Impact of the global financial and economic crisis on the AIDS response
Action required at this meeting – the Programme Coordinating Board is invited to:

endorse the recommendations listed in the report on the impact of the global economic crisis on AIDS programmes, universal access, and possible measures to be taken to mitigate the negative effects of the crisis.

Cost implications for decisions: none
INTRODUCTION AND SUMMARY

1. At the 24th Meeting of the UNAIDS Programme Coordinating Board, the board requested that the UNAIDS secretariat and cosponsors “report at the 25th Programme Coordinating Board Meeting on the anticipated impact that the financial crisis will have on countries’ ability to meet their universal access targets and to include recommendations and mitigation strategies.”

2. This report responds to that request. Its objectives are to summarize what we know about the actual and expected impacts of the global economic downturn on AIDS programmes, sketch out possible mitigation strategies, and recommend actions that can be taken by various stakeholders to implement those strategies.

3. Among the key issues we address in this report are the following:
   a) Has the global economic downturn had an effect on the funding for HIV activities and on their coverage and reach?
   b) If so, how severe has this effect been, which countries and programmes (prevention, treatment, orphans and vulnerable children, legal and social services) have been most adversely impacted?
   c) What further negative effects are anticipated in the coming months?
   d) What has been done, and could be done in the future, to counter these negative effects so that AIDS programmes can drive toward their universal access goals and bring their important intended benefits?
   e) What can the various actors – especially developing country governments, civil society organizations, and external partners – do to put in place measures that will mitigate the adverse effects of the global economic downturn on AIDS programmes?

4. While some general statements about the global economic crisis and AIDS can be made, the findings and recommendations in this report must be nuanced, as each country’s economic and HIV situation has uniquely changed in the past year, depending on the country’s relationship with the global economy. Furthermore, each country’s AIDS epidemic and its response (mix of interventions and institutions, level and composition of funding from domestic and external sources, etc.) is unique. Policy-makers and implementing organizations need to taken into account these differences in considering the adoption of mitigation strategies proposed and actions recommended by this report.

5. Overall, our findings are that:
   a) The global economic crisis is having a real and tangible negative effect on HIV programmes in nearly all low- and middle-income countries, although this effect varies from mild to more severe from one country to another. The impact of the crisis is also compounded by other important trends which probably would have occurred even in the absence of a global recession, including a slowing down in the rate of increase of donor financing, growing demand for AIDS treatment in a number of the high prevalence countries, and an expansion of competing priorities such as pandemic influenza.
   b) The adverse effects of the crisis on national and local AIDS response are occurring through multiple channels, including declines in household incomes and increases in poverty; reductions in national government revenues and HIV spending; unfavourable
shifts in exchange rates, which make imported medicines and equipment more expensive; and slower expansion of external financing from multilateral and bilateral sources.

c) The actual situation on the ground appears to have worsened over the past six months, as revealed through the UNAIDS monitoring systems, including surveys of UNAIDS country coordinators carried out in early 2009 and again at mid-year. This is true for all regions except for East Asia, where there are already significant signs of economic recovery.

d) All AIDS programme areas have suffered to one degree or another, including prevention, treatment and care, programmes for orphans and vulnerable children, social and legal services, and advocacy. The most widely reported concern is in the area of prevention.

e) 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 are most at risk of cuts in any external assistance they currently receive; and in some low-income countries with moderate HIV disease burden and less robust donor support.

f) Among implementing institutions, civil society organizations are widely reporting reductions in their funding, which are threatening to compromise their services and activities, especially at the community level.

g) Beyond the actual effects of the crisis on AIDS programmes, many countries and institutions anticipate and worry about further cuts in their funding over the next 12 months. Whether these cuts materialize or not, these fears and uncertainties are creating stresses and making it more difficult for programme managers to plan for 2010 and 2011.

h) The real, perceived, and anticipated negative effects of the crisis are slowing, and in some cases potentially reversing, countries’ progress towards reaching their targets as formulated in national strategic plans, and achieving their universal access goals.

