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

Executive Summaries

October 2009

Uniting the world against AIDS
ACKNOWLEDGEMENTS

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THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON HIV PROGRAMMES: REGIONAL AND COUNTRY OUTLOOK

The global financial and economic downturn taking place in the most affluent countries has had a negative impact on a great number of middle- and low-income developing countries. This impact has manifested itself through a series of effects, beginning with a drop in foreign investment and a decline in demand for traded goods. Lower investment and demand for traded commodities (oil, minerals, food exports) and finite goods have affected employment and household earnings in poor countries, and have also led to a reduction in government revenues, which come mainly from taxes on household and business income, and tariffs on traded goods. Some middle- and low-income countries, especially those with overextended housing and those heavily dependent on external investment and trade, have been badly hit by the crisis. The fall in commodity prices has caused a large loss of income for petroleum- and mineral-exporting nations in all regions, especially in Africa and the Middle East.

The reduction of government revenues has come at a time of rising unemployment, which has led to an estimated 7% fall in workers’ remittances to low- and middle-income countries in 2009, a loss of over US$ 24 billion. The increasing impoverishment of households is more likely to result in worsening conditions in nutrition, shelter, water and sanitation, all of which tend to undermine adherence to antiretroviral therapy (ART) and long-term treatment success.

These economic and financial aspects have had direct repercussions on the HIV response. The exchange rate adjustments in a number of countries – especially widespread devaluation of local currencies relative to the US dollar – have translated into higher prices (in local currency terms) for imported AIDS commodities such as antiretroviral drugs, test kits, and laboratory equipment. Where the national AIDS effort relies heavily on domestic public spending, as is the case in many middle-income countries, programmes for prevention, treatment, and related orphan and social services have been put at risk. In Botswana, for example, the finance minister announced in his 2009 budget speech that government revenues would likely fall for the next two years; indeed, government revenues fell by more than 40% between the second and third quarters of 2008.

It can therefore be said that the adverse effects of the crisis on national and local AIDS responses are occurring through multiple channels, including declines in household incomes and increases in poverty; reductions in national government revenues and AIDS spending; unfavourable shifts in exchange rates, which make imported medicines and equipment more expensive; and the slower expansion of external financing from multilateral and bilateral sources.

In the past year, each country’s economic and AIDS situation has changed, depending on the country’s particular relationship with the global economy. Each country’s AIDS epidemic and response (mix of interventions and institutions, level and composition of funding from domestic and external sources, etc.) is also unique. The situation on the ground appears to have worsened over the past months in all regions except for East Asia, where there are already significant signs of economic recovery.

In the short run, the proportional impact of the crisis seems to be most acute in middle-income countries heavily dependent on domestic budgets that have been cut as a result of the global downturn and which are most at risk of cuts to any external assistance they currently receive, and in some low-income countries with moderate HIV disease burdens and less robust donor support.

Lastly, the economic crisis in affluent countries has put a strain on donor assistance programmes across the board, including external funding for AIDS. There are indications from some bilateral agencies that their AIDS funds may have to be reduced next year. Others, including the Global Fund, are seeking “efficiency gains” and carefully examining ways to prioritize technically sound grant proposals in situations where country demand may exceed available grant resources. Regarding the two largest sources of external financing, the five-year reauthorization of the U.S. PEPFAR programme in 2008 and the replenishment of the Global Fund in the same year are helping to buffer an immediate drop in outside support for AIDS. But even this funding is not entirely secure in the short term and policy changes imply a shifting of resources into broader health initiatives. The outlook beyond the next 12 to 24 months is therefore more uncertain.

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The global crisis is affecting many countries’ plans for reaching universal access. Prevention programmes are expected to be affected by reductions in funding, with concern being greatest for programmes for commercial sex workers, men having sex with men, voluntary counselling and testing, and activities to reduce stigma and discrimination and empower young people.

Countries most at risk. Analysis carried out earlier by the World Bank and UNAIDS suggests that the countries most at risk of having their HIV programmes hurt by the economic crisis are those that:

a) Have the heaviest disease burden (as measured by HIV prevalence) and thus have correspondingly large financial resource requirements. In some low-income countries with adult HIV prevalence of 5% or greater, AIDS spending needs already exceed 2% of the GDP.

b) Are most exposed to a combination of the external shocks described earlier, such as drops in foreign investment, volume and prices of exported commodities, workers’ remittances, and external aid.

c) Rely primarily on domestic sources to finance their national AIDS response.

Using these three criteria, the World Bank and UNAIDS categorized countries as “most exposed”, “more exposed”, and “least exposed”. One additional factor is also likely to be important in determining the ability of the country to withstand the negative effects of the crisis – the degree of political commitment by national leaders to a strong HIV programme.

The economic crisis poses a significant risk to HIV programmes in the Caribbean region. With the exception of programmes for injecting drug users (IDUs), major negative impacts are expected across all major programme areas in the next year. Regional analyses reveal that tourism receipts, export earnings, and remittances will fall this year. Consequently, government revenues will drop compared to 2008.

In Western and Central Africa negative impacts are expected in all major programme areas, as the region struggles with funding shortages, declining household income, contracting government budgets, and changes in household income and food security. In one country, the case study reports that the prevention budget for civil society organizations (CSOs) is being reduced by 20%, and there is also uncertainty about the level of support from PEPFAR in 2009.

In East and Southern Africa, where the highest levels of HIV infection and prevalence are occurring and the largest share of the population is in need of treatment, concerns about the impact of the economic crisis are, perhaps paradoxically, less severe than in some other regions. This may be because of the priority given to these countries by external funders, especially PEPFAR and the Global Fund, which have been able to maintain their financial support thus far during the economic downturn. But pressures are mounting in this region, too. Declines in economic growth and falling government revenues are causing financing difficulties for treatment and other AIDS services in middle-income countries, including Botswana and South Africa, where domestic resources cover the majority of the AIDS budget. In low-income countries in the region with substantial numbers of people on treatment and children orphaned by AIDS, nongovernmental organizations (NGOs) working with orphans and vulnerable children and providing home-based care are experiencing budget cuts, leading to falls in their activities and coverage.

In Eastern Europe and Central Asia the crisis is having an impact across all major HIV programme areas, and it is anticipated that there will be, at minimum, serious effects on condom distribution and IDU programmes. The case study from Romania points to the significant effects of the economic crisis on HIV programmes in the country. A sharp contraction in the economy (a drop of 7.6% in the fourth quarter of 2008 and a further decline of 8.8% in the first three months of this year), in addition to a 20% devaluation in the local currency, has forced the government to cut overall public spending by a fifth and has led to a sharp fall in the resources of the national health insurance fund, which covers AIDS treatment costs. There are reports of shortages of antiretroviral drugs (ARVs) in a number of district hospitals and in one major urban hospital, as wells as shortages of condoms and other supplies for the country’s harm reduction programmes for IDUs. In the Latin America region, impacts have been reported in prevention and pre/post natal health programmes, stemming largely from the contraction in government funding, and expectations are negative for next year. The

country case studies revealed contrasting experiences. In one country, government budget cuts are constraining prevention programmes for sex workers, men who have sex with men and IDUs. But in another country, despite a 10% decline in public revenues this year, the government is maintaining its financial support for ART and for targeted prevention programmes, as part of its larger commitment to the national AIDS effort. More information is needed on the poorer countries in the region, including those in Central America and the Andean countries, in order to draw firmer conclusions about the effects of the crisis on the region.

The Asia and Pacific region shows the fewest signs of strain. However, there are negative expectations about the future impact of the crisis, as uncertainty and concerns about future funding remain. Key studies in two major countries indicate that funding for AIDS is being maintained this year, but officials worry about their countries’ significant dependence on external financing and argue that in this current uncertain economic climate, government should pursue a policy of becoming more self-sufficient in paying for their AIDS programmes.

