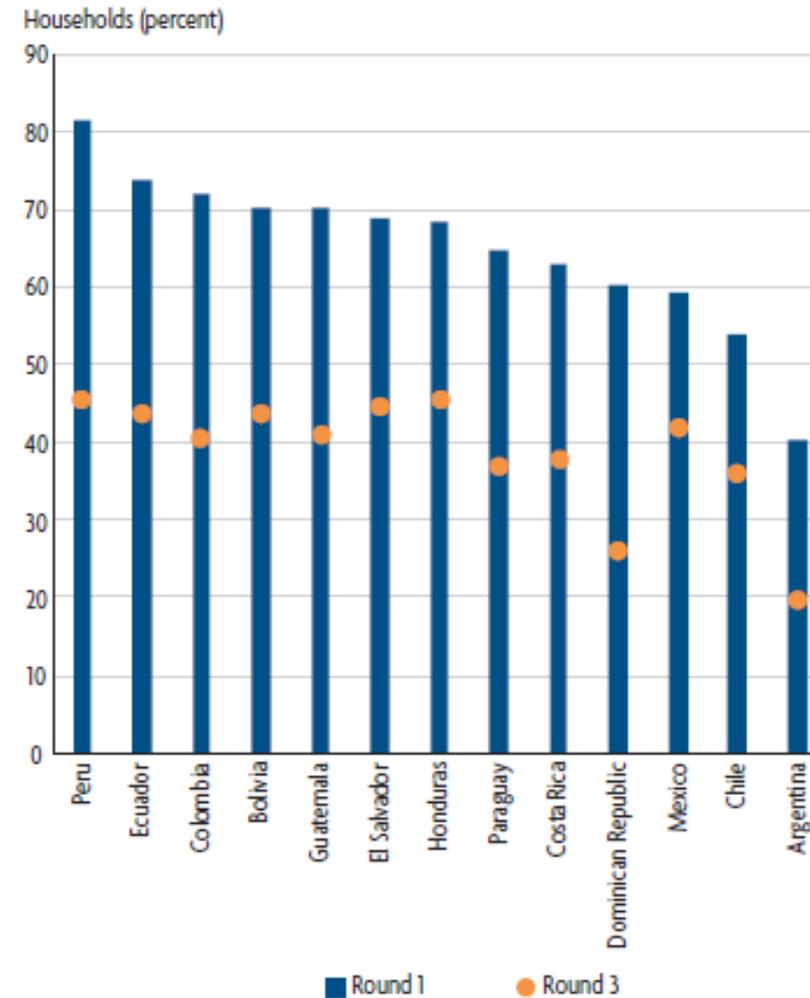
Source: IMF and own estimates.

The social damage from the crisis has been immense

a. Employment losses



b. Income losses

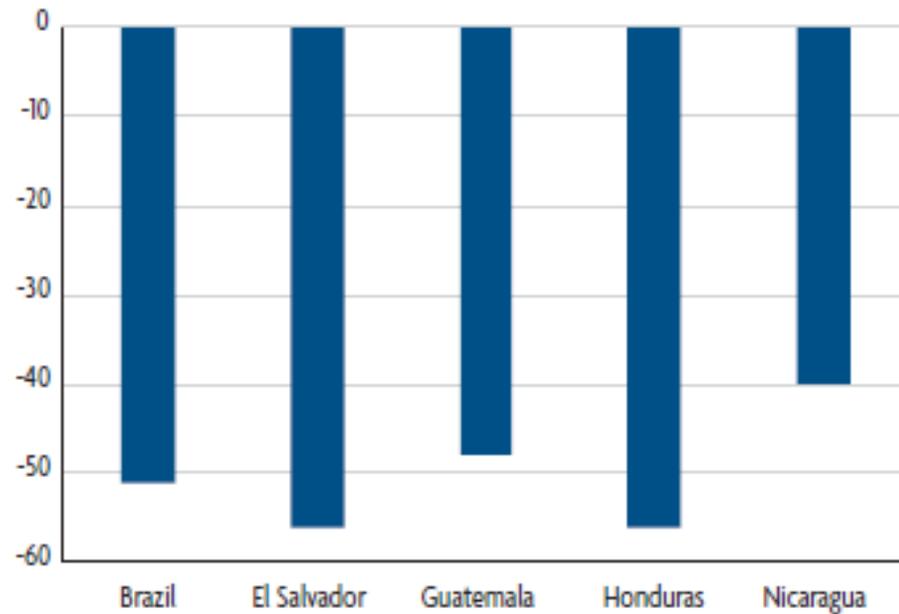


Note: Based on household members 18 years old and above. Round 1 was between May 21 and June 1, round 2 between June 19 and 28, and round 3 between July 18 and 26.
Source: World Bank (2020a).

And may have a lasting impact on firms in the region

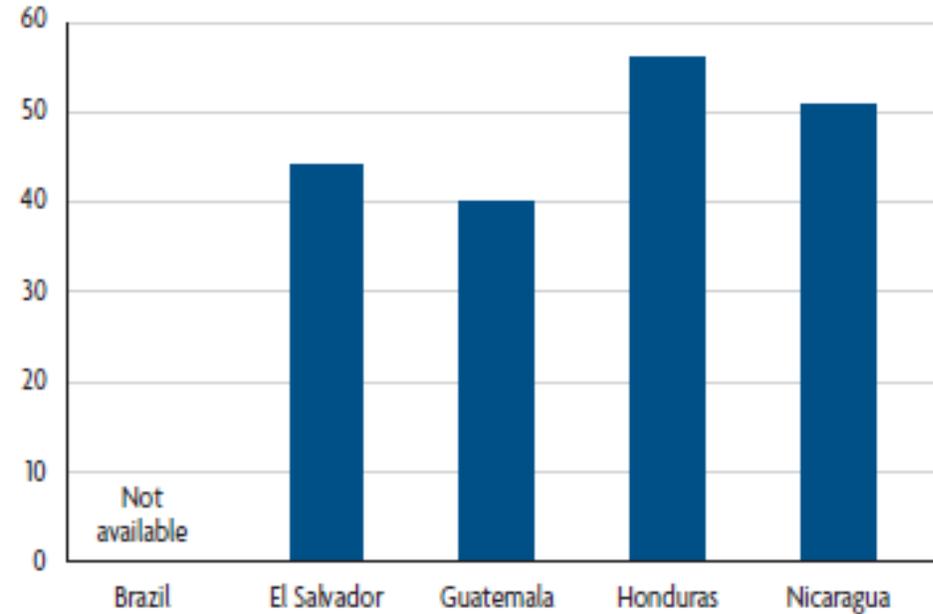
a. Sales

Change in sales (percent)



b. Arrears

Current or expected arrears (percent of firms)
(percent of firms)



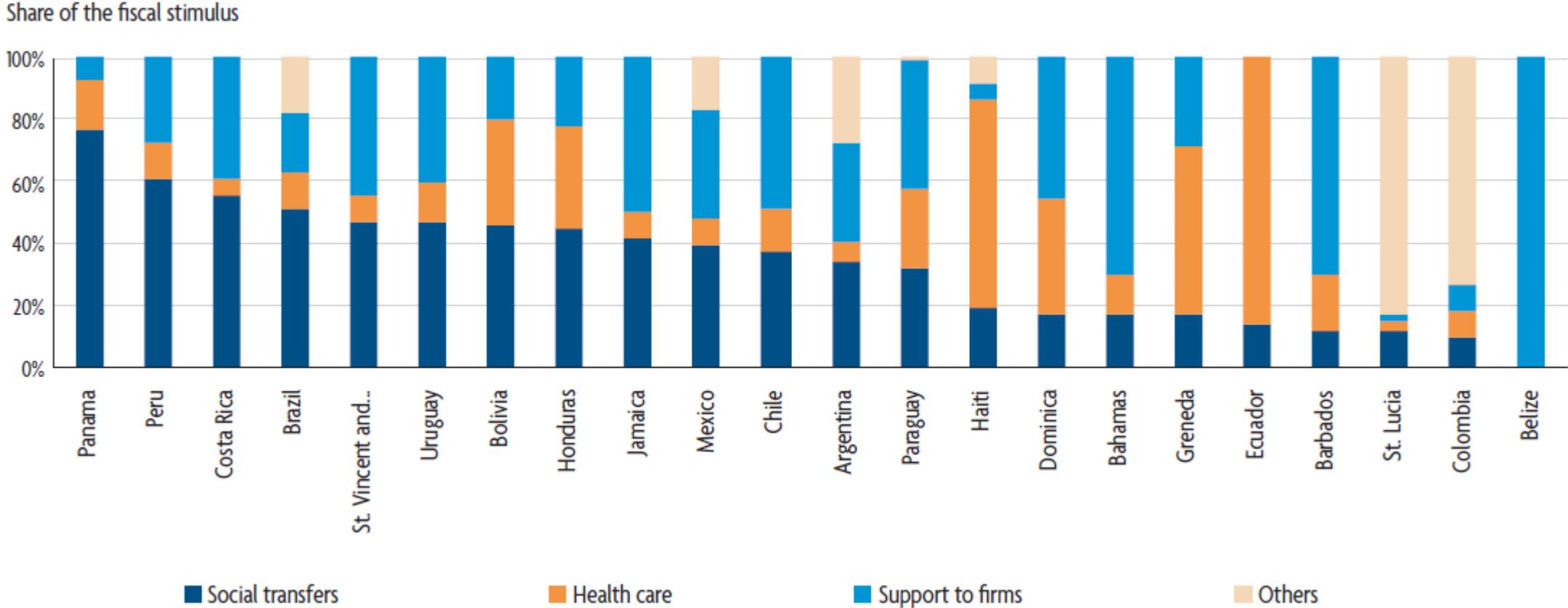
Note: Reported figures are unconditional means. The change in sales is relative to the pre-crisis period. Arrears include current and expected over the following six months.