PROCESS FOR CREATING THIS REPORT

6. The preparation and drafting of this report was managed by a task team composed of staff from the World Bank and the UNAIDS Secretariat and consultants engaged by them. The task team benefited from input from a wide range of cosponsors. To collect further information and advice, two stakeholder consultations were organized, in Geneva on 23 September 2009 and in Washington, D.C., on 2 October 2009.

7. Data and other relevant information on the effects of the crisis and on mitigation strategies were gathered from five main sources:

a) A survey of UNAIDS Country Coordinators (UCC) conducted in July-August 2009, to which 63 UCCs responded. These UCCs work in countries that account for two-thirds of people living with HIV globally. The UCC survey provides an update to the information collected from a similar survey in March 2009, and generates data from a homogenous group of respondents.

b) A survey of 670 Civil Society Organizations (CSOs) in the UNAIDS registry, carried out in August-September. A total of 458 CSOs answered some part of the survey and 80 completed it fully. These CSOs represent a wide range of organizations according to size, funding, and type of activities. Their responses provide a range of insights into the
effects of the economic crisis, especially on client populations, including vulnerable populations and people living with HIV.

c) Case studies of 12 countries conducted by national consultants in August-September, and covering Burkina Faso, Senegal, Tanzania (Africa); Indonesia and Philippines (Asia); Dominican Republic, Trinidad and Tobago (Caribbean); Argentina, Brazil, Mexico (Latin America); and Belarus and Romania (Eastern Europe). The case studies were used to validate the trends observed through the surveys, drawing on more detailed information obtained at country level.

d) Interviews with key donors that account for 83% of external funding for AIDS, including the governments of France, Germany, the Netherlands, the United Kingdom, and the United States, and the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), held in September-October together with analysis of trends in World Bank funding of HIV.

e) Reports and other information from cosponsors on their recent monitoring activities, studies and programme actions to address the effects of the crisis, including a major survey by the ILO.

8. The data collected for this report, and the analysis carried out, build on a growing body of work on the global crisis from many institutions, including UNAIDS, the World Bank, the International Monetary Fund, academics, and others. In that regard, two earlier papers stand out. The June 2009 report of UNAIDS and the World Bank, “The Global Economic Crisis and HIV Prevention and Treatment Programmes: Vulnerabilities and Impact”, summarizes the data and analysis from the first UCC survey, offering an important baseline. The results of the second UCC survey will also be published separately in the coming months. An IMF paper, “The Implications of the Global Financial Crisis for Low-Income Countries” (March 2009) provides a useful general economic framework for identifying countries particularly vulnerable to the crisis. This framework was adapted to focus on the likely effects of the crisis on national AIDS programmes.

FRAMEWORK FOR ANALYSIS OF THE IMPACT OF THE CRISIS ON NATIONAL AIDS RESPONSES

9. *The overall economic crisis.* The current economic crisis is more global in its scope, and more threatening in its consequences, than any other period of economic turmoil since the Great Depression of the 1930s. While no single event caused or precipitated the crisis, the bursting of the housing bubble and ensuing mortgage finance crisis in the United States in the second half of 2007 was a major contributing factor. The failure of major financial institutions spread to Europe and other parts of the world during 2008, and eventually led to economic contraction around the globe in trade, investment, assets, employment, and growth rates. The April 2009 update of the *World Economic Outlook* projects overall global activity to decline by 1.3 percent in 2009 before rising modestly in 2010.