**Low- and middle-income country governments** need to:

- a) preserve and extend recent gains in AIDS treatment;
- b) ensure that AIDS spending is sustained and targeted to high impact prevention, especially for poor and vulnerable populations, including those most at risk who are often socially marginalized;
- c) explore long-term investments and returns with combination prevention that include structural interventions (based on the social determinants of HIV);
- d) fully realize the benefits from integrating HIV with other health programmes, including tuberculosis control (TB/HIV) and reproductive health (including prevention of mother-to-child transmission). Beyond this, governments should expand social protection programmes to cover HIV-positive persons (e.g. with food supplements and income subsidies) and most-at-risk populations; and
- e) design cross-sectoral programmes that combine economic empowerment with HIV prevention interventions (e.g. income generation programmes alongside HIV education).

The continued financial backing of CSOs is essential, as in many countries these organizations are the backbone of programmes for home-based care, prevention for marginalized populations, advocacy, and human rights.

At the same time, there is much that low- and middle-income countries can do to make money go further by implementing efficiency measures. A number of countries are already seeking such savings via efficiency improvements, for example through task shifting and better procurement of drugs and lab tests. It is critical that these measures be put in place as soon as possible and be closely monitored in order to demonstrate their benefits.

To complement the efforts of the low- and middle-income country governments, **external development partners** need to make strong efforts to sustain their financial support for HIV programmes in these countries. In some instances where governments in low- and middle-income countries are struggling to continue funding parts of the national AIDS programme, donors may have to act in a “countercyclical” manner to fill a resource gap. External partners should also explore new mechanisms for mobilizing more financial resources as part of larger efforts in innovative financing for development. Partners also need to exercise exceptional flexibility in their willingness to shift their resources as new priorities emerge in response to the crisis, as revealed through country evaluations and reviews.
<table>
<thead>
<tr>
<th>Selected Health Indicators</th>
<th>Year/Source</th>
<th>Argentina</th>
<th>Belarus</th>
<th>Brazil</th>
<th>Burkina Faso</th>
<th>Dominican Republic</th>
<th>Ethiopia</th>
<th>Moldova</th>
<th>Mexico</th>
<th>Philippines</th>
<th>Romania</th>
<th>Senegal</th>
<th>Tanzania</th>
<th>Trinidad &amp; Tobago</th>
</tr>
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<tbody>
<tr>
<td>Total population (millions)</td>
<td>2008 (WB)</td>
<td>40</td>
<td>10</td>
<td>190</td>
<td>14</td>
<td>10</td>
<td>81</td>
<td>4</td>
<td>104</td>
<td>90</td>
<td>22</td>
<td>12</td>
<td>42</td>
<td>1</td>
</tr>
<tr>
<td>Life expectancy (male/female)</td>
<td>2006 (WHO)</td>
<td>72/78</td>
<td>63/74</td>
<td>69/76</td>
<td>50/53</td>
<td>69/75</td>
<td>55/58</td>
<td>65/72</td>
<td>72/77</td>
<td>64/71</td>
<td>69/76</td>
<td>61/65</td>
<td>50/51</td>
<td>66/72</td>
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<tr>
<td>GNI per capita (PPP)</td>
<td>2006 (WHO)</td>
<td>11,670</td>
<td>9,700</td>
<td>8,700</td>
<td>1,130</td>
<td>5,550</td>
<td>630</td>
<td>2,660</td>
<td>11,900</td>
<td>3,430</td>
<td>10,150</td>
<td>1,560</td>
<td>980</td>
<td>16,800</td>
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<tr>
<td>Total health expenditure as % of GDP</td>
<td>2006 (WB)</td>
<td>10.1</td>
<td>6.4</td>
<td>7.5</td>
<td>6.4</td>
<td>6.0</td>
<td>4.9</td>
<td>7.8</td>
<td>6.2</td>
<td>3.3</td>
<td>5.7</td>
<td>5.4</td>
<td>5.5</td>
<td>4.2</td>
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<tr>
<td>Total health expenditure per capita</td>
<td>2005 (WHO)</td>
<td>484</td>
<td>204</td>
<td>371</td>
<td>27</td>
<td>197</td>
<td>6</td>
<td>58</td>
<td>474</td>
<td>37</td>
<td>250</td>
<td>38</td>
<td>17</td>
<td>513</td>
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<tr>
<td>HIV prevalence, %, adults aged 15-49</td>
<td>2007 (UNAIDS)</td>
<td>0.5</td>
<td>0.2</td>
<td>0.3</td>
<td>1.6</td>
<td>1.1</td>
<td>2.1</td>
<td>0.4</td>
<td>0.3</td>
<td>0</td>
<td>0.1</td>
<td>1.0</td>
<td>6.2</td>
<td>1.5</td>
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<tr>
<td>AIDS spending (US$ millions)</td>
<td>2005-07 (UNAIDS)</td>
<td>149.5</td>
<td>13</td>
<td>565</td>
<td>43.3</td>
<td>13.7</td>
<td>-</td>
<td>8.2</td>
<td>176</td>
<td>6.8</td>
<td>76</td>
<td>17.8</td>
<td>323.5</td>
<td>12</td>
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<tr>
<td>HIV positive persons receiving ART (%)</td>
<td>2005-07 (UNAIDS)</td>
<td>73</td>
<td>20</td>
<td>80</td>
<td>35</td>
<td>38</td>
<td>29</td>
<td>58</td>
<td>54</td>
<td>31</td>
<td>73</td>
<td>56</td>
<td>1</td>
<td>31</td>
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<tr>
<td>MARP prevalence est., capital city: Female sex workers</td>
<td>2007 (UNAIDS)</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>8.9</td>
<td>2.7</td>
<td>-</td>
<td>2.9</td>
<td>5.5</td>
<td>0.1</td>
<td>-</td>
<td>19.8</td>
<td>-</td>
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</tr>
<tr>
<td>IDUs</td>
<td>2007 (UNAIDS)</td>
<td>6.7</td>
<td>16.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17.5</td>
<td>2.8</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MSM</td>
<td>2007 (UNAIDS)</td>
<td>10.9</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>4.8</td>
<td>9.9</td>
<td>0.3</td>
<td>-</td>
<td>21.5</td>
<td>-</td>
<td></td>
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<tr>
<td>Urban population (%)</td>
<td>2005-06 (WHO)</td>
<td>90</td>
<td>73</td>
<td>85</td>
<td>19</td>
<td>68</td>
<td>16</td>
<td>47</td>
<td>76</td>
<td>62</td>
<td>54.6</td>
<td>42</td>
<td>37.5</td>
<td>76.2</td>
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<tr>
<td>Maternal mortality rate (per 100,000 live births)</td>
<td>2006 (WHO)</td>
<td>70</td>
<td>18</td>
<td>110</td>
<td>700</td>
<td>150</td>
<td>850</td>
<td>22</td>
<td>60</td>
<td>200</td>
<td>58</td>
<td>980</td>
<td>1,500</td>
<td>110</td>
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<tr>
<td>Under-5 mortality (per 1000 live births)</td>
<td>2002-05 (WHO)</td>
<td>18</td>
<td>8</td>
<td>20</td>
<td>204</td>
<td>29</td>
<td>119</td>
<td>19</td>
<td>35</td>
<td>28</td>
<td>15</td>
<td>116</td>
<td>126</td>
<td>20</td>
</tr>
<tr>
<td>Under-5 children underweight for age (%)</td>
<td>2002-05 (WHO)</td>
<td>2.3</td>
<td>1.0</td>
<td>3.7</td>
<td>35.2</td>
<td>4.2</td>
<td>34.6</td>
<td>3.2</td>
<td>3.4</td>
<td>20.7</td>
<td>3.5</td>
<td>14.5</td>
<td>116</td>
<td>4.4</td>
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<tr>
<td>Malaria cases</td>
<td>2003 (WHO)</td>
<td>122</td>
<td>n.e.</td>
<td>379,551</td>
<td>1,451,125</td>
<td>1,296</td>
<td>565,273</td>
<td>n.e.</td>
<td>3,819</td>
<td>43,644</td>
<td>n.e.</td>
<td>1,120,094</td>
<td>10,712,526</td>
<td>n.e.</td>
</tr>
<tr>
<td>TB prevalence (per 100,000 population)</td>
<td>2007 (WHO)</td>
<td>35</td>
<td>69</td>
<td>60</td>
<td>403</td>
<td>82</td>
<td>579</td>
<td>151</td>
<td>23</td>
<td>500</td>
<td>126</td>
<td>468</td>
<td>337</td>
<td>15</td>
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<tr>
<td>TB mortality (per 100,000 population)</td>
<td>2007 (WHO)</td>
<td>4.4</td>
<td>8.2</td>
<td>4.4</td>
<td>69</td>
<td>13</td>
<td>92</td>
<td>19</td>
<td>2.4</td>
<td>41</td>
<td>16</td>
<td>64</td>
<td>78</td>
<td>1.9</td>
</tr>
</tbody>
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Notes: n.e. - not endemic (for malaria); GNI - Gross National Income per capita expressed in purchasing power parity (PPP); GDP - Gross Domestic Product; HIV prevalence - percentage estimated adults (18-49 years old) who are living with HIV; ART - persons receiving anti-retroviral therapy; Urban population - percentage of total population living in urban areas; TB prevalence - prevalence of tuberculosis.
During the second halves of 2008 and 2009, the Argentinian economy experienced, after over four years of growth at rates of around 8% of their annual GDP, a deceleration in the activity, associated with the effects of the international crisis and internal factors with conflicting allocation interests. Nevertheless, the GDP increased by 6.8% in 2008 and is expected to grow by approximately 1.5% in 2009, although there is the threat of an impending recession. In 2008 the high increase in export prices had a positive impact on national revenue but also caused tension in connection with the processing of the effects of revenue allocation. The excess in the trade balance represented 3.3% of the GDP. Conversely, there were important capital transfers abroad from the private sector, which are decreasing reserves.

