



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

**Executive Summary**

**TRINIDAD AND TOBAGO**

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## ACKNOWLEDGEMENT

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The worldwide financial crisis and economic recession caused Trinidad and Tobago's economy to contract by about 3.3% by the end of March 2009, the first such fall in five years. Trinidad and Tobago has experienced the effects of the global economic downturn since mid-2008, as a result of lower production levels in the petrochemical and other petroleum sectors and significant reductions in commodity prices. Global prices for the main commodities on which the Trinidad and Tobago economy is based have been volatile since July 2008. Crude oil, the price of which is the main determinant in the government's expenditure budget, has ranged from a high of US\$ 131 per barrel in July 2008 to a low of US\$ 41 in February 2009. Prices also fluctuated for ammonia (US\$ 888 per tonne in September 2008 to an incredibly reduced US\$ 89 per tonne in January 2009), urea (US\$ 821 per tonne in August 2008 to US\$ 238 per tonne in January 2009), and methanol (US\$ 753 per tonne in March 2008 to US\$ 194 per tonne in April 2009). Since then, prices of the main commodities have made a modest recovery, but in the second quarter 2009 prices were still at, between 27%, in the case of methanol and 43%, in the case of crude oil of the peak prices in 2008.

In addition to the reduction in prices there was also a significant reduction in Trinidad and Tobago's principal commodities. There was a reduction in the production of urea, ammonia and methanol, with a 4.3% decrease in the petrochemical industry in the first quarter of 2009. There was also an 11.7% contraction in manufacturing, predominantly because of diminished demand from the Caribbean Community (CARICOM) market as earnings from tourism fell. There were further decreases in the construction sector (2.7%) and negative growth of 7.5% in the electrical and water sectors due to plant closures and reduced output from the petrochemical industry. Despite the overall contraction in GDP and agricultural production, the transport and communications sectors recorded positive growth of 27.5 % and 4.4% respectively. Given that oil, gas and petrochemical commodities are Trinidad and Tobago's main export commodity, the drop in price has had immediate economy-wide effects. The fall in export revenue has reduced foreign exchange earnings, although the import cover remains at 11 months.

With smaller royalties and lower tax revenues from exports, government revenues have shrunk. From October 2008 to March 2009 there has been a decline in revenue, with a fiscal deficit of TT\$ 2,919 million, which when compared to the surplus of TT\$ 1,998 million recorded during the corresponding 2007-2008 period demonstrates the extent of the economic slowdown. Total revenue declined by 11.6%, due to lower earnings from the petroleum sector, and VAT receipts declined sharply by 24.9%. Receipts from the non-energy sector fell by TT\$ 145,5 million as a result of the overall slowdown in domestic demand. Consequently, economic growth is expected to be modest in 2010 at 2% and anticipated spending cuts may put spending for HIV initiatives at risk.

Despite the volatility in the prices and demand for commodities, Trinidad and Tobago is relatively fortunate in that, to a certain extent, the country is immune from economic shocks transmitted through the international banking system. As a result of large reserves, for example the Heritage and Stabilization Fund, low debt ratios and a liquid, profitable banking system funded mainly through domestic deposits has placed the banking system in a strong position to manage liquidity problems should they be transmitted through foreign parent banks.

Nevertheless, there has been a reduction in revenue. The reaction from government was to make two cuts in expenditure, with the Prime Minister warning in November 2008 that the recession will produce a drop in export earnings, economic contraction and loss of jobs. As a result, government made cuts in budgetary allocations in November 2008 and January 2009, which impacted on all government ministries. A policy of restraint was also adopted, which reduced discretionary expenditures, especially in the areas of promotion, publicity and printing, materials and supplies, as well as goods and services and minor equipment. New projects, other than those of a critical nature,

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were required to be put on hold. Projects without firm contractual commitments were to be delayed and the pace of implementation of ongoing projects was to be reduced.

Although the cuts were extensive, the actual impact at the organizational level was dependent upon the type and nature of the financial source of the budget, i.e. recurrent or capital/development. The vast majority of government expenditure funded through recurrent budget lines is on staffing, administrative costs, utilities, and goods and services. This also includes the costs associated with the regional health authorities which provide some of the treatment, care and support services of people living with HIV. Under the recurrent budget, although cuts were announced there was little impact, as the expenditure could not be reduced in the short term.

Despite this, during the first quarter of 2009 the specialist inpatient facility at San Fernando Hospital was closed down primarily to make space for anticipated H1N1 cases requiring urgent medical assistance. While the official line is that the closure is a result of changing priorities, civil society and patients served by this institution believe that the closure was initiated mainly because of a requirement to reduce costs.

The cut in expenditure from capital budgets affected every government ministry for all development projects and impacted all AIDS programmes. The impact of the cut has been felt in all the priority areas of the National HIV and AIDS Strategic plan.