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10. The financial and economic downturn in the most affluent countries has had a strongly negative impact on most middle- and low-income developing countries. This impact has operated through a series of pathways, beginning with a drop in foreign investment and a decline in demand for traded goods from those countries. Lower investment and demand for traded commodities (oil, minerals, food exports) and finished goods has hurt employment and household earnings in poor countries, and has also led to a reduction in government revenues which are derived mainly from taxes on household and business incomes and tariffs on traded goods. Some middle- and low-income countries, especially those with overextended housing and other financial institutions and those heavily dependent on external investment and trade, have been badly hit by the crisis. The emerging European and Commonwealth of Independent States (CIS) economies and Latin American economies, which depended on capital inflows to fuel growth, have been heavily impacted. 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. Rising unemployment in the wealthiest countries 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 economic recession in the rich countries can also be expected to have a negative effect on their levels of official development assistance (ODA).

11. How the crisis affects HIV programmes. In this larger context of global economic crisis, HIV programmes are affected through a number of channels (Figure 1).

**Figure 1: The Economic Crisis and HIV Programmes**

Source: Adapted from World Bank/UNAIDS analysis of March 2009 UCC data
12. Among these, the four most important include:

a) Cuts in employment and wages result in reduced household incomes and increases in the number of families in poverty or near the poverty line. Remittances from family members working abroad can also decline, sometimes dramatically in countries such as the Dominican Republic, Ethiopia, Haiti, Honduras, Lesotho, Senegal, and Tajikistan, which rely heavily on such remittances. World Bank analysis shows remittances stagnating in the second half of 2008 and shrinking in 2009. Falling household incomes mean that HIV positive individuals on antiretroviral treatment may find it more difficult to pay for travel to clinics and for food to take alongside their antiretroviral therapy (ART). Increasing impoverishment of households will result in worsening conditions for diet, shelter, water, and sanitation, all of which tend to undermine ART adherence and long-term treatment success.

b) Lower government revenues (via taxes and trade levies) mean that governments have less to spend and force painful cuts in public expenditures. 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. Where the national AIDS effort relies heavily on domestic public spending, as is the case in many middle-income countries, programmes in prevention, treatment, and related orphan and social services are at risk.

c) To compound the problem mentioned above in (b), exchange rate adjustments in a number of countries – especially widespread devaluation of local currencies relative to the US dollar – has translated into higher prices (in local currency terms) for imported AIDS commodities such as antiretroviral drugs, test kits, and laboratory equipment.

d) Finally, the economic crisis in the affluent countries has put a strain on donor assistance programmes across the board, including external funding for HIV. There are indications from some few bilateral agencies that their HIV funds may have to be reduced next year. 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 is helping to buffer an immediate drop in outside support for HIV, but even this funding is not entirely secure in the short run and policy changes imply a shifting of resources into broader health initiatives. Therefore the outlook beyond the next 12-24 months is more uncertain.

13. Countries most at risk. Analysis carried out earlier by the World Bank and UNAIDS\(^3\) suggested that the countries most at risk of having their AIDS programmes hurt by the economic crisis were 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 GDP.

b) Are most exposed to a combination of external shocks as 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 HIV response.

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\(^3\) UNAIDS and the World Bank, “The Global Economic Crisis and HIV Prevention and Treatment Programmes: Vulnerabilities and Impact”
14. 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.

HOW SEVERE HAS THE IMPACT OF THE CRISIS BEEN FOR AIDS PROGRAMMES GLOBALLY?

15. Our understanding of the impact of the crisis on AIDS programmes is still limited and new information is continuing to emerge. Higher level impact indicators such as those illustrated earlier (Figure 1) related to increased morbidity and mortality and increased number of infections, may not be immediately visible in the short run. The situation on the ground keeps evolving and changing. And it is not always easy to disentangle the effects of the crisis from the broader trends in cost pressure caused by programme scale up and in external assistance for HIV. Nevertheless, a picture of what is happening is gradually emerging, based on the new monitoring system that has been put in place by the World Bank and the UNAIDS Secretariat, using early warnings, surveys and country case studies.