The unemployment rate remained low compared to past levels, although labour market conditions worsened, with drops in employment in the manufacturing industry towards the end of 2008 and in the first months of 2009. According to official indicators, retail prices increased 7.2% in 2008. However, there is a lack of confidence regarding the integrity of these indicators, and they are assumed to be undervalued. The international crisis found the country without high volumes of debt and with liquidity. These circumstances moderated the initial financial impacts of the crisis, although some external and internal elements of uncertainty impacted asset markets, limiting significantly the access to market financing for the public sector.

The external crisis and the poor harvest in rural areas implied deep and negative repercussions in the flows of funds for international trade in the country. The real adjustment of the economy showed a significant decrease in investment. With these signs of low activity levels, the government has searched for mechanisms to sustain internal demand levels. At the national level, tax revenue continues to grow, though at a slower pace than in previous years. The fiscal situation is alarming, due to the deterioration in the balance primary results at all government levels. At the consolidated provincial level, various analysts predict a deficit during the next few months, which will compromise the financing possibilities in the context of the world restriction and limitations to access to credit on the part of the Argentina government. In connection with the exchange policies, since mid-2008 the administration of the exchange rate was made on grounds of implications of higher peso depreciation. The dollar value increased by approximately 20% between June 2008 and June 2009.

Argentina’s HIV/AIDS-related programmes are essentially financed with funds from the national treasury. Among the current financial assistance programmes is the Public Health Essential Functions and Priority Programmes (PHEF) project, financed through a World Bank loan. The country does not rely significantly on foreign donations, except for resources from the Global Fund, which ended in 2008.

The crisis has had a reduced impact on HIV/AIDS programmes, although there have been budget cuts and sector prioritizations. The resources available for the National AIDS Programme have been reduced, which has had a greater impact on prevention programmes for injecting drug users, men who have sex with men, sex workers, and voluntary counselling and testing. The remaining programme initiatives have maintained their expected activity. In connection with the future crisis impact, if the intensity remains, there is no expectation of a drastic reduction in expenditures for HIV/AIDS-related programmes, either in the short or medium term, at national government levels. This situation is more compromised in the provinces, where the conflict of sector interests is more intense.

Diagnostic, treatment, care and support activities have so far not been significantly affected, in global terms, by the economic crisis. In 2009 we expect an increase in the medication-assisted population of 10% and to intensify condom distribution. Funds for second-line drugs were reduced in 2009 and in the last couple of months services related to food/nutrition for people on ART and prevention services for most-at-risk populations have been more strongly affected. In the short and medium term, it is expected that this will affect access to ART. With respect to the future impacts of the crisis, the experience indicates that the cut is in the third sector financing, which implies pair work. We therefore anticipate a reduction in targeted programmes for injecting drug users, men who have sex with men, sex workers and young people.

In 2009, there was no significant impact on prevention activities since, despite the yearly decrease of 5 million USD from the Global Fund ending in 2008; actions continued developing from previous years. Argentina showed up at the new round of the Global Fund. If eligibility criteria are not met, there will be no other significant donors financing these activities. Under these circumstances, it will be necessary to find alternative sources of financing, such as the national treasury and international institutions.

The current private contributions include funds from certain international organizations which are financing HIV-related activities (mainly prevention) through civil society organizations. Besides, external financing is actually
available and largely in use. The treatment programs are protected. There even exists a clear growing trend to increase government resources by adding prevention initiatives.

In general, in 2009 there was an abandonment of programmes addressed to the most vulnerable populations. The main potential implications of the crisis for beneficiaries can be summarized as: i) increased impoverishment and deepening of the problem of compromised indigent people; an increase in the number of people turning to sex work in order to meet their basic living needs; and greater risk of virus transmission; ii) discontinuation of treatment; iii) life projects of people being thrown away, and iv) higher risk of mortality for socially marginalized groups.

Poor economic conditions are also affecting the mobility of people living with HIV and AIDS, although this has so far not reach critical levels. There are currently no government social protection programmes for this population group, though some more extensive social protection programmes include people living with HIV/AIDS among their beneficiaries.

In summary, although it seems that the risk of the crisis profoundly impacting the HIV-AIDS sector is unlikely, the government has not taken any direct action to address the potential threats posed by the economic crisis. Despite the presence of certain crisis mitigation actions – though discontinued and isolated – there is no integrated plan which brings together the different sectors and government levels, or the non-government actors working in the sector.

**Government actions:**

- Proactive responses have so far involved mainly the industrial and financial sectors and have not yet extensively addressed the provision of social services.
- Even though the development of the crisis is being regularly monitored, there are no specific initiatives to address the impact of crisis on the HIV/AIDS sector.

**Main recommendations:**

- Pave the way in the search and production of strategic information related to HIV, in order to support the decision-making process based on evidence.
- Improve planning processes.
- Strengthen the prevention actions needed to bring the disease under control – which in turn will result in economic and financial benefits as a result of lower demand for future resources to assist the infected people.
- Speed up provision process involving delivery of medication and supplies.
- Focus on the interventions to the most vulnerable groups.
- Promote the development of cooperation initiatives, such as horizontal south-south activities, which can provide technical support in times of crisis.
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 disbalance 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). 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.

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2 NASA data, 2008

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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, re-structuring 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.

**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.
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 familia*, 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.³

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.

³ 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.
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.
The global current economic slowdown has deepened causing many developed countries to enter into a recession. Particularly, this crisis has a negative effect in different domains of African economies. Overall, in Burkina Faso the global financial crisis has induced inflation. Inflation rose sharply due to the steep rise in consumer prices, especially food costs, during the first half of 2008. This occurred in spite of the Government’s decision to suspend customs duties and taxes on staple products. Indeed, the inflation rate, near zero in 2007 (-0.3 per cent), rose to 10.3 per cent in 2008. Inflation is expected to drop from 5.4 per cent in 2009 to 3.5 per cent in 2010. The estimated negative effects of the crisis had been anticipated and taken into account for establishing the country 2009 Finances Act. However, the impact of the crisis is still affecting all economic sectors. The balance of payments deteriorated significantly due to the drop in agricultural production and cotton exports.

