



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

Executive Summary

ETHIOPIA

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Chronically food insecure Ethiopia was hit hard by skyrocketing food and fuel prices in 2008. Inflation peaked at 64.2 % in July 2008, and has eased in 2009 amid lower fuel prices, according to the Bloomberg news service. The UN Economic Commission for Africa reported in May that Ethiopia had the second highest inflation rate in Africa in 2008 at 41% – only Zimbabwe was higher.

High inflation has combined with other factors to reduce economic growth. Demand for electricity has outpaced efforts to open new hydroelectric power stations. The result has been every-other-day power cuts across the country since March, which has in turn crippled manufacturing output. At the same time, commodity prices are lower, and demand for Ethiopian exports (e.g. coffee) is also down, which has made it much more difficult for the government to maintain its foreign currency reserves. The resulting large trade imbalance has led to tight foreign exchange controls and shortages of imported goods, as well as a devaluation of the local currency against the US dollar and euro. The government estimates that economic growth for 2009 will be 9.2%, following several years of double-digit growth. However, Bloomberg has reported that the International Monetary Fund's estimate for Ethiopian economic growth in 2009 is 6.5 % or lower.

High inflation has forced some implementers of HIV services to raise additional funds or lower the number of beneficiaries they can reach. For example, the World Food Programme has struggled to maintain a project that provides nutritional support to urban people living with HIV, including pregnant mothers, children orphaned by AIDS and other women and children infected and affected by AIDS. A World Food Programme contingency plan called for a budget increase from \$13.8 million to \$19.5 million in order to reach the planned 110,000 beneficiaries. It was ultimately unable to raise all the required additional resources, so the project was re-focused on malnourished and food insecure beneficiaries, as opposed to only those who were food insecure. The national network of Ethiopians living with HIV (NEP+) has reported that the increasing cost of food is a challenge both to PLHIV receiving ART, who in some cases are struggling to afford one good meal a day, and to PLHIV who are not yet eligible for treatment. ART is provided free at public facilities, so there will be no effect on user fees, and ARVs are paid for with Global Fund money, so there is no exchange rate issue.

NEP+ has also reported that the increase in the cost of fuel (and therefore transport) is having an impact on members who have difficulty in accessing health centres. Many PLHIV in rural areas live far from treatment centres, so increased transport costs cause them significant adherence problems. Transport costs are an issue even within Addis Ababa, where the cost of local mini-buses nearly doubled in recent months. Inflation is also increasing the administrative costs of associations for PLHIV. There is concern that the pressure being placed on the associations through higher running costs may negatively impact on the services they are able to provide to their members.

Donor funding for the AIDS response—mostly from Global Fund and PEPFAR—has so far not been seriously affected. Overall external assistance for AIDS is therefore not expected to decrease, but there will likely be little or no growth in funding after years of sharp increases. Regarding the Global Fund, Ethiopia received approval in Nov 2008 for an RCC, Wave 3 proposal with a Phase 1 total upper ceiling of \$342,500,000 and total upper ceiling

of \$707,000,000. For PEPFAR funding, levels are expected to remain about the same. However, the PEPFAR coordinator has recently warned that there could be problems ahead. PEPFAR called a meeting with partners in late August to explore "greater efficiencies in our programme [...] in a time of economic recession". PEPFAR also recently initiated a costing exercise that could be a precursor to cost cutting. Smaller donors (e.g. Italy) have announced funding reductions. The overall result will likely be a much lower rate of scale-up, as opposed to a decrease in services.