16. The negative impact of the crisis on AIDS programmes is real and getting worse.

   a) A larger percentage of countries are reported to be affected in mid-2009 versus earlier this year or in 2008. For example, comparing the information collected from the March and July 2009 UCC surveys indicates that the percentage of countries where antiretroviral treatment programmes are said already to be adversely affected rose from 11% to 21%.

   b) The outlook for prevention is becoming bleaker. From March to July the percentage of UCC respondents expecting an impact on prevention programmes during the next 12 months rose from 48% to 59% of all the surveyed countries. These countries are home to 75% of the people living with HIV. The effects of the global crisis on prevention are expected to worsen in all regions with the exception of Asia and the Pacific (Figure 2). The responses from CSO representatives follow a similar pattern of worsening conditions in prevention: 55% of the CSOs said that they had received less funding for prevention this year than in 2008, and 39% indicated that they would cover fewer clients in 2009 than in the previous year.

   c) Prevention efforts are being more widely impacted than other components of national AIDS programmes. As in March 2009, in July 2009 prevention was again viewed as being at risk in more countries (19) than treatment (13). There were also widespread concerns from UCCs that this would have an impact on prevention programmes that work with stigmatized and marginalized population groups.

   d) An ILO staff survey confirmed that the crisis has negatively affected workplace HIV prevention, treatment and care programmes. The jobs crisis affects some economic sectors more disproportionately than others, with job losses, increasing job

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4 In March and July 2009, a short survey on the impact of the economic crisis on countries' HIV programmes (especially funding) was sent to UNAIDS country coordinators. There was substantial continuity in responses (n = 71 in March, 63 in July/August).

5 A direct comparison with the March 2008 survey is not possible as this question was not asked.
informalization, and reduced job security seen as increasing the risk of HIV transmission. Nearly all countries recognize the need for strengthening livelihood support for HIV prevention and treatment, and social protection to mitigate the impact of the crisis on HIV affected households across all regions.

**Figure 2: UCC respondents (% of countries) expecting an adverse impact on prevention in the next 12 months (comparison of March and July 2009 surveys)**

![Chart showing percentage of countries expecting adverse impact on prevention](chart.png)

**Note:** Sample size is 50. It includes the same countries in March and July 2009. Source: World Bank/UNAIDS analysis of July/August 2009 UCC survey data

e) **It is anticipated that the crisis, in combination with ever-increasing demand for treatment, will have a serious negative impact on antiretroviral treatment over time.** The percentage of countries where the UCC expects a negative effect rose from 31% in March 2009 to 48% in July 2009. These latter countries are home to 84% of the people receiving treatment in the 63 countries surveyed in July. Of the CSOs responding to the survey, 21% said they believe that treatment scale-up will be halted next year by the economic crisis.

f) **All regions in July reported effects of the crisis on both prevention and treatment programmes, with the exception of North Africa and the Middle East.** This is a substantial change compared to the March 2009 survey, which found a limited impact in Asia and the Pacific, Latin America and Western Africa. Overall, expectations of future negative impacts have worsened the most in Western Africa and Latin America over the course of the year. The only region showing a meaningful improvement from March to July is Asia and the Pacific, most likely fuelled by the economic rebound taking place in China and India. The findings from the country case studies commissioned to date tend to confirm this geographic pattern.

g) **The crisis is seen as having negative repercussions for civil society and community based organizations (CSO/CBO).** The UCC survey pointed to adverse effects on the capacity of these organizations, a point reconfirmed by the CSO survey: nearly three-quarters of the CSO respondents said that their capacity building and organizational
development efforts were being set back as a result of the economic crisis. The CSOs also reported that the economic crisis was compromising their programmes in areas where they play a central role in many countries, including support to orphans and vulnerable children, advocacy, defence of human rights, and outreach to most-at-risk populations.

17. The global crisis is affecting many countries' plans for reaching universal access.

a) Prevention programmes are expected to be affected by reductions of funding, with concern expressed by the UCCs 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.

b) For treatment, care and support, the concern is the greatest for antiretroviral treatment. Sixty of the 63 UCC respondents believe that treatment scale-up activities will be slowed or flatlined. In three countries respondents estimated that 26,000 people already on treatment may lose access to ART.

c) The feasibility of changing the threshold guidelines for starting treatment earlier (when the CD4+ count falls below 350 rather than below 200 cells per cubic ml) is in question. Respondents in 19 countries, home to 45% of the people currently on treatment, view the feasibility of implementing this change as highly improbable.