In terms of services financing, it should be noted that Burkina Faso programme to fight against HIV and AIDS is based on a strategic framework and coordinated by SP/CNLS-IST. For this purpose, two consecutive programmes have been undertaken. The first one took place during the period from 2001 to 2005. The ongoing strategic framework for fighting against HIV/AIDS began in 2006 and will end by 2010. The financial support for HIV and AIDS programmes in Burkina Faso is made by contributions from both national and international levels.

At national level, the main source of funding comes from the Government. Additional funds are provided by private companies, domestic associations and Non Governmental Organisations.

The most important contribution comes from the international cooperation and bilateral partners (external funding is estimated at 80 per cent). For example, the ongoing programme is supported by a common financing protocol between Burkina Faso and a group of international institutions composed by the World Bank, UNDP and UNAIDS. In addition, a bilateral agreement has been concluded between Burkina Faso and the Netherlands for 2009-2010.

In general, at international level, the Burkina Faso HIV and AIDS programmes are supported by the World Bank, the African Development Bank, the Global Fund, the bilateral partners (Denmark, Belgium, Austria, Canada, France) and the United Nations system (UNDP, UNICEF, UNFPA, WHO and UNAIDS).

Despite the unfavorable economic climate, Burkina Faso authorities went ahead with priority expenditures to further the Millennium Development Goals (MDG), focusing on poverty reduction expenditure, focussing on education and health. However, the continuing deterioration of the global economy, coupled with the possible resurgence of social demands, could weaken the public finances in 2009 and 2010, as well as deepen the deficit and delay the achievement of the objectives set in the current Strategic framework.

Globally, there is no trouble with the financing of prevention programme in accordance with the convention of 2009. However, for the twelve coming months, the global crisis could affect the available funds because of inflation. Activities related to prevention programme are financed by partners through the canal of Community and associations support program (PAMAC), the AIDS common Funds and international NGOs. They are reducing their contributions and it is important to plan a new strategy for the prevention programme financing, in particular for the most vulnerable population.

In terms of treatment, the number of AIDS patients under ARV is increasing. The estimated number was 17,263 in December 2007, then 21,103 in December 2008 and 23,731 in June 2009. Indeed, since April 2008 the Government decided to reduce the cost of treatment from eleven US$ 11 to US$ 3 per month; but the main problem is that all AIDS patients are not contributing. On the other hand, loss of income and increased poverty are undermining people’s access to adequate nutrition and some patients may discontinue their antiretroviral medication. Finally, in case of non financing of the Round 9 of Global Fund, no expected budget will be allocated to ARV treatment programme after 2011.

Some drug stock-outs have occurred in some clinics and hospitals because the expressed needs in terms of ARV and products for HIV detection had not been totally covered by donors. A national security plan had been implemented and adopted in order to prevent or to alleviate the problem in the future.
In order to support the health sector and mitigate the effects of the global financial crisis on HIV and AIDS programmes, some initiatives have been undertaken. In general, the government's policy measures to limit or negate the slowdown of economic activity are to ensure macroeconomic stability by controlling inflation. This is the top priority of Burkina Faso’s monetary policy, which is managed by the Central Bank of West African States, as the local currency is linked to the euro at a fixed parity. Also, it has been proposed that donors and suppliers of technical support discuss a common approach for assessing the impact of the crisis on HIV and AIDS by making available (achieving) an action plan for the coming period 2011-2015, including possible introduction of generic drugs to reduce costs.

In summary, the economic crisis in Burkina Faso has caused inflation. It is anticipated to measure an evidence impact of the crisis on HIV and AIDS programmes and services. But there is a cut (reductions) in HIV prevention programmes financing. In addition the crisis increased unemployment and loss of income.

Main actions and recommendations to confront the financial crisis and reduce the impact on the HIV programmes in Burkina Faso could be:

- Accentuate the sensibilization of government, and technical and financial partners with results, progress with assistance development and good government process for the bearing of AIDS resources allowance;

- Improve resources process estimation, develop financing alternative, anticipate mobilization with prior activities according to expiration of agreement and financing protocol and strengthen implementing of mobilized resources for activities against HIV and AIDS;

- Develop target prevention strategies to maintain the reduction of prevalence and avoid a recrudescence of stigmatization and discrimination of PLHIV.
DOMINICAN REPUBLIC

The Dominican Republic is a medium income country, whose main activity generating foreign currency is tourism, followed by the remittances from Dominicans abroad. In the last decades it has seen a high economic growth which has produced substantial increases of per capita income. However, there are many socioeconomic differences in the population, with a high concentration of income in higher groups, which translates in relatively poor socioeconomic indicators, high levels of unemployment, a large informal sector and a high percentage of the population living in poverty. The internal economic crisis aggravated the situation due to a systemic failure of the banking system by a hundred percent devaluation of the national currency in 2003. From 2004 onwards, the exchange rate has stabilized and the economy began to recover until year 2009, when the international economic crisis began to impact the national economy.

The strong reliance of the Dominican economy on the exterior makes it extremely vulnerable to external shocks. In 2009, all macroeconomic indicators reflect the impact of the world crisis, by reducing the foreign currency income in tourism, remittances and exports of goods. This has affected the balance of payment and government revenues and has translated in a reduction of the social spending jeopardizing the limited contributions made by the government to finance the National AIDS Response. Remittances have reduced by 5% during the first semester in 2009. An aggravation of this reduction could limit household funding to attend illness.

The HIV prevalence in the DR is not too high (between 0.8 and 1.2%) and has been decreasing over the last few years as a result of prevention efforts carried out by the government with international funding. But the country shares the island with Haiti, the poorest country in the Western hemisphere and with the highest prevalence rates in the Caribbean region, making Hispaniola the island with the highest prevalence of the Americas. The DR has a heavy Haitian migration, which increases its vulnerability to the epidemic.

The financing of the national response is highly dependent on external funding. The funds provided by the government have increased over the last few years, but not substantially. The finalization of a WB loan and the time elapsed between two phases the Global Fund support resulted in the standstill of many activities, which has encouraged the perception among key stakeholders that the economic crisis endangers the sustainability of financing for the national response.

However, new funding from the Global Fund is about to initiate and the country also has approved PEPFAR funds from the United States Government which will be assigned mainly to prevention. In that connection, the country has secured international financing for the next few years, which contrasts with the perception of the NGOs. As expressed above, this was the result mainly of the standstill of COPRESIDA while the new GF donation actually began execution.

Subsequently, the great challenge at this time is to secure an increase in public funding to rely less on international resources. This is very difficult to achieve at this time, given the decline in public income as a result of the international crisis.

In the long run, the response to this situation is to include PLHIV in the family health insurance, where treatment is currently explicitly excluded. This requires studies to support their inclusion in the Basic Health Plan for those PLHIV who pay taxes and fiscal impact studies for members of the subsidy plan. It is not clear when this decision is going to take place but the national HIV/AIDS authorities and PLHIV groups are actively requesting this solution from the national government.

The main recommendations to confront the financial crisis and reduce the impact on the HIV programmes are the following:

- reduce the dependency on external resources of the national response by including PLHIV in the family health insurance, once the studies on the financial feasibility have been completed, including a long term fiscal impact;
- utilize part of the funds the country has negotiated with international organizations to strengthen the health system in general, including specialized services in HIV and AIDS to national provider networks;
- provide technical assistance to service providers to make service provision more efficient and cost effective.

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Other important recommendations are associated with maintaining prevention programs, particularly those addressed to children and adolescents; strengthen the monitoring and evaluation systems, especially towards the achievement of one agreed and unified system; and finally, modify priorities in the implementation of public funding to benefit the national response.
ETHIOPIA

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.
MEXICO

Mexico may be the country most adversely affected by what has come to be called ‘the great recession’ of 2008-2009. Its economy is closely linked to and highly dependent on economic activity in the USA. Flows of worker remittances to Mexico declined by 13.4 percent in the first nine months of 2009, but appear to have bottomed out. There is anecdotal evidence of a reversal of remittances as some Mexican families have started sending money to unemployed sons and daughters in Los Angeles and Washington DC.