Source: Apedo-Amah et al. (2020).

The outlook for the region

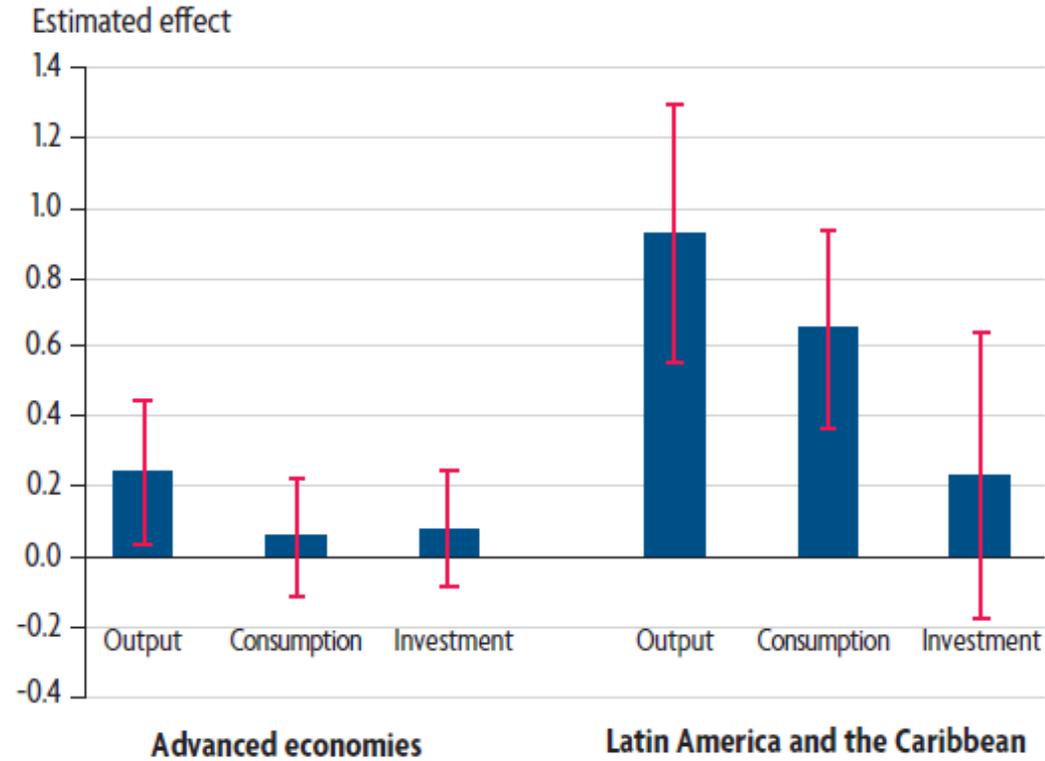
- Social transfers as a saving grace
- Assessing the extent of the damage
- Economic activity in the third quarter

Much of the fiscal stimulus went into social transfers

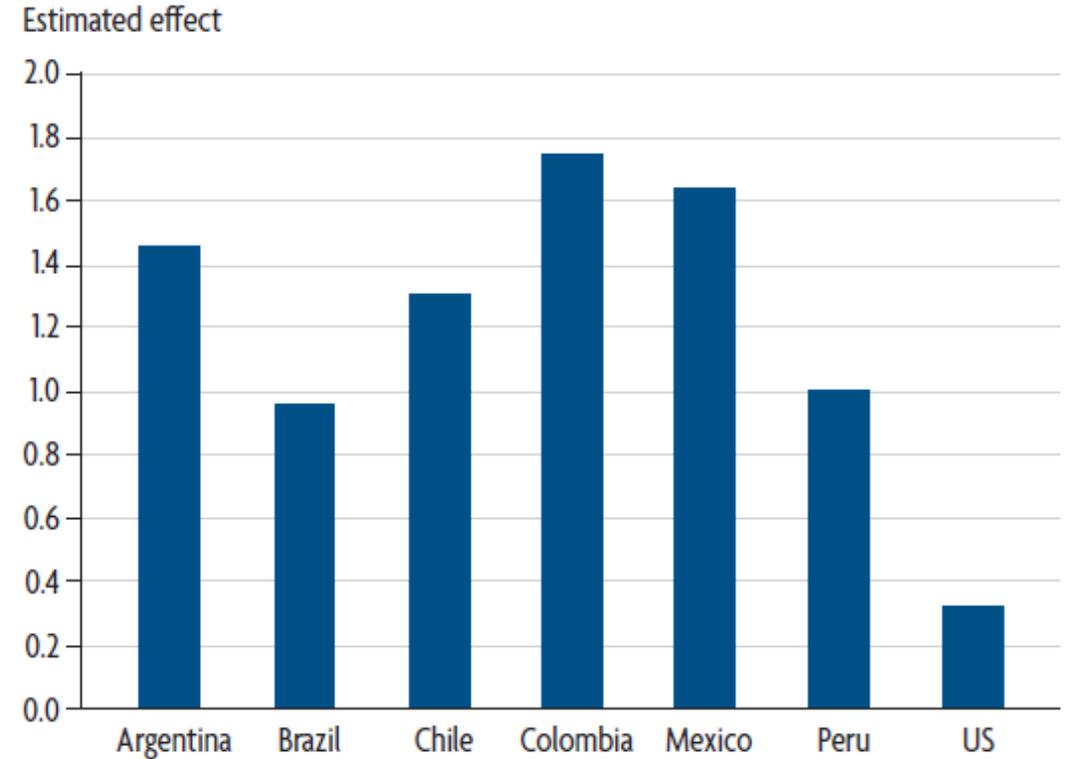


Source: Own calculations.