18. Key factors accounting for the worsening outlook include:

a) A reduction in external financial aid is the factor most often mentioned by respondents. UCCs in 60% of the countries are either already aware of forthcoming cuts in 2010 or they judge such reductions as highly likely to be announced in the forthcoming months.

b) Similarly, almost three-quarters of the CSOs that responded to the survey indicated that their organization’s funding was being reduced this year, with decreases coming from a combination of external, national government, and private and philanthropic sources. To address this shortfall, some CSOs plan to increase user fees.

c) Cuts in the 2010 government budget for AIDS are expected to take place in 57% of the countries where UCCs replied. A nearly identical 58% of CSOs also reported lower government spending for HIV in the countries where they operate.

d) Reduced funding of non-governmental and community-based organizations, as a result of budget cuts, is expected to affect 57% of the countries where the responding UCCs are located.

e) Lower household income is mentioned by 54% of the UCCs, indicating the extent to which the global crisis is affecting the capacity of households to afford treatment and adequate nutrition. This could increase financial barriers to their seeking care and to paying higher out-of-pocket expenses.

f) Another contributing factor is the adverse effect of worsened food security and nutrition, especially in Africa as a result of the global crisis or droughts. It is expected to have an impact in 48% of the countries.

g) Finally, with the financial crisis, health systems may also receive less funding overall, which will indirectly negatively affect HIV services and their scale-up.

19. The UCCs were asked to list which of eight possible factors (listed in Figure 3) were affecting their country. Their answers suggest that negative effects in external aid, NGO capacity, government spending, and household budgets were most widespread. A number of countries where the UCCs reside are being hit simultaneously by many of these
contributing factors, especially the Caribbean, East and Southern Africa, Western and Central Africa, and the Eastern Europe and Central Asia regions.

**Figure 3: UCC respondents’ perception of factors affecting the AIDS response**

Source: World Bank analysis of July 2009 UCC survey data

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**THE REGIONAL AND COUNTRY OUTLOOK**

20. Although there were only three UCC respondents from the Caribbean, their reports suggest that the economic crisis poses a significant risk to AIDS programmes in the region. With the exception of programmes for injecting drug users, the majority of UCCs expect negative impacts across all major programme areas in the next year, and they report that all eight of the factors listed in the survey contribute to these adverse impacts. Regional analysis reveals that tourism receipts, export earnings, and remittances will fall this year and consequently government revenues will drop compared to 2008. AIDS NGOs in the country have seen their funding decline.

21. Another heavily affected area is Western and Central Africa. The majority of UCC respondents expect negative impacts 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. There is a marked increase in negative expectations expressed by the UCCs in this region in July, compared to March 2009. In one country, the case study reports that the prevention budget for CSOs is being reduced by 20%, and there is also uncertainty about the level of support from PEPFAR in 2009.

22. 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 HIV 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, NGOs working with orphans and vulnerable children and home-based care are experiencing budget cuts, leading to falls in their activities and coverage.

23. In Eastern Europe and Central Asia, UCCs report that the crisis is having an impact across all major HIV programme areas, and anticipate serious effects on condom distribution and programmes for injecting drug users. Seventy percent of the UCCs surveyed in this region expect negative impacts on national ART efforts; two UCCs from the region anticipate a substantial decrease in financial resources for ARTs over the next year. A case study in the region points to significant effects of the economic crisis on AIDS 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), plus 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 antiretroviral (ARV) drug shortages in a number of district hospitals and one major urban hospital, and also shortages of condoms and other supplies for the country’s harm reduction programmes for injecting drug users.

