



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

**Executive Summary**

**BRAZIL**

**October 2009**

## ACKNOWLEDGEMENT

The executive summary *The Global Economic Crisis and HIV Prevention and Treatment Programmes: Vulnerabilities and Impact in Brazil* is a product of the United Nations Joint Programme on HIV/AIDS (UNAIDS), elaborated with the contribution of Sergio Piolo, Martha Teixeira, Carlos Goulart, Daniel Aran and the editorial support of Bill McGreevey.

Brazil's GDP declined by 3.6 percent in the last quarter of 2008. That weakness continued with a further 0.8 percent decline in the first quarter of 2009. Despite its enviable status as one of the BRIC [Brazil, Russia, India, and China] emerging markets, the 'great recession' of 2008-09 hit Brazil. Growth of output has subsequently resumed, thanks in large part to high commodity export prices. On balance, economists now expect no growth for 2009 but a return to slow growth of 3.8 percent in 2010.

The federal government responded to the economic crisis with a Keynesian acceptance of deficit spending (revenues were down by 10.5 percent in early 2009 compared to early 2008) aimed at resuscitating economic activity. Quantitative easing by Brazil's central bank enabled private banks to increase lending. A cut in the value-added tax prompted higher domestic production and consumption, especially for household appliances and automobiles. Vehicle sales reached record numbers in the first half of 2009. Grants of credit lines subsidized low-income housing construction; an income transfer program, *bolsa de família*, continued to reduce the ill effects of poverty among 12 million persons covered by that program. Nonetheless, public revenues at federal, state, and local levels may well be down for 2009 as a whole thus inhibiting public funding for health.

The strength of the domestic market could also be seen in a gradual recovery of the labor market, which faced serious problems after a wave of preventive layoffs at the beginning of what appeared to be a bleak year. The labor market began to recover in February 2009 after three months of heavy losses. In the first five months of 2009 there were 180,000 new formal job positions. Still, jobs lost in the last quarter of 2008 had not yet been fully recovered in late 2009.

Asian purchases from mid-2009 onward allowed Brazil to increase its favorable trade balance to about US\$14 billion in the Jan-Jun 2009 period, an increase of 23.7 percent over the same period in 2008. Brazilian exports dropped in all major markets except Asia, where they grew 33 percent thanks to a 64 percent increase in China's purchase of Brazilian products.

The economic stimulus worked. Output grew by 7.8 percent in the July-September 2009 period. *The Economist* newsmagazine poll of economists predicts a GDP growth of 3.8 percent in 2010. Effective policies, including deficit spending, avoided a potential downward spiral. Success is muted somewhat by continuing high unemployment near 8 percent of the labor force.

### **Impact on the health system and HIV and AIDS spending**

Brazilians spend about 8 percent of GDP on health, over half paid out of pocket to providers, the rest funded through taxes collected at the three levels of government. With continued acceptance of the need to maintain public spending despite deficits, public health care under the Unified Health System has been maintained in 2009 and will likely continue at the same level into 2010.

Spending on AIDS programs has not been negatively affected by the international crisis; given priority at the highest level of the Federal government, AIDS program budgets in 2009 equaled those of 2008. The 2010 budget, already submitted to the Ministry of Planning, meets the needs expressed by the National STI/AIDS program.

In 2009, the National STI/AIDS program did not reduce expenditures in any of its sub-programs. They worked in a more efficient way, carrying out more -but individually less costly- activities. The level of spending has been maintained for the 2010 budget, without further restrictions. This practice will ensure federal purchases of the main drugs and supplies, which are distributed to all states and municipalities, as well as the allocation of funds to all of them.<sup>1</sup>

Municipal governments are the direct providers of AIDS-related services, and interviews show that they are maintaining prior-year levels of program support. Supplies of anti-retrovirals, reagents, and other materials provided by the federal government continue to be ample. Treatment programs cover 192,000 people with anti-retroviral therapy, well above 90 percent of all in need of such support.

There have been no reports of shortages of anti-retroviral drugs or of any other supplies provided by the national program. Fund transfers from the federal government to state and municipal governments remained the same as in previous years. State and municipal government authorities confirmed in interviews that the federal government fulfilled all its commitments regarding such funding.

Less certain is the capacity of private health spending to meet health needs. Field interviews identified the presence of many NGOs that receive foreign funds to carry out their activities. These NGOs directly negotiate with and report back to international agencies, without participation of the federal government. They work with people living with HIV, orphans and vulnerable children, and they participate in activities to create an enabling environment. There is no information regarding their expenditure or details on the sources of their financing by international donors. Some agencies have announced they must reduce or cease to provide funding, as they will have to divert resources to countries more deeply affected by the international crisis.

### **Recommendations and next steps**

Thanks to sound policies and effective response Brazil avoided the worst impact that the great recession might have imposed on its economy and hence on public health and HIV and AIDS program spending. There are, nonetheless, further steps to take that can assure recovery and full support in future:

- Brazil's government, like Mexico's, could seek World Bank support to generate jobs and finance social services; funds could offset municipal revenue losses and the withdrawal of international donors that focused on vulnerable populations;
- NGOs, often dependent on external donors, may have nowhere to turn for funding if the 'great recession' end foreign generosity; the public sector may then have to take up the tasks or finance those NGOs with domestic resources; and,
- A national AIDS spending assessment (NASA) could help determine all sources and uses of AIDS funding and identify any gaps.

---

<sup>1</sup> Brazil's government was among the first in emerging economies to recognize and address the HIV and AIDS epidemic, thanks to effective leadership at the highest levels of government and in its Ministry of Health (see Serra 2008). Early action on AIDS has made a big difference in the effectiveness of the response to the great recession.