Social transfers have a larger multiplier effect in the region

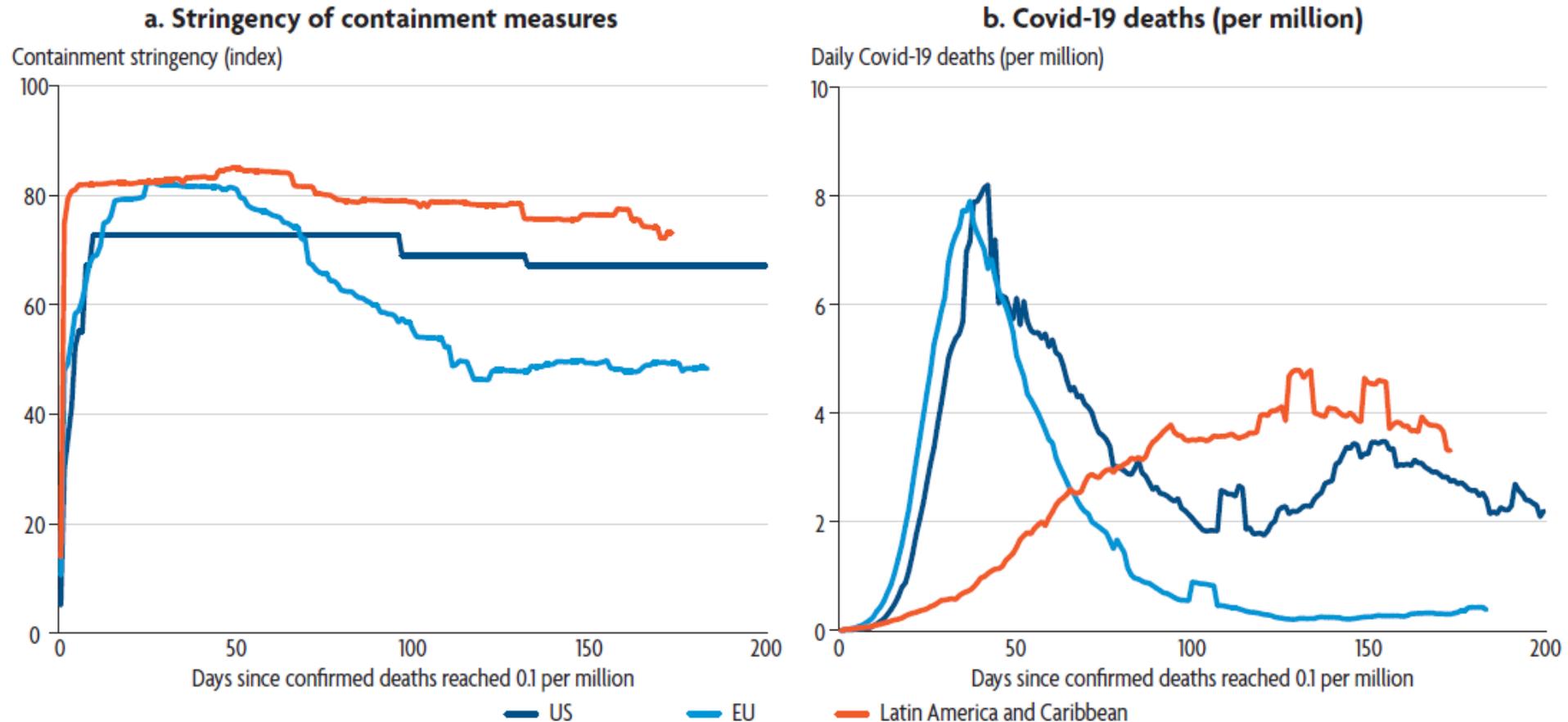


Note: Figures indicate the change in the variable of interest for an increase of one unit in spending in social transfers. Red lines represent confidence intervals.
Source: Bracco et al. (2020).



Note: Figures indicate the change in output for an increase of one unit in public spending.
Source: Bracco et al. (2020).

Several countries are yet to emerge from lockdowns

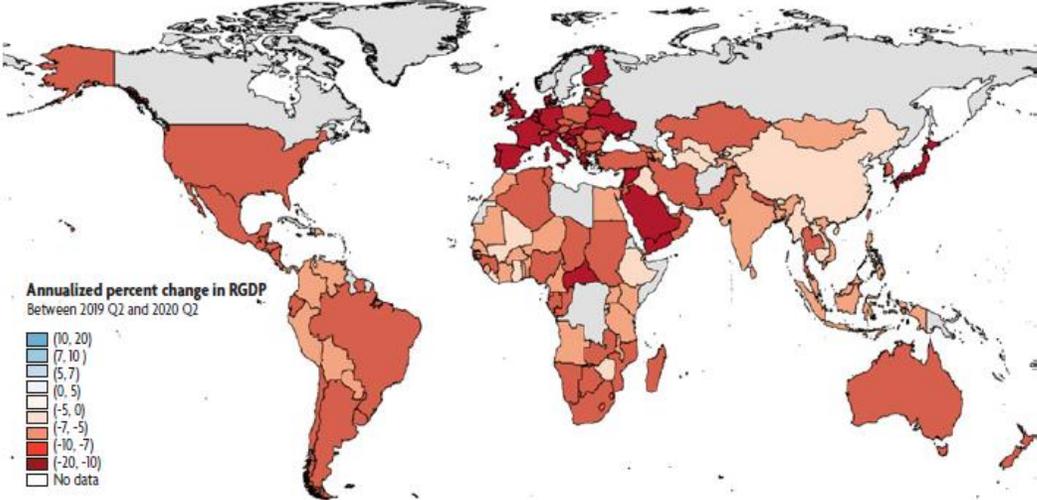


Source: Hale et al. (2020) for panel a and Roser et al. (2020) for panel b.

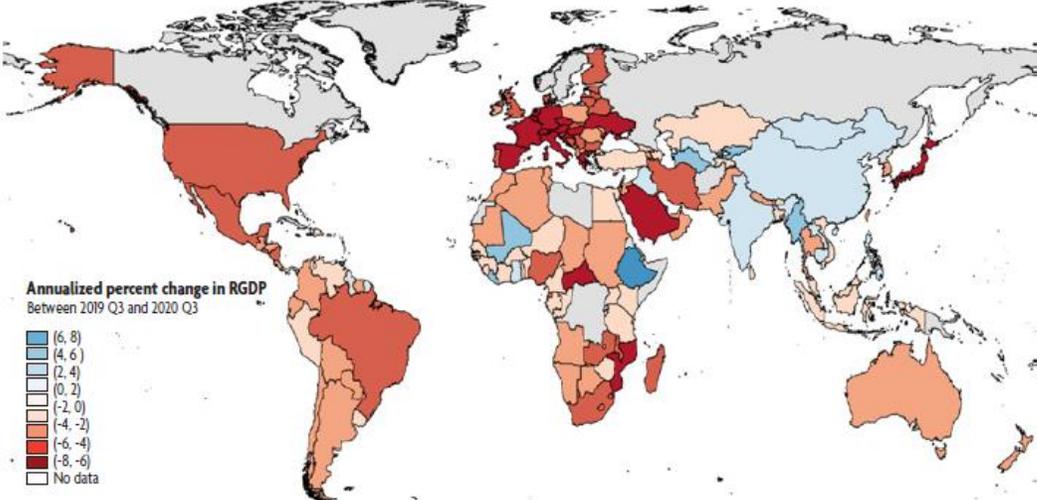
Note: The stringency index in panel a is an average across nine metrics capturing: school closures, workplace closures, cancellation of public events, restrictions on public gatherings, closures of public transport, stay-at-home requirements, public information campaigns, and restrictions on internal movements; and international travel controls.

Big data can be used to assess the economic situation

a. Second quarter of 2020 relative to second quarter of 2019



b. Third quarter of 2020 relative to third quarter of 2019

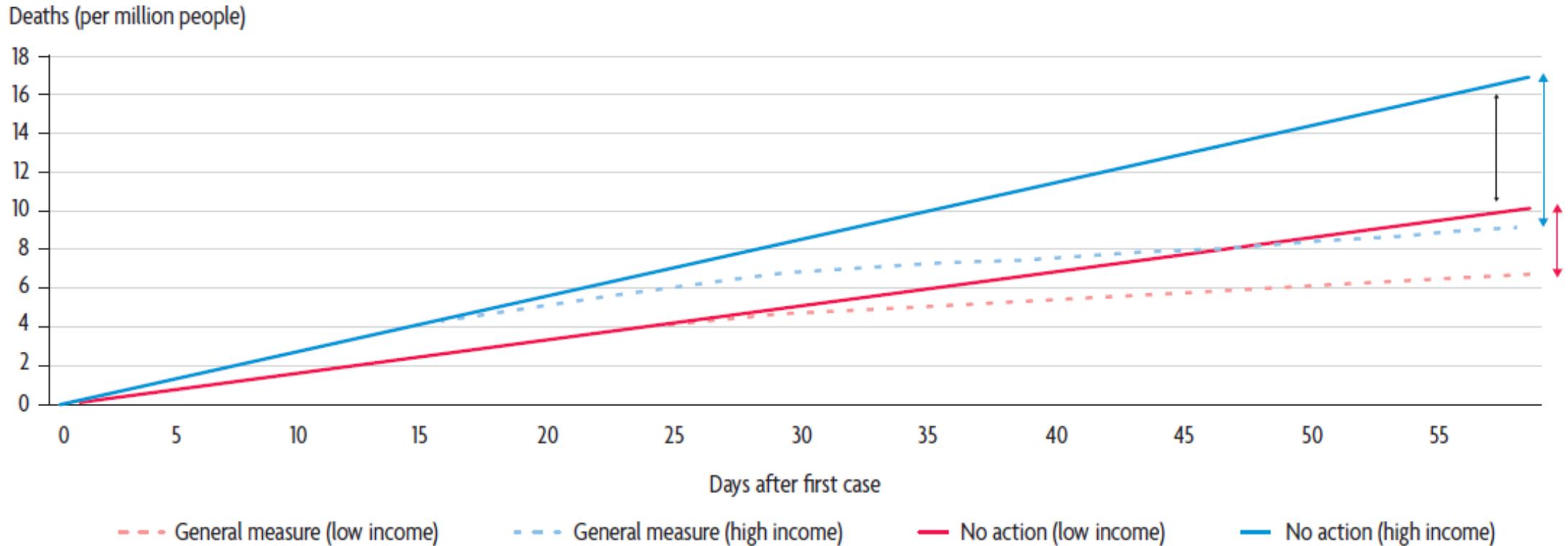


Source: Morris et al. (2020).