24. In the Latin America region, impacts have been reported in prevention and pre/post natal health programmes, stemming largely from a contraction in government funding, and there are negative expectations 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 injecting drug users. 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 American and the Andean countries, in order to draw firmer conclusions about the effects of the crisis on the region.

25. The Asia and Pacific region shows the fewest signs of strain. In this group of countries, negative expectations about the future impact of the crisis decreased between March and July 2009. However, qualitative responses from UCCs suggest that uncertainty and concerns about future funding remain. One UCC reports that the country expects a 50-60% decline in financial resources for prevention over the next 12 months, and a 20-30% reduction in the resources of CSOs. Key studies in two major countries indicate that funding for HIV is being maintained this year, but officials worry about their countries’ significant dependence on external financing and argue that in the current uncertain economic climate, the government should pursue a policy of becoming more self-sufficient in paying for their HIV programmes.

COUNTRY RESPONSES

26. UCCs report a number of different responses by countries. These include initiating dialogue with development partners (five countries); raising HIV issues as part of national priorities (five countries), assessing options for raising revenues (four countries) and reducing cost and inefficiencies (three countries). However, for many countries no actions were reported and the overall impression is that countries are struggling to come to terms with the challenges presented by the crisis.
27. UCCs in 75% of countries report country needs for technical assistance in strategic planning (18 countries), economic analysis (nine countries), improved tracking, monitoring, evaluation (8 countries), advocacy and prevention (six countries), resource mobilization strategies (seven countries), prioritization and efficiency (four countries), mitigation of impact (including extending social protection packages to poor AIDS-affected households), and strengthening the institutional capacity of civil society, especially CBOs and those providing services to most-at-risk populations.

THE OUTLOOK FOR DONORS

28. Donors and funding intermediaries are struggling to maintain support and facing growing uncertainties. Interviews with five of the largest bilateral donors, plus the Global Fund and World Bank, suggest that overall funding for AIDS in 2009 from traditional sources has now plateaued, and may only remain level next year, after several years of rapid growth. It is not clear to what extent this levelling off is due to the economic crisis, or would have occurred even without a global economic downturn. At least one donor indicated that their 2009 HIV allocation would be cut, in line with broader reductions in official development assistance from the country. Another bilateral donor indicated that considerable internal lobbying had taken place in order to achieve a small rise in the country’s contribution for HIV in 2009, even though total official development assistance was down.

29. The Global Fund will shortly approve about $900 million in new proposals for HIV as part of Round 9; this represents about 42% of the entire round of $2.2 billion. This is somewhat below the historical average of 55-60% for the Fund, but according to Global Fund officials is a result of “country demand” and does not reflect a change in relative priorities. The World Bank also anticipates that around $200 million will be committed to HIV projects in its current fiscal year, smaller than the amounts approved last year and in 2006-07, but comparable to the Bank’s commitments in 2004-06. Bank officials see this as an expression of modest country demand for its loans, which are financially less attractive than grants from bilateral agencies and the Global Fund.

30. The donors and financing intermediaries also suggest that the outlook for HIV funding over the next few years is also more uncertain today than it was a year ago, in part because of the crisis but also because of other factors, including shifts toward increased funding for health systems and other major development agendas, for example climate change. Several donors mentioned the fact that budget “earmarks” for AIDS in their budgets had been, or were being removed, in order to give them more flexibility to shift resources between AIDS and other priorities.

31. Another broad shift in thinking and policy among donors, partly in response to the crisis but more generally in reaction to the growing tension between rising country demand for HIV services and more constrained resources, is toward favouring countries with a high burden of disease and lower income status. This could mean reducing support to middle-income countries with lower HIV prevalence, or developing exit or transition strategies that would lead to the national government gradually taking responsibility for financing the national AIDS effort, with external assistance focused more on the high-burden, low-income countries.