When consideration is given to the overall budget and expenditure on AIDS programmes from within the capital budget since 2007, a revealing picture emerges. Between 2007 and 2008 the budget for AIDS increased from TT\$ 58.8 million (US\$ 9.33) to TT\$ 73.2 million (US\$ 11.62). This represented an increase of 24% and in the HIV component of the total capital programme budget from 1.7% to 1.9%. Actual expenditure exceeded the budget in 2007 by TT\$ 1.6 million (US\$ 0.25 million), and although expenditure fell short of the budget in 2008 it nevertheless increased by TT\$ 2.37 million (US\$ 0.38 million) above the 2007 expenditure. The extent of the cutbacks and their potential negative impact on HIV programmes are highlighted in the budgeted and actual expenditures for 2009. The 2009 budget was cut by a significant 47%, which resulted in an AIDS budget of TT\$ 38.7 million (US\$ 6.1 million), TT\$ 34.5 million (US\$ 5.48 million less than in 2008). With the additional restrictions placed on funding of programmes from the capital budget, expenditure even fell short of the budget in 2009 by a small margin. For 2010, despite the ongoing economic crisis, there has been a small increase in the budget of 8.2% over and above the 2009 budget.

The position for Tobago is very similar to Trinidad, in that the budget for HIV declined significantly with the announced cutbacks in 2009 and has remained static for 2010. The main difference between the two islands is that the budget available for HIV began being reduced in Tobago as of 2007, when it was TT\$ 19.3 million (US\$ 3.07 million). The 2008 budget of TT\$ 8 million (US\$ 2.3 million) was a 59% reduction from the 2009 budget and also represented a reduction to 1.9% of the total available budget under the capital programme. The 2009 budget of TT\$ 3 million (US\$ 0.5 million) was a further reduction in allocations for HIV, representing an 84% cut from the 2007 budget.

The reaction from donors, especially the Joint UN Theme Group on HIV & AIDS, was the reverse of that of the government. Critical project deliverables that were scheduled for deferment for 2009 were to be financed through programme accelerated funds. These projects were critical to the evaluation of the current National HIV & AIDS National Strategic Plan and the development of a new strategic vision for HIV & AIDS until 2015.

In terms of other projects related to HIV & AIDS, the position is not so optimistic. The policy of reducing discretionary expenditure and the requirement to put new projects on hold has effectively put an end to all development work on new AIDS-related materials and prevented the grant funding of new projects from civil society and faith-based organizations as of December 2008. During the early part of 2009, according to government policy all projects financed through the National AIDS Coordinating Committee were gradually completed and no further projects were commenced. This position was also repeated in many other ministries providing AIDS information and materials. If consideration is given just to the expenditure on prevention within the National AIDS Coordinating Committee, this fell from a high of TT \$19.3 million in 2006 to TT\$ 4 million in 2009. The drop in expenditure would have been even more marked if it was not for the additional funding made available through European Union grant support to the National HIV and AIDS Strategic Plan, which ended in April 2009.

With respect to treatment, the major area of concern in the reduction in budget allocations is that a significant portion of the costs related to treatment are financed through the capital budget line, in particular the main treatment facility in Port-of-Spain and the costs associated with ART. Fortunately, during the current fiscal period the European Union grant programme contributed TT\$ 20 million to the ART budget. However, as already mentioned, this programme ended in April 2009. With ART stock destined to be fully exhausted by mid to late 2009 government will be required to triple the budget for the 2009-10 fiscal year in an environment of cutbacks and restraint, in order to sustain the current level of demand for ART.

It is likely, however, that the funding requirements to meet the demand for ART medication will need to expand even further to meet both the current service provision and to expand to meet the anticipated need for ART. Under the current level of service provision, for the existing number of patients receiving ART medication costs will increase as the rate of progression from first-line medication to more expensive second-line medication has increased from 5.5% of the total number of patients receiving medication in 2004, to 9.41% in 2008. This growth is unlikely to diminish in the near future. Secondly, the projected need for ART is expected to rise, with the corresponding increase in the costs of treating the projected 4,500 people in need of ART by 2015. Therefore, in order to meet the demand for ART, budgets, already put under pressure by the economic crisis, will be required to expand.

However, while there was no indication of any immediate change in the government policy of distributing free antiretroviral drugs, there were concerns expressed, especially from people living with HIV, that the state of the economy may force a reversal of this policy. People living with HIV also indicated a number of issues associated with the downturn in the economy that could have a larger negative impact on them. These included the rise in grocery prices and the costs for additional vitamins and supplements, which were significantly impacting the poor and lower paid workers, a category into which many people living with HIV fit. Travelling costs, especially public transport, had increased and waiting times in clinics were long, causing absentee and job security problems for people living with HIV who were employed.

Civil society groups expressed the view that there was a lack of awareness that the economic crisis could increase stigma and discrimination, and that the job crisis was negatively influencing social protection and AIDS programmes. As with programmes aimed at prevention, there have also been reduced allocations for projects associated with the National Workplace Policy on HIV and AIDS. This policy was pilot tested in a number of state and private sector entities before a planned national rollout using national media and widespread distribution of the policy was deferred.