The cost of containing the pandemic

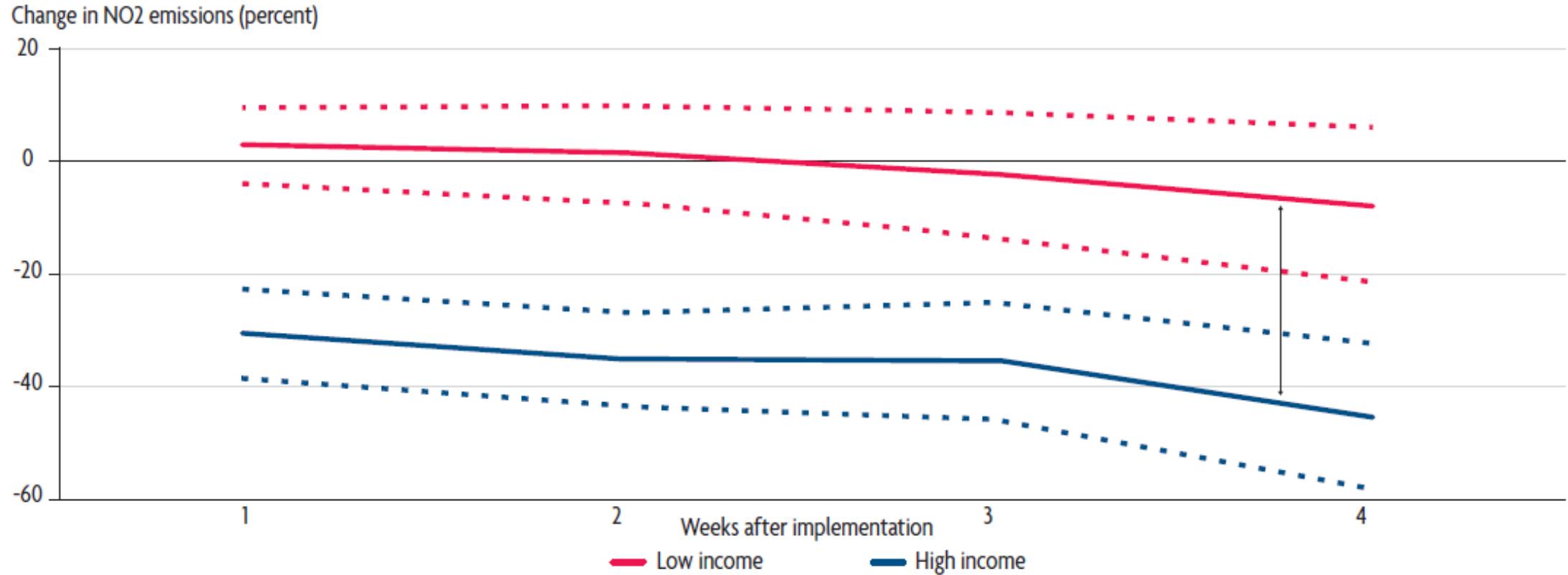
- Tradeoffs from the pandemic in rich and poor countries
- Health costs and economic costs so far

Lockdowns are more effective in richer countries



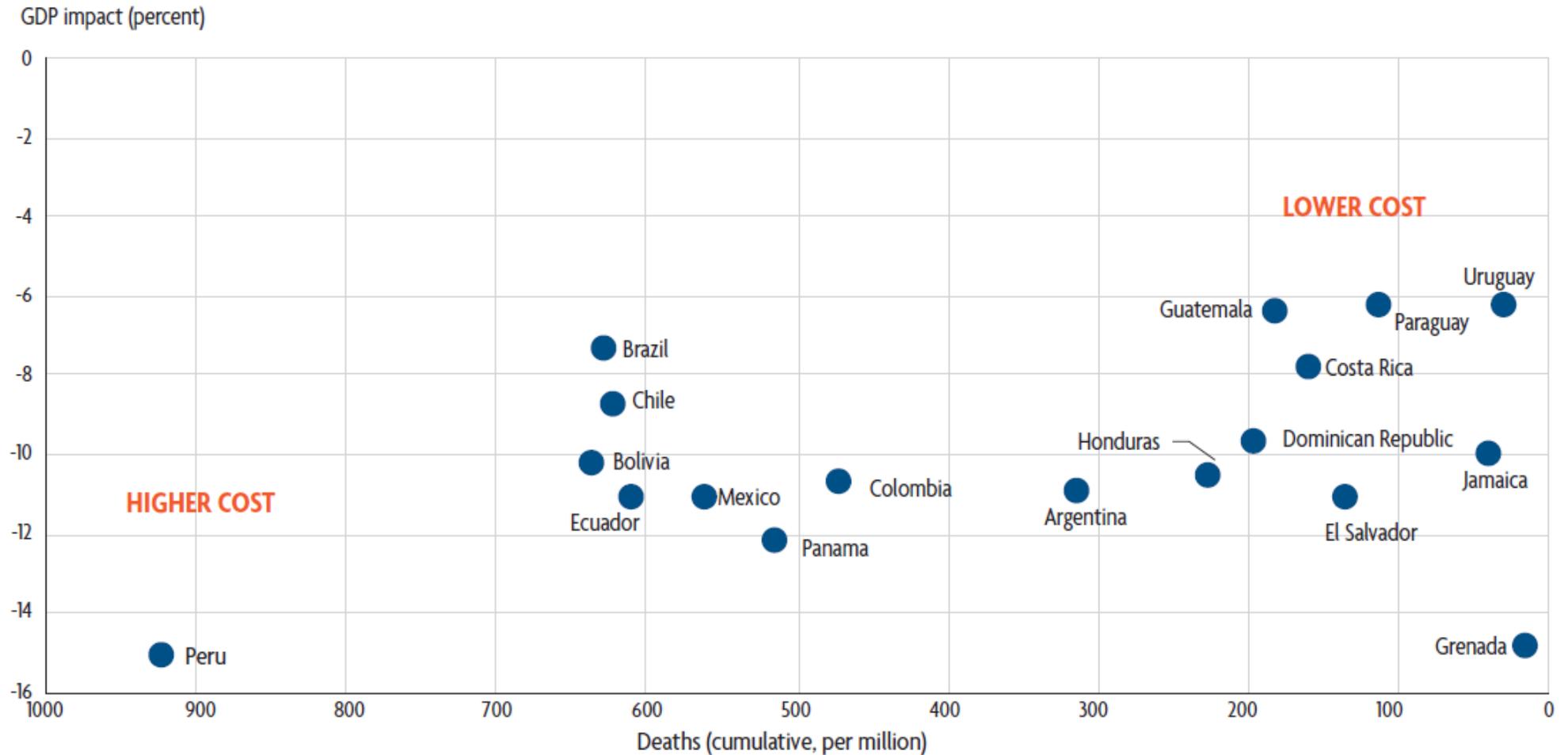
Source: Rama et al. (2020).

They also have a higher economic cost in richer countries



Source: Rama et al. (2020).

A diverse mix of health costs and economic costs



Note: In panel a, GDP impact is computed as the difference of the GDP growth forecast by the IMF for 2020 and actual GDP growth in the first quarter of 2020 relative to the first quarter of 2019. In panel b, it is the difference between the GDP growth forecast for 2020 made by the World Bank in October and in January 2020.

