



**The Global Economic Crisis  
and HIV Prevention and Treatment Programmes:  
Vulnerabilities and Impact**

**Executive Summary**

**BELARUS**

**October 2009**

## **ACKNOWLEDGEMENT**

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In 2008 and during previous years, the economic development and financial stability in Belarus were substantially defined by external economic factors. The favorable conditions on the foreign markets in the first half of 2008 allowed Belarus to maintain high rates of economic development and financial stability.

The economic crisis brought about a decrease in consumption and a drop in prices for raw goods, which slowed down the economic development of the countries in the region, primarily the Russian Federation (the main trade partner of Belarus). Consequently, this led to the reduction of Belarusian exported goods in the second half of 2008 (particularly on the Russian market) and a growth of a negative balance of payments.

According to the official data, the volume of exports in the first semester of 2009 was of 53.9% and the negative balance of foreign trade grew by 39.7% in comparison with the similar period of 2008. Essential decrease in export-import transactions was caused by a decline in average prices and physical volumes of the foreign trade turnover.

A slower growth of the Gross Domestic Product (GDP) was registered, industrial production, investments in fixed capital, and the financial conditions of the enterprises worsened, income growth of the population slowed down, the actual and latent unemployment and inflation increased, inflationary and devaluation expectations amplified. These conditions brought a misbalance on the internal currency market, creating pressure upon the exchange rate of the Belarusian ruble and the international reserves of the country. In January 2009, the Belarusian ruble devaluated by 20%.

The external debt of Belarus increased essentially. According to the official data of the Ministry of Finance, the external public debt on July 1, 2009 was of US\$ 5408.9 million. The total external debt in the first quarter of 2009 was of US\$ 16322.4 million. The revenue collections of the national budget during January - June represented 44.6 % of the expected level for the year 2009.

It is difficult to forecast the development of the economic processes, conditions of the budgetary system, and further evolutions of services in the public health sector in Belarus, which are almost entirely financed from the public sources. Due to the reductions of the national and local budgets, the expenses for public health services were reduced by 17.9 % in Belarus in 2009.

Target public expenses on HIV prevention and treatment for the year 2009 are planned for the amount of 70,000,000 BLR, which was reduced during the year. Until 2009, no targeted public financing has been exercised by the Government program in Belarus. There were no specific articles on HIV and AIDS in the public budgets in 2008. However, planned target financing of HIV prevention by the Government program does not reflect actual expenses, which are much higher.

The Governmental program on HIV prevention and treatment in Belarus is financed from national and local budgets (about 80%), international aid and grants (the Global Fund – about 13%) and private funds (mainly out-of-pocket expenses)<sup>1</sup>.

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<sup>1</sup> NASA data, 2008

The public expenditures on HIV prevention were cut down due to the changed priorities concerning expensive imported medical medicines, materials and equipment. Within the limits of the public funds and to avoid stock outs, a reduction was obtained by purchasing cheaper domestic analogues of medicines to support the national producer.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is a key donor in Belarus. The project of the United Nations Development Program (UNDP) «Prevention and treatment of HIV/AIDS in the Republic of Belarus» has been operating since December 2004 and it is a large-scale international project in the field of public health services in Belarus. The GFATM has committed to continue supporting HIV and AIDS activities in Belarus by endorsing a new EUR 23.8 million grant for 2010 – 2014.

The economic crisis did not bring any essential change in the implementation of Project financed by GF, though UNDP was requested to identify efficiency gains that could allow a 10% cut of the funding requested in the first phase of Round 8. The reduction of the funding has been reached by optimization of the costs of medical products and test systems. The current rationalization of expenses has not affected the final quality and planned treatment coverage of PLHIV.

All expenses for ARV drugs are covered exclusively from GF funds. Fluctuations in the exchange rates of the national currency have not affected the ART program in Belarus, as all the procurement of ARV drugs is done abroad.

Towards 2011, the Government plans to take gradually over the financing of ARV drugs. Taking into account the reduction of public resources due to the financial crisis, a risk of a funding gap for ART drugs might exist, but not in the short-run.

The preliminary estimation of the total expenses of the Ministry of Health and GFATM in the first half of 2009 is of US\$ 4.572 million, which represents a 50% reduction compared to the first half of the previous year (according to the reporting data GP-1 and the financial data of the GFATM). The given indicator has been influenced by a 20% devaluation of the national currency. The decrease of public expenditures for the implementation of the HIV programs in Belarus is the result of a cut in overall expenses in the public health sector. A final and more precise assessment can be undertaken at the end of the financial year 2009.

The draft 2010 budget provides for 82% of expenses for the public health services. The Ministry of Health (MoH) put forward objections regarding the draft budget on several planned targets, including the planned funds for the HIV response. Planned future reduction of budgetary lines related to public health services raises concern on the part of MoH in terms of maintaining the access to qualitative medical aid in future.

The Ministry of Finance and regional financial institutions are taking radical measures for the reduction of expenses. The public health administration is working on the improvement of financing mechanism, based on the maintenance of effective and rational use of financial, capital and human resources (optimization of personnel, restructuring of networks of medical institutions, energy-saving strategies, etc.). The commitments of the country are being implemented; however specific anti-recessionary measures concerning HIV prevention and treatment programs were not planned.

Uniting the world against **AIDS**

**In the context of a global economic crisis the following actions should be undertaken:**

- Implementation of monitoring and evaluation mechanisms of the financial expenses for HIV programs and actions, at national and regional levels. These measures will increase the efficiency of the use of resources in the public health sector and will require the implementation of strategic administrative decisions.
- Steadfast attention should be paid to the most vulnerable groups of the population: to people with low level of incomes.
- Development of anti-recessionary measures to protect HIV and AIDS programs and to take evidence-based decisions.