The situation is similar for research. While there have been a number of research projects undertaken over the last five years, two research projects on vulnerable populations and youth and risk of HIV have been delayed mainly because of the fallout from the economic downturn. In addition, proposals for additional research on prevalence, especially for most-at-risk and marginalized populations, have been deferred until resources can be made available.

In summary, the economic crisis in Trinidad and Tobago has resulted in: large cuts in expenditure on prevention, especially in relation to educational and communication materials, with the potential for drug shortages if allocations are not increased during the 2009-10 fiscal year; fears from the people living with HIV that the recession could augment discrimination; and a reduction in workplace HIV programmes and reductions in AIDS research-based projects. While there have been no announced cuts in the budget for ART, overall HIV programmes have nevertheless been detrimentally affected. Although there are no cuts in external aid programmes to be funded through this mechanism have suffered delays, excluding the European Union HIV & AIDS Programme which ended in April 2009. Finally, increased poverty levels due to loss of income are expected by civil society and are a specific concern expressed by people living with HIV.

### **Programme Management**

Following the budget reduction, alternative approaches were explored with donor agencies from both a regional and national perspective to secure funding. As such, the National AIDS Coordinating Committee engaged the Joint UN Theme Group on HIV & AIDS and provided additional input to the development process of Global Fund proposal by the Pan Caribbean Partnership against HIV/AIDS (PANCAP), with respect to the Caribbean Regional Strategic Framework. Furthermore the National AIDS Coordinating Committee has engaged and supported the Office of the Global AIDS Coordinator/US-Caribbean Regional Partnership Framework funded through PEPFAR.

In addition, the government has mandated that AIDS programmes be more efficient and cost effective. The National AIDS Coordinating Committee was required to strengthen its coordinating role among the separate government agencies working on AIDS. The purpose of this measure is to ensure that resources are used more effectively and that there is reduced overlap of programme interventions, especially for programmes targeted at prevention in the general population. However, as all ministry budgets have been cut and available resources are at a premium, the extent of the efficiencies gained remains questionable.

Negotiations continue with donor organizations for region-wide funding for the Caribbean. However, given the implications of the economic crisis on the region and in Trinidad and Tobago, there is a need for donor agencies, including PANCAP, the Global Fund and PEPFAR to accelerate the funding application process. In addition, the Government of Trinidad and Tobago should be aware of the implications of how cuts in expenditure impact upon social programmes, especially as they affect treatment and care programmes. There should be further discussion on how cuts are to be made and it is recommended that they should not be made across the board, but should be targeted to areas where the detrimental effects can be reduced.

While expenditure on treatment has not been impacted, AIDS authorities, civil society organizations and people living with HIV have expressed concerns about increasing costs. It is recommended that governments review expenditure plans, consider the increasing incidence of HIV and ensure that sufficient funding is assured for ART.

With respect to the policy of examining projects for possible efficiency gains through greater collaboration and coordination with stakeholders and greater emphasis on evaluation, efficiency gains could also be generated through: the targeting of prevention resources, especially behaviour change communications, to populations most at risk for HIV transmission; the integration of AIDS programmes into the health-care system, in order to benefit more people and improve the overall quality of health care; a review of adherence strategies and adherence rates to reduce the number of people living with HIV moving to second-line therapy; and more collaboration with government and NGOs to avoid duplicated efforts and ensure greater harmonization of activities. This is especially the case for civil society, which needs to further develop relationships among all civil society organizations and with faith-based organizations; expand its networking with clients and social network sites to include other stakeholders and the business and private sectors; and constantly recruit and increase the volunteer base. Finally, it is recommended that capacity building be undertaken for people living with HIV, with the aim of addressing unemployment.

**Government actions planned or taken:**

- Reductions in discretionary expenditure, especially in the areas of promotion, publicity and printing, materials and supplies, as well as goods and services and minor equipment.
- Exploring of alternative approaches with donor agencies from both a regional and national perspective to secure funding.
- Ensure that HIV programmes become more efficient and cost effective. For example, the National AIDS Coordinating Committee was required to strengthen its coordinating role among the separate government agencies working on AIDS.

**Recommendations:**

- As the economic crisis has had a significant impact on the Caribbean region and on Trinidad and Tobago, donor agencies, including PANCAP, the Global Fund and PEPFAR need to accelerate the funding application process.
- Targeting resources to the populations most at risk of HIV transmission, further integration of AIDS programmes into the health-care system, and monitoring adherence rates to reduce the number of people living with HIV moving to second-line therapy.
- Civil society and government need to strengthen their collaborative relationship to avoid duplication of effort and to ensure greater harmonization. Civil society needs to further develop relationships among all civil society and faith-based organizations, and expand networking with clients and social network sites.