The IMF predicts that Mexico’s GDP will fall by 7.3 percent in 2009 in large part because 83 percent of Mexican exports go to the USA where unemployment exceeded ten percent by late 2009. Overall exports from Mexico are down by over 40 percent from a year earlier, leading to a current-account deficit of 1.4 percent of GDP in mid-2009. Growth of output resumed in Mexico in late 2009, thanks to high commodity export prices. In December 2009, Mexican finance authorities purchased a billion dollar insurance policy to forestall the negative revenue implications should the price of its oil exports fall below US$57 per barrel.

Unemployment remained stubbornly high at 5.9 percent of the Mexican labor force in October 2009. The sum of federal, state, and local government revenues, down by 6.7 percent between January and August 2990, may well be down for 2009 as a whole, inhibiting public funding for health.

As part of the response to the recession, the World Bank approved a $1.5 billion loan to support Mexico's economic policies in November 2009. A temporary work program will create 600,000 jobs in Mexico by the end of 2010. Another $491 million World Bank loan is destined for Mexico's fight against the swine flu pandemic and includes an inoculation drive for 10 million people.

The economic stimulus appears to be working. Output grew by 7.8 percent in the July-September 2009 period. *The Economist* newsmagazine poll of economists predicts a GDP growth of three percent in 2010. Effective policies, including deficit spending, avoided a potential downward spiral. Nonetheless, the great recession will continue to impede public health programs well into 2010 on current predictions.

**Implications for Public Health, HIV and AIDS Programs**

Most social programs will continue to suffer budget stringency well into 2010. The 2010 budget for the prevention and care program for HIV and AIDS is projected to decline by 30.8 percent when compared to 2009, excluding ARVs. Promotion of condoms and peri-natal HIV prevention programs have been curtailed by administrative delays due to doubts about fund availability that arose with the Austerity Decree of August 2009. Mass media campaigns, training programs, consultancies, travel, and workshops have all been curtailed for lack of funding.

CENSIDA, the national HIV and AIDS supervisory organization, is responding to funding cuts by concentrating efforts on the most cost-effective interventions for prevention of HIV. Prevention of maternal to child transmission of HIV (PMTCT) has been under-financed because of an unclear division of responsibilities that affected the availability of HIV detection tests and the timing of essential budget cutbacks. The annexation of these mother-child services to the Popular Insurance (Seguro Popular) program management and budget is expected to resolve these problems in 2010.

Interviews with the manager of the Mexico City HIV and AIDS program in August 2009 found no evidence of funding reductions there aside from limited administrative spending cutbacks. Medical attention for patients in need has so far been protected. Some AIDS-affected patients seeking care at La Condesa clinic in Mexico City, as many as seven a day in mid-2009, have been made redundant and lost coverage under the social security institute program (IMSS). Other

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*The health secretariat buys ARVs with resources from the Fund for Protection against Catastrophic Expenses Insurance Trust, and this source lies outside the original budget of the HIV and AIDS program. These resources pay for the care of some 27,000 persons needing these drugs. For Mexico as a whole, there are over 65,000 persons on anti-retroviral therapy, 55 percent are in the uninsured population and 45 percent are covered by the Mexican Social Security Institute (IMSS) or the program for public employees (ISSTE).*
crisis-related phenomena include the return of migrants to Mexico from USA, as well as the internal migrants in need of attention and HAART.

CENSIDA managers believe that NGOs providing private-sector assistance to AIDS patients are beginning to suffer cutbacks. The NGO dedicated to sex workers notes that funding for its work with this key group was cut in half due to the economic crisis. Most NGOs depend on federal funds, so their funding portfolio is shrinking. The crisis is adversely affecting the capacity of communal and religious organizations to provide services as well though their contribution has been limited.

The NGO dedicated to prevention of HIV and AIDS, sexual health and sexual diversity reported to interviewers that the activities of the organization have been negatively affected by the global economic crisis. The government budget has been canceled and international help from the United Nations Fund for Population (UNFPA) has decreased. Funds that support the NGOs daily operations are down by 75 percent in 2009 as compared to 2008. The slide in the exchange rate affects the organization due to the rising peso prices of condoms, lubricants and didactic supplies.

**Recommendations and next steps**

Four actions, if adopted by the Mexican government, can help further to assure against a negative impact of the ‘great recession’ on the HIV and AIDS epidemic in Mexico:

- Diversify the funding base of CENSIDA and other AIDS programs, including NGOs;
- Mobilize additional resources for prevention, focusing on peri-natal prevention, attention to most-at-risk populations (key groups), and education about AIDS;
- Include diverse sectors as part of the response to the epidemic, especially the Ministry of Education due to the commitments included in the ministerial declaration supporting better school-based youth information programs; and,
- Reallocate funding to favor NGOs including training to create prevention projects for most-at-risk populations, as well as diversification of funding sources and management.

Beyond these recommendations, resource scarcity requires that all AIDS programs adopt these specific actions: (a) Identify and fund the most cost-effective prevention interventions; (b) strengthen the capacities of NGOs who operate prevention projects; and (c) develop a system to monitor and evaluate the effectiveness of all prevention measures.
The year 2009 was marked by a recession of the Moldovan economy. The situation has been aggravated by the instability on the political arena, which has fundamentally undermined the budgetary balance for the current year.

The socioeconomic situation in Moldova during the first half of 2009 was marked by a consumer price deflation. Consumer prices fell by 1.8%, compared to the same period in 2008. In the first half of 2009, the national public budget revenues were 10.8 billion Lei, 8.1% less than in the first half of 2008. Thus, the budget deficit was 2 billion Lei. GDP has declined in real terms by 6.9%. Moldovan Leu declined considerably against the dollar. The national currency exchange rate depreciated against USD by 8.1%. According to the National Bureau of Statistics (NBS) in Moldova unemployment grew up to 6.1% in the second quarter of 2009, compared with 3% in the same period of 2008.

The activities of the National Program of prophylaxis and control of HIV and AIDS and STIs are currently supported financially by the disbursement from the state budget, including expenses for basic special means (grants and donations), external loans and sources (Global Fund, the World Bank and other donors), along with the financing from the mandatory medical insurance funds.

The main obstacles in the implementation of effective HIV strategies are the shortage of financial funds. In this context, the allocation from the state budget did not record any significant progress, having increased only by 1.5% in 2007 and 1.2% in 2008. Consequently, the insufficient resources allocated for the health sector limit the coverage, particularly of rural areas, where outdated equipment and poor infrastructure prevail together with a limited access to medicines and medical services.

The National HIV and AIDS Program budget should be an effective priority-setting management and decision making tool regarding future allocations of financial resources in accordance with the obtained results. So far, the major financial support is provided by the Global Fund, including the procurement of the laboratory equipment, diagnostic tests, antiretroviral drugs, the treatment of opportunistic infections, etc.

The sources received from mandatory health insurance funds cover overall operational costs, such as staff salaries, cost of investigations and treatment, and other expenses. Following the economic recession in 2009, the sources received from the medical insurance company declined by 15.6%, leading to decreasing revenues of 412,000 Lei. The decision of the Ministry of Finance regarding a 20% reduction of the budget for 2009 brought up additional challenges in following up the HIV response at the country level.

The Global Fund grant proposal of the Republic of Moldova in the 8th Round was approved for the initial period of 2 years (Phase I). Global Fund requested a reduction of 10% of the budget. This request came on behalf of the Global Fund Board to all country applicants, which allowed a decrease of Phase I budget from US$ 3.059 billion to US$ 2.753 billion and funding of all 94 submitted projects.

Finally, the financial resources currently allocated and available for project implementation cannot cover all existing needs, given that services are provided by NGOs (operational and administrative costs, salaries). To ensure a long term sustainability of HIV prevention programs and risk reduction among the high-risk populations in Moldova, it is important to increase the financial contribution from the state budget (which is quite modest now). It is also necessary to extend the geographical coverage of services available to increase IDU's access to HIV prevention services and to increase the number of project beneficiaries.

