

6.4 Special feature: Managing health spending during COVID-19

Health systems worldwide were at the forefront of the response to the COVID-19 pandemic. In a context of urgency and uncertainty, additional financial resources were allocated to this sector, and procedures were often relaxed to cope with emergency requirements. As a result, and in a similar way to OECD countries, Latin American and Caribbean (LAC) countries resorted to the use of contingency and extra-budgetary funds, supplementary budgets, and other measures including loans and resource readjustments, as well as tracking these measures. As elsewhere, the response to the COVID-19 within LAC was not homogeneous and was influenced by different institutional realities and the available tools.

LAC countries used different channels to allocate resources to meet specific urgent needs. One of the most common responses in LAC countries during the initial stages of the pandemic was to reprioritise funds from the existing health budget, used by 8 of the 13 LAC countries surveyed in 2020 (62%) and still used by 5 out of 13 in 2021 (38%). The same numbers used loans from international organisations or countries as additional sources of funds: 8 out of 13 in 2020, and 5 out of 13 in 2021. The budgetary measures implemented by LAC countries to cope with the COVID-19 pandemic varied between 2020 and 2021. In 2020, most LAC countries responded to COVID-19 with supplementary budgets voted by legislators to reallocate and increase the spending capacity of the Ministry of Health and/or other health sector institutions. In contrast, by 2021, most countries were including their budget response to COVID-19 in the regular annual health sector budget process (Table 6.1).

The COVID-19 pandemic also affected revenues from health social security contributions for most surveyed LAC countries, but in different ways. Given the impact of the pandemic on economic activity and employment, most countries with data available reported a fall in social security contributions in 2020 (Argentina, Colombia, Costa Rica, El Salvador, Honduras and Uruguay). By 2021, Colombia's contributions increased, while Argentina and El Salvador were still experiencing reductions. Despite the impact of the pandemic on employment, Brazil, the Dominican Republic and Paraguay reported increases in both 2020 and 2021. Contributions remained stable in Haiti in both years (Figure 6.10).

All surveyed LAC countries adopted a methodology to track and report their health expenditures during the COVID-19 pandemic to ensure the accountability of COVID-19 expenditure and to promote transparency. Most countries published reports of measures and expenditures related to the pandemic (12 out of 13, or 92% in 2020, and 11 out of 13 in 2021). For instance, Paraguay developed the digital tool *Mapa Inversiones + Modulo COVID-19* to keep track of all COVID-19 related expenditures,

such as programmes, contracts, grants and donations related to the health emergency. Furthermore, most countries dedicated special COVID-19 budgets or accounting codes that allowed such expenditure to be managed separately from the regular budget, making it easier to track and report (Figure 6.11).

Methodology and definitions

The 2021 OECD survey on health financing and governance responses to COVID-19 in Latin America and Caribbean countries collected data between June and September 2021 on budgetary measures in the health sector in response to the pandemic, including information on the strategy for budget implementation and its oversight. Respondents were senior budget and health officials in the finance and health and social security ministries in 13 LAC countries.

Contingency funds are used to finance unforeseen emergencies. The use of these funds does not require the approval of the parliament or congress (beyond the approval of the annual budget). Extra-budgetary funds are special government-owned funds that are not part of the budget and receive pre-allocated levies (e.g. through fees and general revenue fund quotas). Supplementary budgets are proposed amendments to the annual budget, used to authorise additions or changes to allocations that were not provided for in the original approved budget (require parliamentary approval, but are subject to simpler legislative procedures).

Health social security contributions are compulsory payments to general government that confer entitlement to receive a (contingent) future social benefit.

Further reading

IDB (2018), *Better Spending for Better Lives: How Latin America and the Caribbean Can Do More with Less*, Inter-American Development Bank, Washington, DC, <http://dx.doi.org/10.18235/0001217-en>.

OECD (2022), "Health budgeting and governance responses to COVID-19 in Latin America and the Caribbean: Lessons for improving health systems' resilience", *OECD Journal on Budgeting*, Vol. 22/2, <https://doi.org/10.1787/d62fa6ef-en>.

Figure notes

Table 6.1. Data on strategies to implement the health budgetary response for El Salvador and Haiti are not available for 2021.

Figure 6.10. Data for Guatemala, Jamaica, and Peru are not available for 2020 and 2021. Data for Honduras and Uruguay are not available for 2021.

Figure 6.11. Data for El Salvador for 2021 are not available.