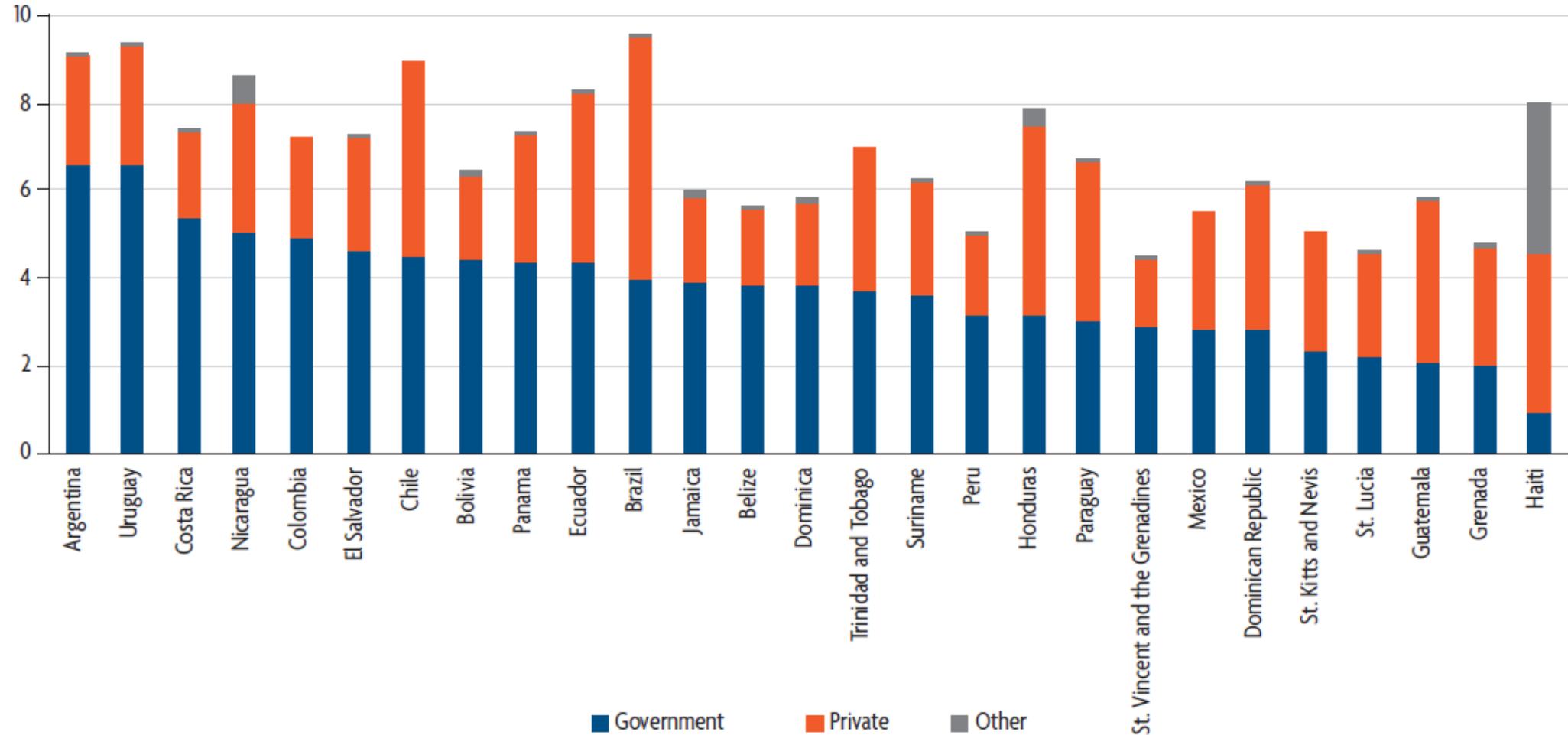
Source: Haver Analytics, IMF and World Bank.

Health care costs in normal times

- The resources devoted to health care
- The organization of the pharmaceutical sector
- Public procurement of medicines.

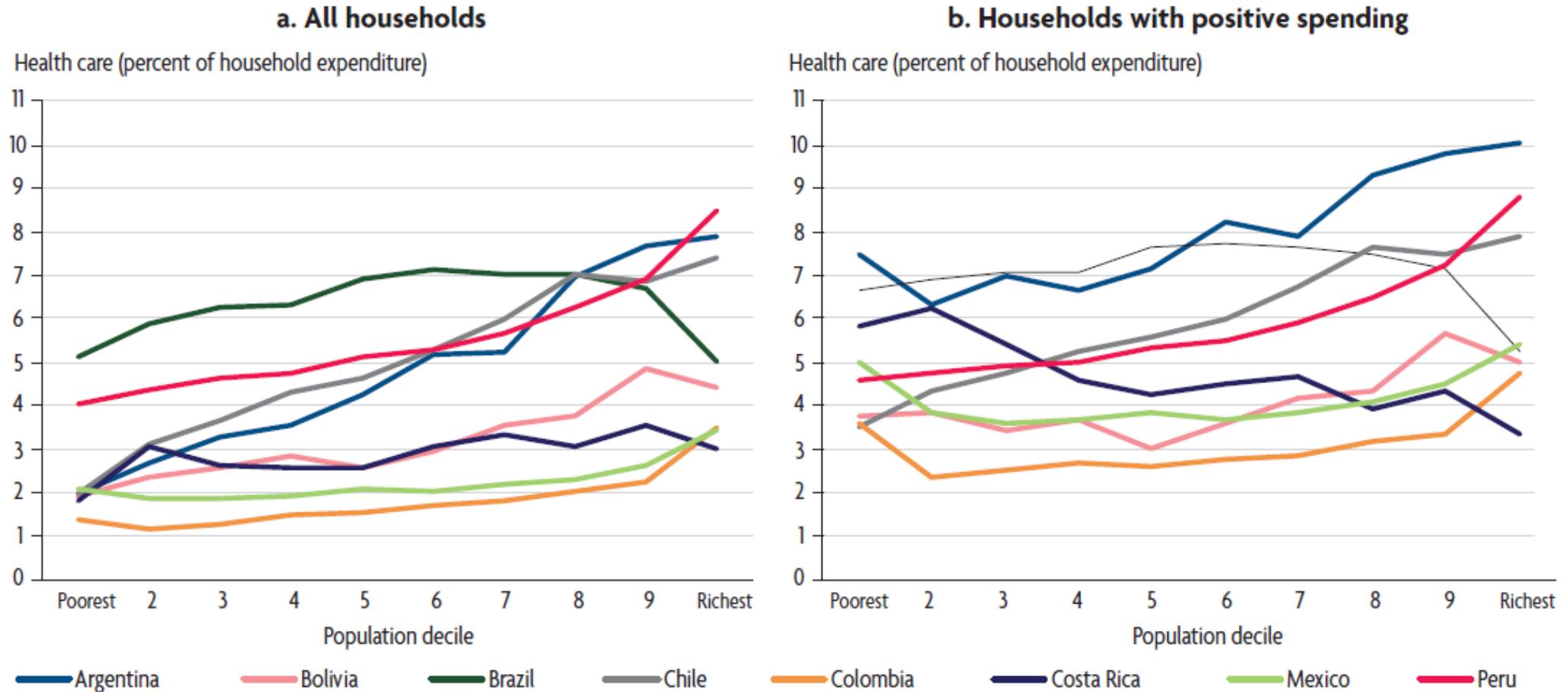
Health care is a major driver of government spending

Health expenditure (percent of GDP)



Source: WHO.

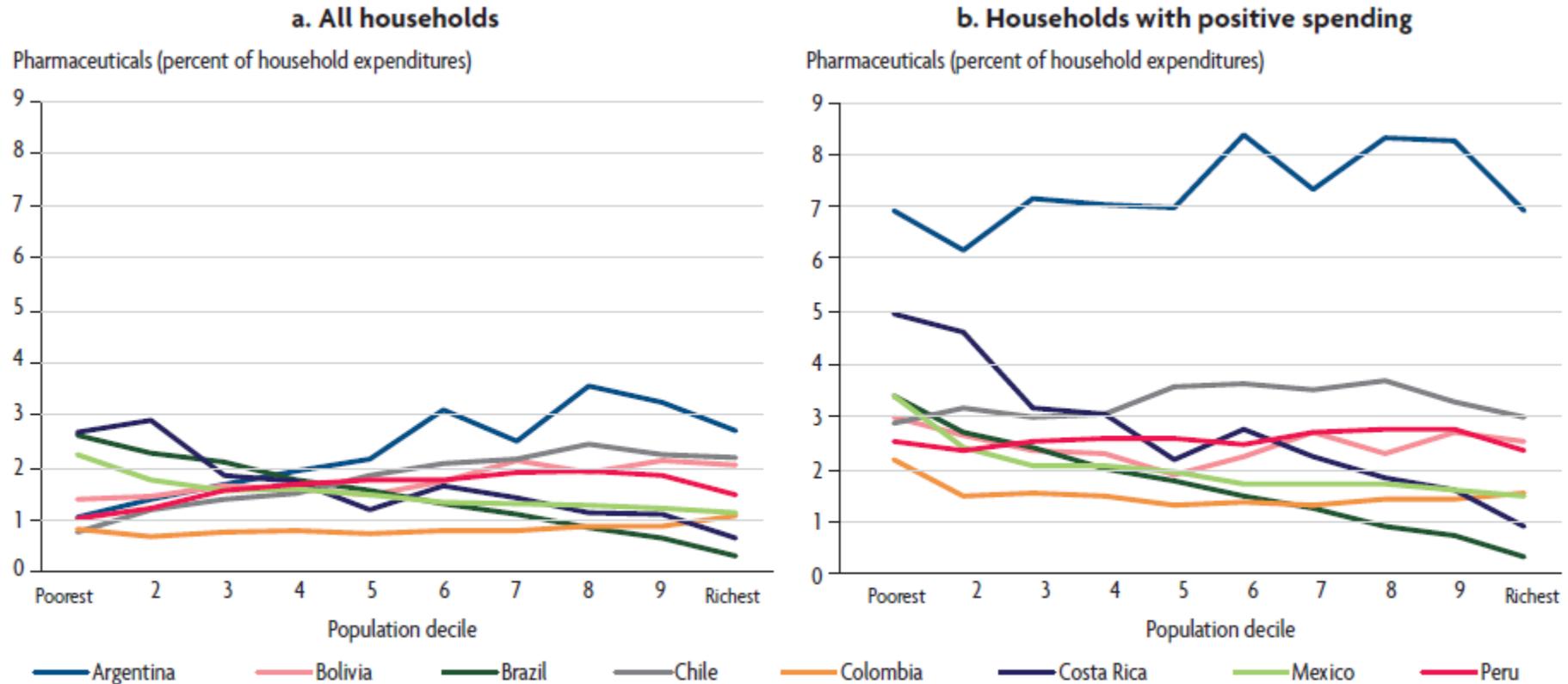
Households incur large out-of-pocket health expenditures



Note: Population deciles are defined by total expenditures per capita.