In April, after negotiations with the communist government, IMF announced that it could not reach an agreement on a new IMF loan. So far, Moldova has not made any amendments to the budget law, nor taken any anti-crisis measures.

Priority recommendations:

- To ensure that the National AIDS Program provides funds allocated proportionately to prevention programs among the population with high risk of infection.
• To use more effectively the allocations from the state budget for the implementation of the National Program on HIV and AIDS to achieve the objectives of resources reallocation and restructuring of existing infrastructure and standards of treatment.

• To develop the National Program on Prevention and Control of HIV and AIDS for 2010-2015 based on evidence-based data, applying tools of epidemiological modeling recommended by UNAIDS/WHO, which would allow a more efficient allocation of financial resources and would attract additional financial resources from the external donors.

• To achieve the intended results and objectives of the National Program it is necessary to generate additional financial resources both from the state budget and international donors.

• To ensure a regulatory framework for financing programs on harm reduction from national sources (local governments, the National Medical Insurance Company, the Ministry of Health, the Ministry of Welfare, Family and Child).
PHILIPPINES

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 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 4th 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 PLHIVs 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 PLHIVs 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.

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 4th 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 PLHIVs; and
- Further decentralize programmes and replicate effective practices at local level.
ROMANIA

Romania, once the fastest growing economy in the European Union, is now facing record negative growth. In the first quarter of 2009 the economy shrank by 7.6%, continuing its deterioration in the second quarter when it reached -8.8%. Even at its height, the Romanian economy had major problems. The country closed 2008 with a public deficit of over 4.6% of its GDP and a commercial deficit of over 12% of its GDP. At the beginning of 2009 the value of the national currency against the Euro dropped by 20%, compared to mid-2008.

Following its election in November 2008, the new government negotiated a major stabilization package. The package, finalized in March 2009 and worth up to €20 billion, is backed by the IMF, the World Bank and the European Union. In exchange, Romania committed to reducing public spending by at least 20%. In the short term, the stabilization package calmed the currency market and the financial system. The reform measures involved severe cuts in public jobs and spending and resume of the investments are lagging behind. The coalition government has proposed a reform package, but so far difficult measures were postponed and the social peace with the unions is threatened.

Within this context, all social and health programmes are experiencing financial difficulties. The major health treatment programmes are funded by the National Health Insurance House, and include programmes for cancer, diabetes, cardiovascular illnesses, tuberculosis and HIV/AIDS. Since the National Health Insurance House is dependent on contributions made by employers and employees and the economic crisis has affected businesses and jobs, this has been immediately reflected in the revenues available for health insurance. At the political level, the government has committed itself to maintaining universal free coverage for patients under national health programmes. But it has to cope with the dramatic reduction—over 25% according to some estimation—in revenues from health insurance.

A programme providing universal access to HIV/AIDS treatment and care was introduced in Romania in 2001. The programme is considered a model in the region and is based on the political commitment and partnership between public authorities, pharmaceutical companies, patients and UNAIDS. The number of patients on state-of-the-art antiretroviral treatment increased from 3500 in 2001 to almost 8000 at the end of 2008. This was made possible due to increased budget allocations and partnerships with drug companies, which are providing significant price reductions and donations.

The treatment programme worked well until the beginning of 2008. The first problems occurred before the economic crisis, in early 2008, when the former Minister of Health decided to decentralize ARV procurement to the district level (there are 42 districts in Romania). His decision was despite the strong opposition of experts, patient associations and UN organizations. Until 2008 ARVs were procured through centralized means, allowing for better control of prices and distribution, as well as better patient monitoring. The decentralization of procurement led to a 20% increase in treatment programme costs in 2008, compared with 2007, and even in 2008 had already led to distribution problems. When the economic crisis struck in early 2009, UNAIDS facilitated a meeting of all the partners involved with the newly established government to decide on measures to avoid a major crisis with the treatment programme. The Ministry of Health decided that the HIV/AIDS treatment programme would remain a priority and that it would resume centralized procurement as a means to reduce costs. Unfortunately, the severity of the economic downturn was higher than anyone expected and revenues of the National Health Insurance House could no longer cover the projected costs of programmes.

In June and July the situation had become critical for people living with HIV receiving treatment in certain areas. In at least five district hospitals and one major hospital for infectious diseases in Bucharest, patients were informed that the hospitals could not provide treatment on a continuous basis.

Several newspapers and NGO communications are sounding the alarm that hundreds of patients no longer have regular access to ARVs. The Coalition of Patients with Chronic Diseases, which includes the Federation of Organizations of People Living with HIV, has requested that the Romanian President be involved in solving this crisis. The situation of restricted treatment access is not specific to HIV/AIDS—it also applies to patients with other chronic diseases (particularly cancer, diabetes and haemophilia). The situation for these patients has been worsening.

In response to ART shortages in some districts, the Ministry of Health took emergency measures to redistribute available funding to those districts suffering shortages. Official reports claimed that existing funding would cover
this need only until the end of the year. Until that time it is expected that a national budget revision will supplement funding. Districts with insufficient funding are sending patients to districts where drugs are available and the main treatment unit in the capital is prepared to supply drugs to redistributed patients.

Pharmaceutical companies are contributing by donating stock. The national centralized procurement process has started for 2010 onwards. Contracts are expected to be signed by the end of 2009 and to be valid until 2012. Once these contracts are implemented supply problems will be solved. Unfortunately, the centralized procurement procedures were delayed and problems occurred because of the financial crisis.

A preliminary analysis found that the main reasons for the current situation are: (1) the economic recession and (2) poor planning and disinvestment in the drug procurement process. The system of decentralization, where each hospital procures their own ARVs using funds advanced by the Ministry of Health, seems to play a role in this. Several hospitals did not have enough money allocated and did not have a well developed tender process, which led to shortages of ARVs.

In terms of prevention, the supply of condoms has also suffered, as all the government bidding has been frozen until a new order is to be placed. Data recently collected from the main Opioid Substitution Treatment service providers for January to June 2009 show that there seem to have been some treatment interruptions, but no decrease in the number of patients receiving methadone or buprenorphine, because these programmes are partially supported by international aid. However, the Ministry of Health was supposed to take over the responsibility of these programmes in 2009, as the main donors (Global Fund, UNODC and other agencies) close programmes and/or withdraw from the country. In addition, the National Anti-drug Agency (ANA), which covers half of OST patients, was restructured in 2009. OST should have been taken over by the Ministry of Health, although it has no funds for it.

Government actions planned or taken:
- Budget revision;
- Centralized procurement of ARVs;
- Optimizing costs of treatment and care.

Recommendations:
- Continue to monitor the treatment situation;
- Include the OST treatment programme in the regular treatment programmes covered by health insurance;
- Resume national procurement for condoms, HIV tests and other essential prevention programme elements.
Senegal has for years been recognized among the small group of countries with an effective, multi-sectoral approach to HIV and AIDS. The prevalence rate among adults is about one percent. A poor country, 60 percent of the Senegalese population of 12.8 million live on less than two dollars per day, the poverty line used by the World Bank group. The country qualifies for low-interest loans and has received over a hundred project assistance loans and grants from the Bank over several decades.

On 18 Nov 09, an IMF mission to Senegal issued a brief assessment. “The global financial crisis and domestic shocks are affecting Senegal’s economy. Growth is expected to slow to 1¼ percent in 2009 from an already depressed 2½ percent in 2008. Business activity has been weak, remittances have been under pressure, and tax revenues are lower than expected.” Growth may be restored in 2010, but the economy was undercut late in 2009 by electricity shortages and urban flooding.

Two million or more Senegalese-born persons live abroad, especially in Europe. Senegal’s economy is closely linked to and highly dependent on economic activity in Europe. In better times, immigrant remittances of over a billion dollars per year were important sources of foreign exchange and support for family members still in Senegal. Hard times continue in the Euro area. The unemployment rate is near 10 percent. GDP is tipped to fall by 3.8 percent in 2009 and grow by only 1 percent in 2010. These conditions impact negatively on African migrants to Europe; they will impede remittances even if Europe emerges from the recession.