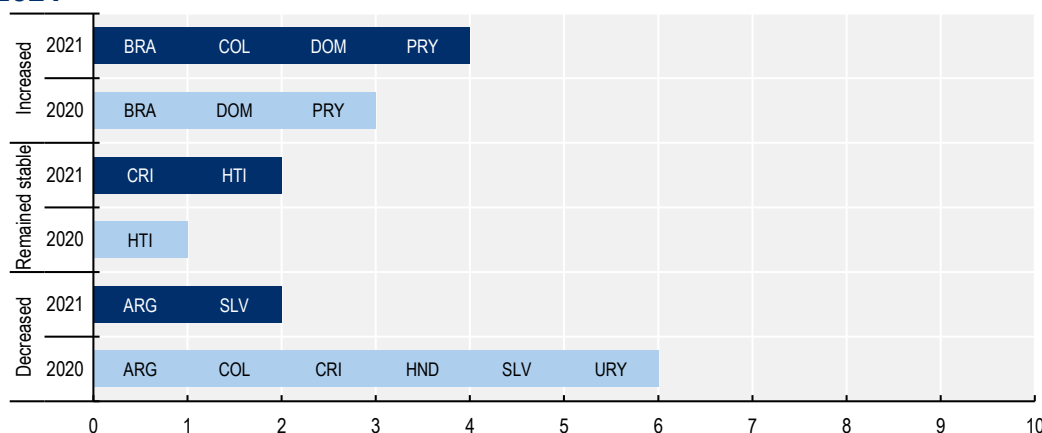
Table 6.1. Main source of funds for health budgetary response to COVID-19 and strategy for implementation, 2020 and 2021

Countries	Sources of funds associated with health budgetary response to COVID-19							Strategies to implement the health budgetary response to COVID-19		
	Reprioritised funding from within an existing health budget	Reprioritised funding from other sectors across government	Transfers between fiscal years	Contingency funds for unanticipated events	Loans from international organisations/ countries	Grants from international organisations/ donors	Salary discounts for certain public officials and/ or discounts from public pensions pay-outs	Supplementary budgets to increase/reallocate spending subject to parliamentary votes	Contingency extra-budgetary funds created to channel health sector COVID-19 response	Included within the regular annual budget process of the health sector
Argentina					•▲			•▲		
Brazil			•▲					•▲		
Colombia	•			•▲			•		•	
Costa Rica	•▲			•▲				•▲	▲	
Dominican Republic	•▲	•▲			•	•			▲	
El Salvador	•▲	•			•▲	•				
Guatemala	▲	▲	▲	•	•				▲	
Haiti	•	•▲	•▲			•				
Honduras	•▲				•▲	•▲			•▲	
Jamaica	•	▲				•▲			•▲	
Paraguay	•	•▲					•		▲	
Peru			•▲	•▲	•				▲	
Uruguay					•▲	•▲	•▲			
LAC Total										
● 2020	8	4	3	4	8	6	3	9	3	
▲ 2021	5	5	4	3	5	3	1	4	7	

Source: OECD (2021), Survey on Health Financing and Governance Responses to COVID-19 in Latin American and Caribbean Countries.

StatLink <https://stat.link/bgase9>

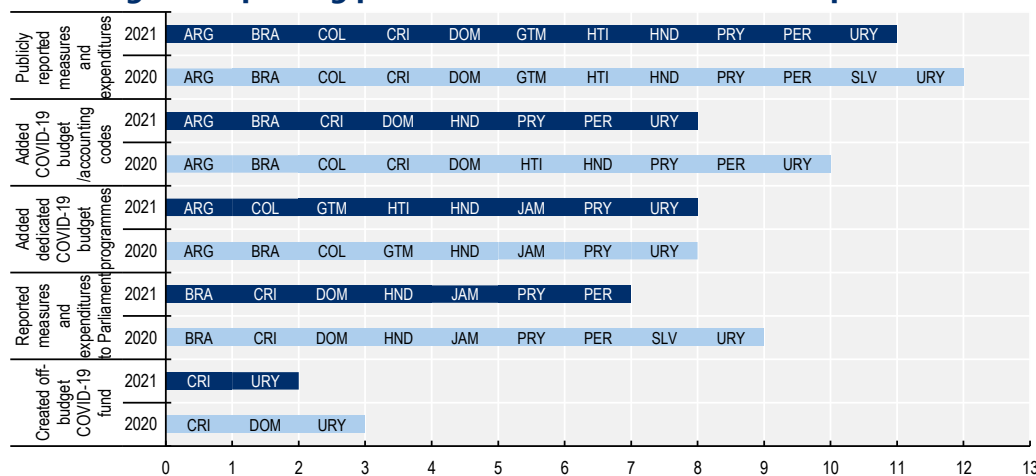
Figure 6.10. Impact of the COVID-19 crisis on revenue from health social security contributions, 2020 and 2021



Source: OECD (2021), Survey on Health Financing and Governance Responses to COVID-19 in Latin American and Caribbean Countries.

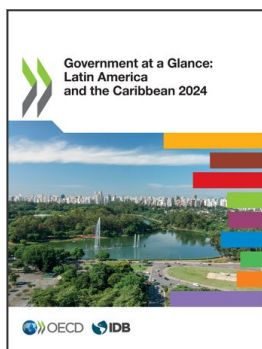
StatLink <https://stat.link/eocyrk>

Figure 6.11. Tracking and reporting processes for COVID-19 health expenditure, 2020 and 2021



Source: OECD (2021), Survey on Health Financing and Governance Responses to COVID-19 in Latin American and Caribbean Countries.

StatLink <https://stat.link/em91uf>



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