Source: SEDLAC and own calculations.

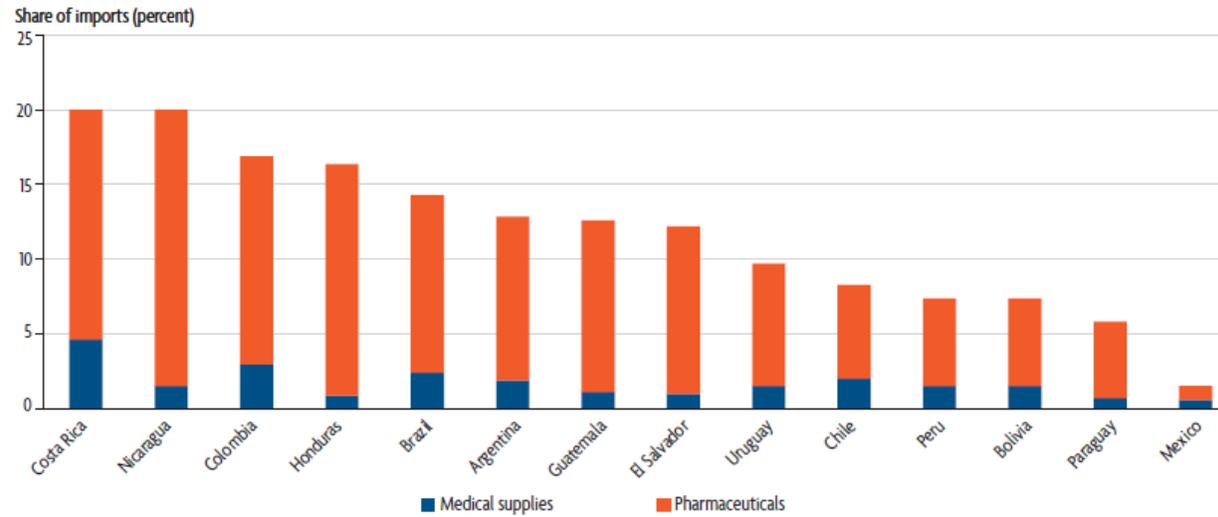
Spending on pharmaceuticals is generally regressive



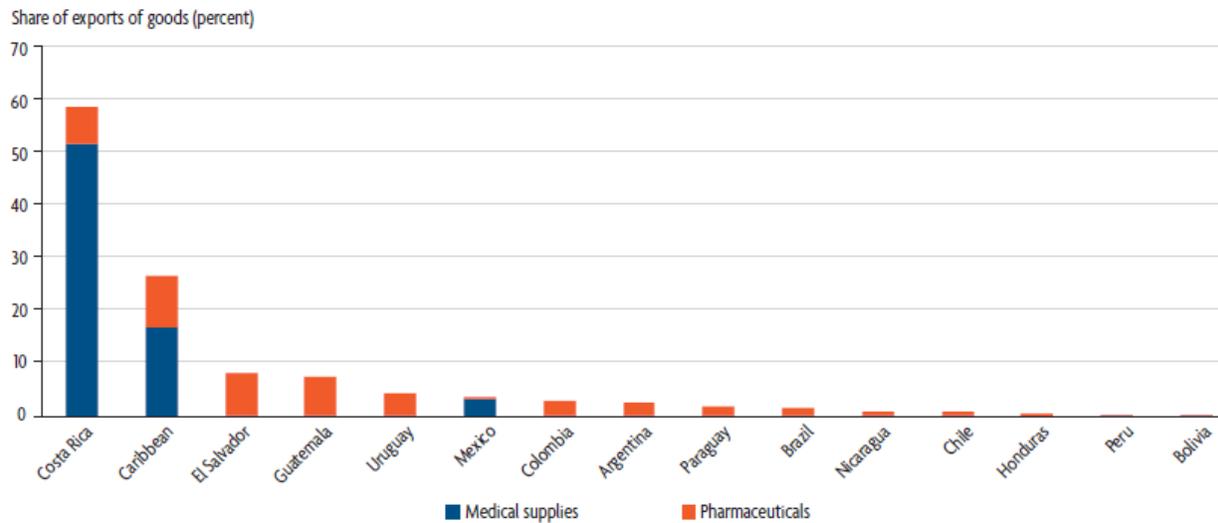
Note: Population deciles are defined by total expenditures per capita.
Source: SEDLAC and own calculations.