For Senegal, imports exceeded exports and remittances enough to cause a current account deficit of 12.3 percent of GDP in 2008. Rebalancing in 2009 has required cuts in vital food imports as well as in public spending, but the trade deficit remains stubbornly high at an estimated 11.8 percent of GDP for 2009.

In sum, the crisis is far from over for this West African country. Its capacity to maintain social programs, including HIV and AIDS prevention, care and treatment, and simultaneously to reduce poverty, will likely continue to be constrained in 2010 and possibly beyond.

Implications for Public Health, HIV and AIDS Programs

Spending on health in Senegal falls far below the minimum essential level identified by the Commission on Macroeconomics and Health. Updated requirements for achieving the Millennium Development Goals by 2015 suggest that US$54 must be allocated to basic health (net of amounts spent to benefit better-off persons with access to expensive curative, hospital-based services). Total health spending in Senegal in recent years was under 6 percent of GDP and US$38 per capita (expressed at current exchange rate values not PPP) in 2006, the latest year available.

Because HIV prevalence and incidence are low, the country can, with ample donor support, finance its needed programs for HIV and AIDS. To do so, however, requires not only money, or so-called fiscal space, but also political will, referred to as policy space, to allocate resources for effective, high-priority services. Often these services must be directed to the needs of the most-at-risk populations – sex workers, intravenous drug users, and men who have sex with men. Recent events in Senegal, especially actions aimed at criminalizing selected sexual activities, call into question the policy space open to Senegal’s government in pursuit of the most effective prevention options.

Senegal struggles to find resources adequate to implement its policies. Overall, Senegal’s government investment spending in 2009 will be only half the amount invested in 2008, and the health area will suffer along with others.

The main sources of support for HIV and AIDS programs are the Global Fund, the Senegalese Government, which uses an IDA credit provided by the World Bank ‘soft loan’ window, and USAID. The country spent US$27 million in 2007 and US$29 million in 2008 on HIV and AIDS services. Public spending in this area is tipped to decline overall in 2009 even though external aid contributors maintain their intention to avoid cutbacks. The USAID provisional budgets for 2009 and 2010 are both over US$4.5 million. However, the World Bank MAP (Multi-sectoral African AIDS Program) will be coming to a close, implying an end to both that external source and the counterpart funds contributed by the Senegalese Ministry of Finance.
Persons interviewed for this report noted an end to recruitment of staff by the Ministry of Health in the area of HIV and AIDS health services. Staff resignations have also increased in this area. Private-sector providers have not stepped up to fill the gap in service provision. People living with HIV and interviewed for this report express concern about the lack of continuity of coverage and care for opportunistic infections, hospitalization, and biological assessment of their needs.

At risk are specific programs fostered and supported by external resources: Campaigns and programs to reduce stigma and discrimination, support to women organizations to reduce gender violence, access to human rights-promoting legal services, and advocacy and political mobilization that aims to support networks of peoples living with HIV. These programs, if effective, can help open the ‘policy space’ that Senegal’s government needs to allocate scarce resources to the needs of key groups and at-risk populations.

**Recommendations and next steps**

Four actions, if adopted by the Senegalese government, can help further to assure against a negative impact of the ‘great recession’ on the HIV and AIDS epidemic in Senegal:

- Strengthen collaboration between civil society organizations and government partners;
- Increase direct support to persons living with HIV (PLHIV) and bar discrimination against them for employment and residence;
- Mobilize additional resources for upgrading the infrastructure (clinics and lab equipment) and human resources (health human resources and lab technical support) that facilitate prevention and attention to most-at-risk populations (key groups); and,
- Reallocate funding to favor NGOs including training to create prevention projects for most-at-risk populations, as well as diversification of funding sources and management.

Beyond these recommendations, resource scarcity requires that all AIDS programs adopt these specific actions: (a) Identify and fund the most cost-effective prevention interventions; (b) strengthen the capacities of NGOs that operate prevention projects; and (c) develop a system to monitor and evaluate the effectiveness of all prevention, care, and treatment measures.
TANZANIA

The worldwide financial crisis and the economic recession caused the United Republic of Tanzania’s economy to expand at a slower rate of 5% in 2009 (IMF), compared to 7.5% in 2008. This is the first such reduced performance in eight years and in comparison to many sub-Saharan countries is still a very robust one. The United Republic of Tanzania has experienced the effects of the global economic downturn since mid-2008, when the prices of agricultural products began to fall sharply. Between April and December of 2008, the price of coffee and tea fell substantially, due to weakened demand (IMF). The price of Nile perch, which has become an important export for Tanzania, dropped by nearly 80%. Since then, there has been a modest recovery in prices and a slight improvement in the level of export earnings that were expected for 2009.

The United Republic of Tanzania’s commodity exports have become highly diversified in recent years, thanks to extensive measures to support diversification. Mineral exports (especially gold) account for 37% of commodity exports, followed by manufactured goods and agricultural products (coffee, cotton, tea, tobacco, cashew nuts and sisal). In terms of overall export earnings, services (tourism, telecommunication, and financial services) have gained immense importance in recent years, with tourism contributing the bulk of service earnings.

Workers’ remittances form only a small share of transfers from abroad. This has helped curb the potentially sharp decline in export earnings that could have occurred. The impact of the sharp decline in prices of coffee, tea and cashew nuts, reduction in tourism receipts and reduced profitability in these sectors was dampened by a sharp rise in gold prices. This reduced the severity of potential negative economy-wide effects. Exports earnings growth however lagged behind the growth of the import bill substantially which caused a widening of trade deficit. As such, the current account balance that has been on a deteriorating trend over the last five years peaked at 14% of GDP in 2008. The strain of lower foreign exchange earnings on reserves was reduced by higher than anticipated flows of official development assistance to the government. As a result, the United Republic of Tanzania has been able to sustain reserves at around four to five months of imports, the same level as the last two years.

During 2008 and 2009 tax revenues fell short of projections by around 9%; a larger deficit (before grants) is forecasted for 2009-10 (IMF). Apart from the economic slowdown, the decline in tax revenue is also a result of the reduced importance of trade taxes arising from regional trade integration efforts. Consequently, not only was economic growth expected to be less modest in 2009 (with the potential for increased unemployment, particularly in service industries), spending cuts across the board were also a possibility, which would have placed spending for HIV initiatives at risk.

The country’s authorities have embarked on countercyclical policy measures, following consultations with the IMF, to mitigate the impacts of the global economic crisis on the domestic economy. The measures include an economic rescue plan incorporated into the 2009-10 budget, which includes a bailout plan for the export sector to stop job losses, particularly for crop exporters who suffered losses due to sharp world market price cuts. Others involve protecting budgets for important social programmes in the 2009-10 budget year. The World Bank agreed to the government’s request to advance part of its Poverty Reduction Support Credit to the government to help fill the budgetary resource gap. The government also asked the IMF for a balance of payments support through the exogenous shocks facility, which was approved in May 2009. This could help keep the level of financial reserves at comfortable levels and counter the need to devalue the currency.

The government subsidises the price of ARVs and related supplies, which has made them accessible at relatively affordable prices. The government is also implementing an AIDS treatment programme which provides free access to ARVs to the poor. However, due to the depreciation of the shilling over the last two years, the purchase price for imported drugs (including ARVs) has generally gone up. So far no stock outs of ARVs in health facilities due to price increases have been reported. Interventions by the Bank of Tanzania seem to have stemmed the rapid depreciation of the shilling. If currency depreciation continues, alongside a decline in foreign financing for AIDS interventions, the government may find it harder to fulfil its universal access commitments for ARVs. This is especially important for the United Republic of Tanzania, because government and development partners have been supporting an increasing share of expenses for prevention, care, treatment and mitigation programmes since 2004. By May 2009, the number of AIDS patients undergoing antiretroviral therapy (ART) had reached 248,280 compared to 146,872 in 2007. Despite the huge increase in

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5 Economic Intelligence Unit estimates, July 2009

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the number of people receiving ART, this constitutes only 55% of people enrolled in the programme. This is partly because some of the people enrolled are not yet eligible to receive ARVs, but also because some eligible people are not reached by the current service networks.

