



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

**Executive Summary**

**PHILIPPINES**

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## ACKNOWLEDGEMENT

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In 2008, the Philippine economy slowed as the US financial crisis transformed itself into a global economic crisis and the escalating prices of commodities in the global market resulted in hikes in production costs and higher domestic prices. These developments affected the country's external trade and dampened domestic demand and production, such that real gross domestic product (GDP) growth decelerated to 3.8% from 7 % in 2007, while real gross national product (GNP) growth slowed down to 6.2 % from 7.5 % in the previous year.

Two major vulnerabilities resulting from the global financial crisis were initially identified: a) the overseas employment sector; and b) export industries. To mitigate the effects of the crisis, the Philippines formulated and immediately implemented the Economic Resiliency Plan. The plan calls for job creation, frontloading of infrastructure projects (increased spending), tax cuts and expanding social protection. Through these measures, the country was able to recover modestly during the second quarter of 2009, as reflected in the GDP growth rate (1.5% in Q2 from 0.6% in Q1).

In addition, remittances from Filipinos overseas supported the GNP's growth at 4.4% in the second quarter of 2009, resulting in a 29.7% growth in Net Factor Income from Abroad (NFIA). The steady flow of remittances from overseas Filipino workers helped stabilize the economy by driving consumption growth and ensuring a steady influx of foreign exchange. Inflows from overseas Filipino workers continue to defy expectations of contraction.

The Philippine economy is expected to remain afloat and as such, no budget cuts or reallocation of funds is anticipated from national government resources. Notably, the budget of the National AIDS/STD Prevention and Control Programme (NASPCP) of the Department of Health increased from 11 million pesos in 2007 to 54 million pesos in 2009. Further, it is expected that the 2009 budget level of the Department of Health will be maintained for 2010.

Moreover, funding commitment from external sources (USAID, UN agencies, Global Fund) for this year and next has been secured and future cuts to external financing are not expected. The Global Fund recently instituted a 10% "efficiency gain" on its succeeding projects, thereby effectively decreasing total project cost. However, this should not be the case as the 10% "efficiency gain" is intended to address inefficiencies in the use of funds and improve utilization rates and strategic prioritization. As such, implementing partners will just have to step up implementation and enhance their disbursement rate without sacrificing targets and coverage.

Currently, it appears that the global economic crisis is having no impact on the country's HIV/AIDS programmes and services. Major interventions continue and ARV drugs for the next twelve months have been procured with the help of Global Fund and the Department of Health. Hence, the number of patients on treatment will not be affected in the short term.

The charging of user fees is seen as a major factor that may adversely affect treatment services for HIV/AIDS in the future. One of the major providers of HIV/AIDS treatment services in the country, San Lazaro Hospital, is now charging user fees (socialized pricing) for out-patient services (e.g. viral load/ART monitoring) mainly to augment the hospital's income and not necessarily because of the effect of the global crisis. Previously, there were

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only three major providers of HIV services in the country and all are located in the National Capital Region. At present, new treatment hubs (ten hospitals) have been developed with the assistance of the Global Fund in other parts of the country (bringing the total to 13). Socialized user fees are generally encouraged but are not charged for commodities provided by the Global Fund (e.g. ARV drugs).

The global crisis will have implications on the country's HIV/AIDS programmes and services if it persists and external resources dwindle and domestic resources shrink. Previous spending data (2005-2007) showed that more than 50% of the country's programmes on HIV/AIDS are financed externally, including interventions for most-at-risk populations (MARPs). It is noteworthy, however, that in the past two years the national government's budget (specifically the Department of Health) for HIV/AIDS prevention and control has increased.

*If the global crisis persists and there is significant decline in external resources and contraction in domestic resources, this will mean a reduction in coverage of prevention programmes, especially for MARPs. In addition, this may put at risk the current supply of ARV drugs, given the increasing number of new HIV cases (85 new cases in May 2009, a 143% increase compared to the same period last year). The programmed resources from the Global Fund for ARV drugs and the budget of the Department of Health-NASPCP may be depleted sooner than expected. Further, if government funding is reduced, hospitals may increase user fees. Currently, the imposition of user fees for outpatient services already poses a financial burden for people living with HIV (PLHIV).*

The Philippine National AIDS Council will continue to submit proposals for possible funding assistance and sustain ongoing programs and projects. The operational plan of the 4<sup>th</sup> AIDS Medium Term Plan will have to be implemented. Notably, the 2009-2010 Operational Plan has strategically prioritized major interventions for MARPs. In addition, the Department of Health-NASPCP is expected to continue the procurement of ARV drugs in the event that external supply dries up.

There have been some planned actions to help alleviate the plight of PLHIV even prior to the crisis. In 2006, the Board of the Philippine Health Insurance Corporation approved an HIV/AIDS benefit package. However, the implementing guidelines have not been formulated. Presently, there is a proposed amendment to the 2006-approved benefit package and it is due for presentation to the Board of the Philippine Health Insurance Corporation. It is expected that the HIV/AIDS benefit package will be implemented within the year. Income-generating activities for PLHIV are also being explored.

The Philippine Government should continue to mobilize resources and capitalize on its partnership with the donor community. However, it is crucial that allocative efficiency and operational efficiency be improved, especially for the ongoing programmes and projects.

Although major AIDS activities are financed through external sources, it should be noted that the national budget for HIV/AIDS has also been increasing. It is important that this trend be sustained and should encourage other relevant government agencies to put in more resources for the prevention and control of HIV/AIDS.

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Further, interventions targeting the MARPs should be given priority and sustained. The procurement of ARV drugs by the national government to supplement the Global Fund supply is commendable. However, the government should be prepared to fully absorb the responsibility and sustain the provision of ARV drugs to PLHIV in anticipation of the completion of the Global Fund project and increasing new cases. In order to cushion the financial impact on PLHIV, it is of paramount importance that the social insurance package for HIV/AIDS be finalized and implemented immediately.

There is also a need to further decentralize the implementation of programmes on HIV and AIDS since the local government units can generate their own resources and they are at the forefront of health service delivery. Although some local government units may have already allocated resources for AIDS programmes, successful local government unit-led activities also need to be replicated in other areas.

**Actions planned or taken:**

- Continue development of project proposals for funding assistance and mobilize resources;
- Sustain programmes and projects and implement activities in the Operational Plan of the 4<sup>th</sup> AIDS Medium Term Plan;
- Drafting of the social insurance benefit package for PLHIV; and
- Exploring income-generating activities for PLHIV.

**Recommendations:**

- Continue to mobilize resources and improve allocative and operational efficiency;
- Sustain increasing trend of the national budget and sustain/prioritize interventions for MARPs;
- Address the absorptive capacity of the national government to sustain externally financed activities;
- Finalize and implement social insurance for PLHIV; and
- Further decentralize programmes and replicate effective practices at local level.