Pharmaceutical imports are significant, exports less so

a. Imports

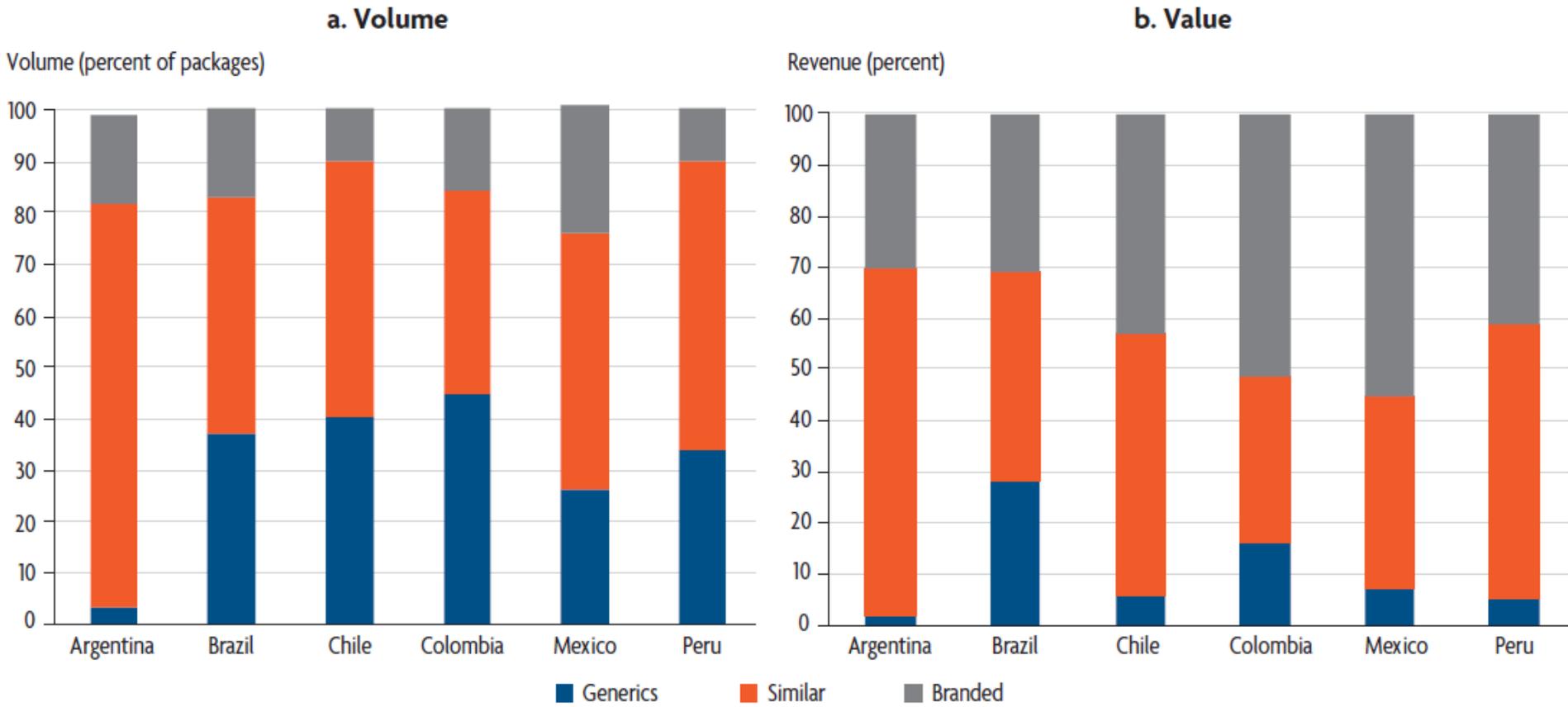


b. Exports



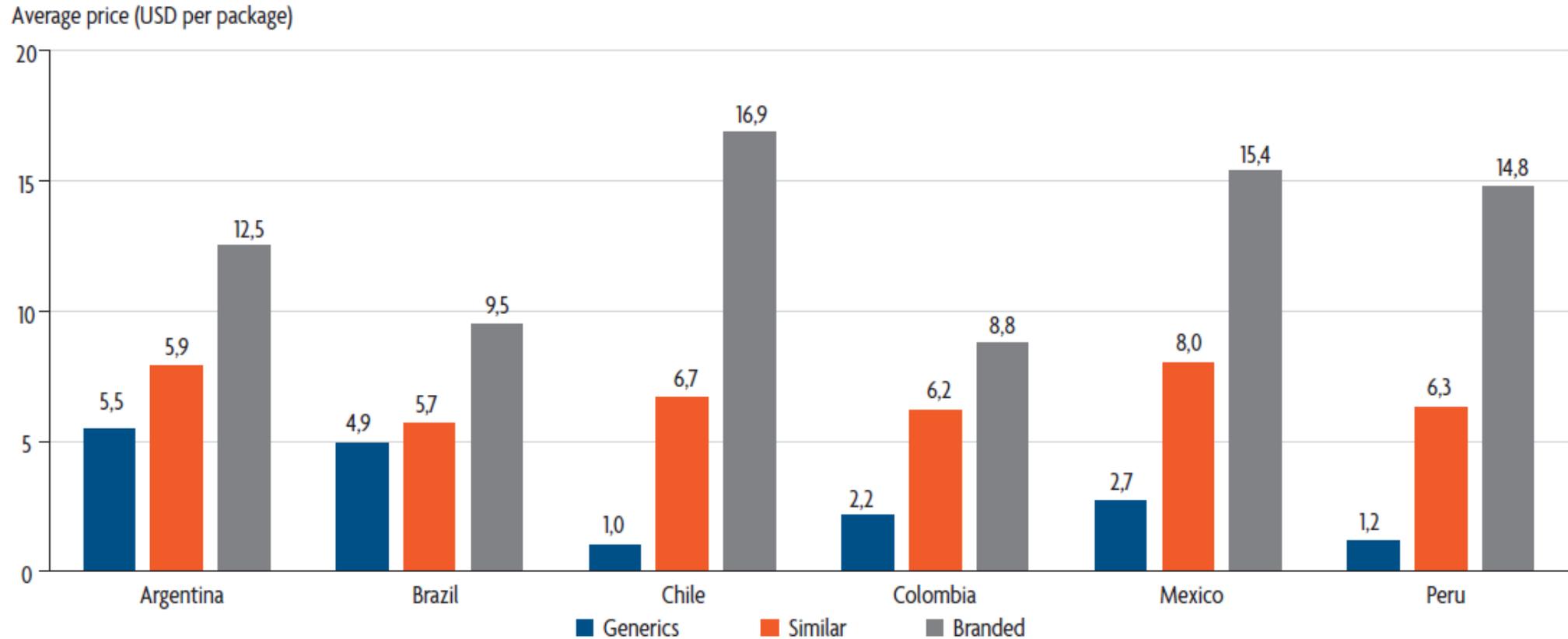
Note: Notes: Caribbean comprises Jamaica, Belize and Dominican Republic. Data are averages for the available years over period 2017-2019.
Source: WITS UN COMTRADE and own calculations.

A different mix of pharmaceutical products by country



Note: Data are for 2019.
Source: IQVIA.

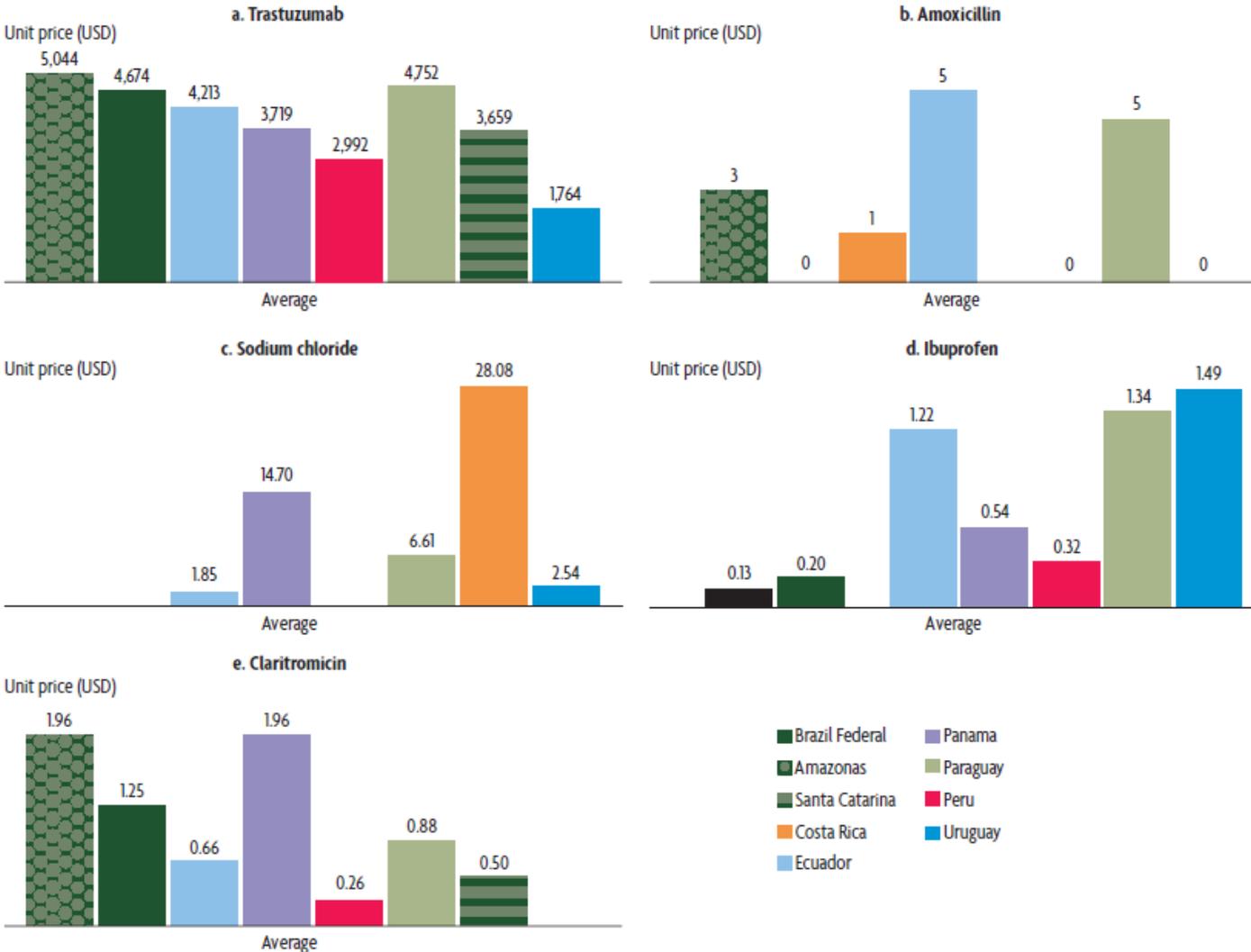
And different price gradients by type of products



Note: Data are for 2019, ex-factory.

Source: IQVIA

A significant difference in procurement prices within products

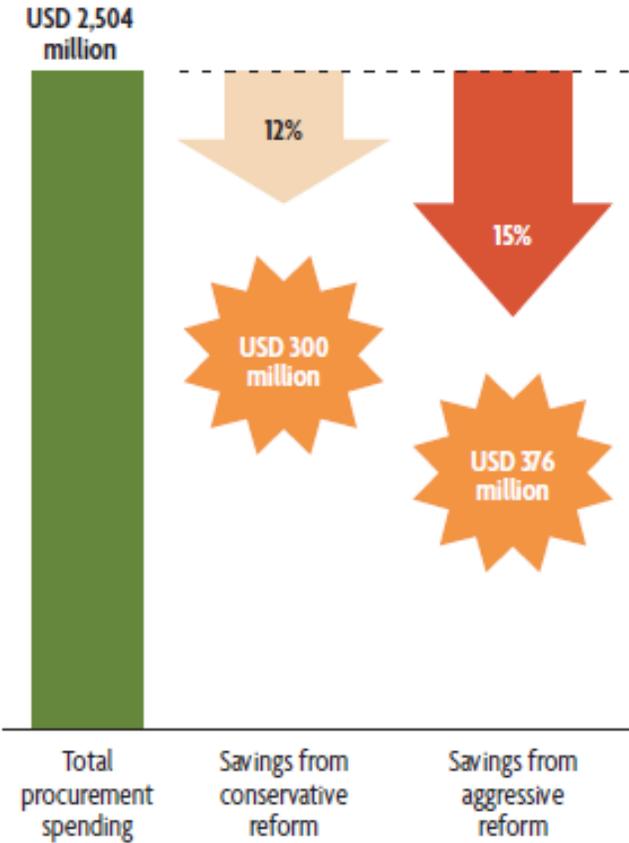


Source: Fazekas et al. (2020).