Early in the year, the United Republic of Tanzania announced a possible 25% cut in its AIDS budget. The Global Fund also asked grant recipients in the country to identify efficiency gains that would allow a 10% cut in requested funding. None of the anticipated cuts happened in 2009-10. The Tanzania Commission for AIDS reports a 5% increase in foreign AIDS funding during 2009, compared to 2008. The government also announced that it would protect important social programmes from spending cuts. A number of NGOs have reported budget cuts since 2008, with one NGO reporting a 25% shortfall for 2009. This decline is expected to affect care and support for people living with HIV, prevention programmes, programmes for orphans and vulnerable children, and capacity building and organizational development activities.

At the moment there is no evidence of a decline in funding for ART. This could be because all current spending has been within the allocations of existing funding commitments that have not changed in the wake of the global economic crisis. It could also be because of the announced safeguarding of funding by the government. However, both government departments and NGOs have experienced delays in budget disbursements. This has affected the mitigation component, particularly the provision of nutritious food to people living with HIV. It is not certain that this is due to the global economic crisis; as such delays could also be attributed to planning, monitoring and reporting shortfalls, which affect most of the donor-funded programmes in the United Republic of Tanzania.

The most direct channel of impact on social protection and nutrition support happens through the decline in household incomes due to unemployment or reduced remittances. There have been newspaper reports of staffing cuts in some industries, but there is no comprehensive information that could establish the extent of the job losses country-wide. In some sectors such as agriculture, where the impact has been more pronounced, the government has established a rescue plan to help companies recover trade losses and save jobs. Several newspapers have recently reported that some patients may not be able to continue with ART due to poor nutritional conditions. If ART cannot be supported by adequate nutrition due to loss of household income and funding problems, a greater number of people among the most vulnerable groups may discontinue their antiretroviral medication.

The United Republic of Tanzania is using a centralized procurement system for all essential drugs, including ARVs. For many years the system has suffered from delayed receipt of funding from the central Health Ministry for drug procurement. Most of the past and present stockout situations in health facilities have been a result of supply chain and procurement shortfalls, rather than funding problems related to the global economic crisis. The Ministry of Health and Social Welfare and the responsible procurement department, the Medical Stores Department, have been working on measures to resolve the supply chain issues, which could help ensure the availability of drugs in health facilities.

In terms of prevention services, there are also no indications yet to prove that condom supplies and awareness campaigns have suffered. Most of the programmes are continuing with their operations, which could possibly be attributed to the existence of previously guaranteed funding. However, it is anticipated that funding for prevention interventions could be the first to suffer in the future, should donor resources start to dwindle. This is because it takes a long time before results from prevention measures can be observed, whereas donors are keen to see results in the short run.

Funding for AIDS programmes is highly donor dependent. More than 90% of the funding in the last five years has come from foreign bilateral sources, with the Global Fund and PEPFAR playing a particularly prominent role in the last two to three years (contribute about 70% of total funding). This makes AIDS programmes more vulnerable to external funding problems. Severe cuts in foreign funding would be quickly felt and could be more disruptive than government cuts. Filling such a resource gap might not be possible for the government in the short to medium term, but it is feasible for authorities to adopt strategies to reduce the magnitude of potential impacts. This could involve cushioning the current government interventions from budget cuts, while finding alternative internal sources to increase funding; donors keeping their commitments; and implementers enhancing their effective use of resources.
In summary, the impacts of the crisis have begun to be felt in the United Republic of Tanzania in terms of reduced economic growth potential, reduced growth of export earnings and government tax revenue, and job loss. The evidence on the ground is, however, not strong enough to suggest that the economic crisis may have already resulted in reduced funding for HIV interventions. The evidence is also not conclusive enough to link drug shortages and stockouts in health facilities to the economic crisis. This may be because the timespan since the effects of the crisis started to be felt in the country has been too short for this study to yield conclusive findings. A more comprehensive study at a later stage could help to more clearly determine the impacts. Other possible explanation include the fact that funding commitments for most of the programmes in multi-year agreements have not changed; the fact that there are many donors AIDS arena so shortfalls from one source might have been filled from other source; and, the early adoption of mitigation measures, in particular the government’s safeguarding of budgetary commitments for AIDS programmes.

The government established a task team to examine the potential economy-wide effects of the economic crisis during 2008-09. Following their recommendations, and after consultations with the IMF, some emergency measures have been adopted. The United Republic of Tanzania sought financial support from the IMF and the World Bank to halt balance of payments problems and avoid the budgetary cuts that could have affected social services sector. An economic rescue plan has been incorporated into the current budget to support productive sectors and avoid job losses. The central bank has also strengthened its surveillance of the banking system to detect signs of financial stress. Although these measures are not directly linked to HIV, they nonetheless may indirectly contribute to reducing likelihood of a decline in employment (and income) and government revenue, which would affect expenditures for AIDS-related programmes. No budget cuts have been instituted in 2009-10 for the health sector or for AIDS funding. The level of external aid to the general government budget has remained at around 34% in 2009-10 (as in 2008-09), thanks to the World Bank’s agreement to fill the impending resource gap. Specific cuts to AIDS funding from the Global Fund have not yet materialized, although authorities have been asked to identify efficiency gains that would allow a 10% cut in future funding.

As the future funding outlook is uncertain, close monitoring of the situation is crucial. As donor countries continue to implement their own recovery programmes, a decline in general and AIDS funding cannot be ruled out. Any funding cuts in the health budget will hamper the country’s ability to maintain the salaries of health workers, could lead to shortages in drugs and other essential medical supplies, and may curtail the extension of ART therapy. The contraction of economic activity might also affect private sector workplace programmes and medical services. Overall increased poverty levels might occur due to loss of income. Since increased poverty undermines people’s access to adequate nutrition, individuals under treatment may discontinue their antiretroviral medication.

Sustaining the existing programme would thus require the United Republic of Tanzania to take a series of specific steps to adjust to the AIDS funding shortfalls that may occur. Such measures could include improving the prioritization of interventions to make efficiency gains from limited resources; cushioning possible expenditure cuts in AIDS spending by gradually increasing the proportion of funding from domestic sources; improving the drug supply chain performance; and periodic monitoring and evaluation of HIV interventions to inform future re-programming. While donors are being asked to honour and increase disbursement commitments, implementing agencies need to strive to ensure effective utilization of funding. Efficiency gains could be made by establishing a plan to reallocate resources to activities that show results quickly. Since a coping plan specific to AIDS programmes does not seem to exist yet, implementing agencies may find it useful to establish one, possibly in consultation with funding partners, to look at how the effectiveness of interventions could be enhanced. Within donor-financed programmes, there is a likelihood that the focus could soon shift to higher priority activities with more immediate benefits and to reducing overhead and expensive technical support where it can be locally procured. Programmes therefore need to look for ways to provide better value, while reducing inefficient or ineffective approaches.

Major Government actions planned or taken:

- The government has requested emergency financing from multilateral financial institutions for the balance of payments and budget support purposes.
- Social sectors, including health and AIDS programmes have been protected from budgetary cuts for the 2009-10 budget period.
• Authorities are implementing an economic rescue plan for the productive sectors, which is expected to halt further job losses.

**Major Recommendations:**

• Authorities should work on and establish a plan, in consultation with funding partners, which could be adopted to curtail the impact of the looming decline in funding for AIDS programs.

• Improve the prioritization of AIDS interventions to facilitate efficiency gains from limited resources, supported by strengthened monitoring and evaluation of current programmes.

• Urge development partners to keep their disbursement commitments, while gradually increasing domestic funding for HIV to reduce funding vulnerability due to excessive dependence on foreign financing.
TRINIDAD AND TOBAGO

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, 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.

Uniting the world against AIDS
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.