

Leading Through Crisis

Reducing the Impact of COVID-19 in Latin America and Africa

Session 4 | August 13th, 2020

Public Health Briefing – Dr. Carissa Etienne

“Situation Briefing & Special Topic: Health and the Economy”

Leadership Essentials – Prof. Alberto Cavallo

“Fiscal Challenges during an Economic Crisis”

PUBLIC HEALTH

Situation Briefing, Dr. Carissa Etienne – Important Information

Data as of 12 August 2020	Global	The Americas	Africa
Total Cases	20,120,919	10,700,062	903,249
Total Deaths	736,776	393,727	16,985

“Health and the Economy,” Dr. Carissa Etienne – Important Information

1. Health and wellbeing are prerequisites for reactivating the economy.
2. Reducing inequalities is a central linchpin for all phases of the recovery process. Social protection is required, with special attention to the needs of the most vulnerable.
3. At the foundation of our pathway towards recovery is prioritizing health and strengthening health systems based on the primary health care approach.
4. We require strong political leadership and significant investment to affect change.

Additional Resources

- New report by the Economic Commission for Latin America and the Caribbean (ECLAC) and the Pan American Health Organization (PAHO): <https://www.paho.org/en/documents/health-and-economy-convergence-needed-address-covid-19-and-retake-path-sustainable>
- Resources on mental health and COVID-19: <https://www.paho.org/en/mental-health-and-covid-19>

CRISIS LEADERSHIP

“Fiscal Challenges,” Professor Alberto Cavallo - Important Information

An Unprecedented Macroeconomic Crisis

COVID-19 has triggered the biggest recession since the Great Depression, creating great uncertainty.

- In addition to the health crisis, output has slowed, demand has collapsed, and supply chains have been disrupted—around the world.
- A swoosh-shaped recovery is likely: a sharp drop, then a slow recovery.
- Developing countries will likely be hit harder due to less diversified economies, more constrained fiscal responses, and capital outflows.

Impact on Public Finances

The pandemic will present a series of overlapping challenges to public finances.

- Most immediately, public spending has increased to address the health emergency as well as the economic crisis (healthcare spending, transfers to households and firms, wage subsidies, etc.).
- Next, revenue is affected as declining output decreases taxes on sales and services. Many taxes are also being deferred for now, and central government distributions may be lower next year.
- Finally, increased spending and decreased revenue will lead to more public borrowing, and thus more debt at higher interest rates. Inflation is an additional danger as central governments print more money.
 - Inflation decreases the real value of revenues, especially for taxes collected at greater time intervals (for instance, real estate taxes).

Taking Action

Local governments should meet these challenges according to the following principles.

- Remember the 4 T's in your fiscal response:
 - Timely: Prioritize spending at the right time to make a difference.
 - Targeted: Prioritize spending where it will make a difference.
 - Transparent: Communicate and share information to avoid allegations of corruption.
 - Temporary: Avoid permanent commitments to tax cuts and spending, which affect fiscal sustainability.
- Coordinate vertically, with regional and central government, and horizontally, with other cities. This goes not only for health measures but for procurement of health equipment and financing negotiations.
- Anticipate future problems in this highly uncertain situation by re-evaluating frequently and planning for multiple scenarios.
- Keep in mind that crises can also be opportunities to reform and innovate (for instance, digitalizing fee payments or renegotiating tax pacts).

Examples of Local Issues and Responses

- Some privatized city services have halted as companies fail, leaving cities to fill these gaps.
- Certain sectors (such online commerce and remote services) have actually experienced growth, raising the question of whether to tax them for much-needed revenue. However, overtaxation and overregulation risk shutting down the only short-term sources of growth and stifling their long-term development.
- As tourism stops and inflation increases, one city is stimulating the construction industry by promoting real estate as a stable investment and streamlining its purchase.
- Another city partnered with an educational institution to provide training in a second language, anticipating a growth in remote work across borders.
- One city not only made it easier to pay taxes online but offered discounts to encourage payment.

Additional Resources

- Interamerican Development Bank (IDB) webinar on city finances during the pandemic: <https://www.facebook.com/BIDCiudades/videos/261907911546601/>
- IDB Cities Network website: <https://www.iadb.org/en/urban-development-and-housing/idb-cities-network>
- The International Monetary Fund (IMF) World Economic Outlook report: <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEUpdateJune2020>
- IMF Fiscal Monitor report: <https://www.imf.org/en/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020>
- IMF Special Series on COVID 19: [Budgeting in a Crisis: Guidance for Preparing the 2021 Budget](#)
- IMF Special Series on COVID 19: [Budget Execution Controls to Mitigate Corruption Risk in Pandemic Spending](#)

Next Session

Thursday, August 27, @9:00 a.m. – 10:45 a.m. US ET