The way forward

- Living with the virus while waiting for the vaccine
- Expanding effective health care
- Keeping medicines affordable
- Reassessing informality
- Recreating policy space

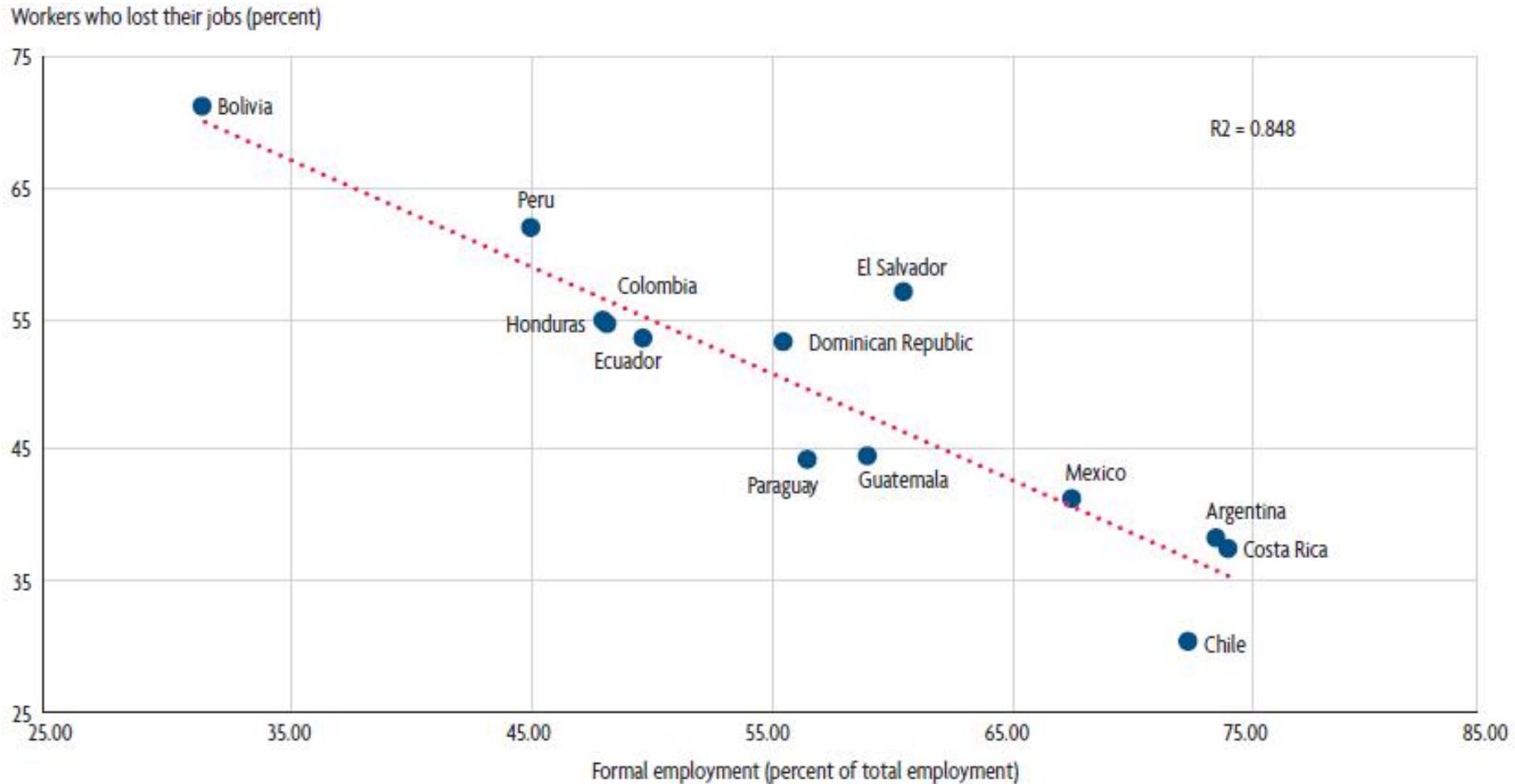
Procurement costs of health-related products can be reduced



	Policy or strategy	Potential savings		Policy or strategy	Potential savings
Directly impacted by policy or strategy	Advertisement period	3.10%	Indirectly impacted by policy or strategy	Number of bidders	1.50%
	Product bundling	1.40%		Buyer spend concentration	1.20%
	Framework agreements	1.30%		Supplier specialization	1.10%
	Bid evaluation turnaround	1.20%		Supplier size	0.60%
	Method of Procurement	0.60%		Buyer-supplier location	0.30%
	Quantity purchased	0.40%		Market concentration	0.10%
	Failed tenders	0.10%			
	Seasonality	0.01%			

Note: The simulation was conducted for the year 2015.
 Source: Fazekas et al. (2020)

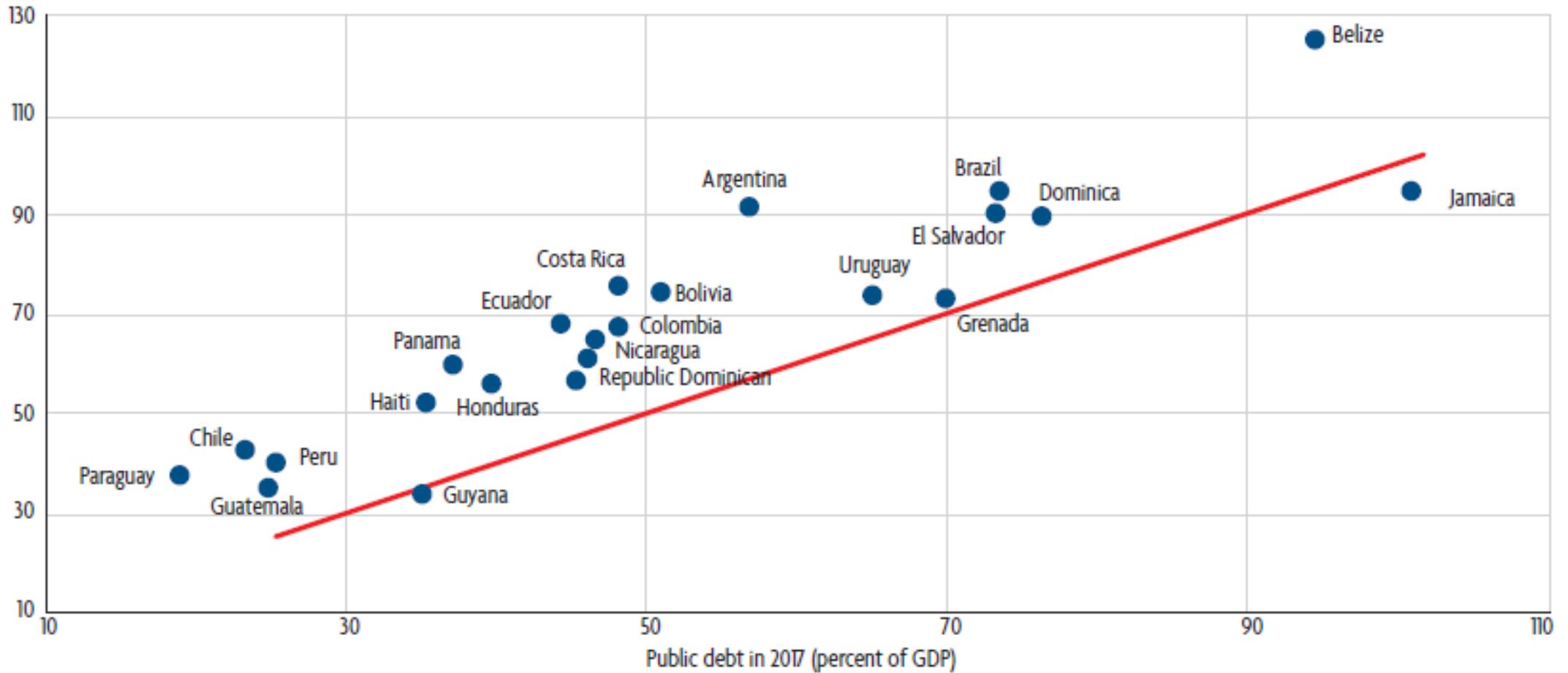
The cost of informality has turned out to be high



Note: Formal employment is defined as wage and salaried formal work; figures are for 2019. For workers who lost their jobs, both permanent and temporary losses are counted; data are for May 21 to June 1.
Source: ILOSTAT for formal employment and World Bank (2020a) for job losses.

Restoring fiscal balances will soon become a priority

Public debt in 2021 (forecast, in percent of GDP)



Source: Own calculations.