32. Several bilateral donors also mentioned their interest in giving greater emphasis to HIV prevention, including support for prevention of mother to child transmission. One donor said
that while it was “vital to maintain, not to cut treatment”, they also felt that it was important to “expand our attention to prevention”. Several donors recognized that there would be strong and compelling pressure to sustain and increase treatment coverage, revealing a tension between the desire to invest more in prevention while demand for treatment grows in a context of a flat or declining funding environment. The Global Fund is considering adopting a policy of giving priority to ‘lifesaving intervention and treatment’ which would favour ART, and to deploying an array of funding approaches and improvements in procurement practices, to ensure that people on treatment do not face disruptions in availability of antiretroviral drugs.

STRATEGIES TO MITIGATE THE ADVERSE EFFECTS OF THE ECONOMIC CRISIS ON AIDS PROGRAMMES

33. What can be done to address the negative effects of the economic crisis on AIDS programmes, as described above? What has been done so far, and what can be done going forward? Possible mitigation strategies can take a number of different forms, including:

a) **Better targeting** of existing but constrained resources to priority services and populations. Developing countries and their external partners may choose to focus available funding on AIDS treatment programmes, in order to avoid any disruption to patients already on antiretroviral drugs; or to give special emphasis to prevention, treatment, and mitigation services for poor households and women, expecting that better-off families can pay for part or all the services they need. Another way of targeting would be for national AIDS and CSO managers to ensure that funds go to prevention programmes that have a strong track record of impact and good cost-effectiveness, such as community mobilization, peer education, treatment of sexually transmitted infections, and condom promotion for commercial sex workers and men who have sex with men, and harm reduction packages for injecting drug users.

b) **Expanding “safety net” services for poor and vulnerable populations**, so that these services which are not directly related to HIV can reduce vulnerability and provide complementary inputs that enhance HIV programmes. Such safety net activities include public works and other types of employment generation programmes; conditional cash transfers, microfinance, and other forms of income support; and food subsidies and other feeding and nutrition programmes. Where feasible such programmes can be combined with HIV prevention programming in order to maximize synergy by meeting basic economic needs and reducing economic vulnerability to HIV. Much can be done to ensure that economic stimulus programmes and broader safety nets developed in response to the crisis include employment, income support, and nutrition packages that target people living with HIV, for example in order to improve treatment outcomes for those on antiretroviral therapy. One additional dimension of this is to work with

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individual companies and business coalitions to maintain their workplace and other HIV and social service programmes during the period of economic downturn.

c) **Seeking greater efficiencies in existing programmes**, by lowering the costs of inputs and reducing waste, avoiding duplication in funding support to programmes, and improved geographical and population targeting. This is another way to make the money “go further”. This could be done, for example, by lowering ARV costs through better procurement practices, shifting some treatment services from more costly to less expensive health personnel, and lowering patient loss to follow-up. Such technical efficiencies can also be obtained in prevention and mitigation programmes, through strengthened management and supervision, greater economies of scale, better synergies with other programmes for tuberculosis and reproductive health, and enhanced procurement of test kits and other supplies.

d) **Mobilizing additional resources**. While AIDS spending in developing countries has grown rapidly to about US $14 billion a year in 2008, analysis suggests that current resource needs are still greater and that significant shortfalls exist. In the current economic environment, it may be challenging to mobilize more public funds for HIV, but recent efforts to develop innovative mechanisms show that there may be further opportunities to tap new sources of financing.

e) **Increasing the stability and predictability of funding**, so that national AIDS programmes and implementing organizations on the ground have a clearer sense of how much funding will be available to them over a longer period of time. This would allow them to plan with greater certainty and avoid “stop-start” situations that could lead either to slower scale-up than is feasible, or to building up services too fast and then being unable to sustain them. Another related strategy would be for the national AIDS programme to aim to diversify its sources of funding, to avoid being overly dependent on one source that might be cut because of economic downturn or other political or financial factors.

f) **Strengthening the monitoring** of the effects of macroeconomic “shocks” on AIDS programmes, so that government officials, CSO managers, and external partners are able to gauge more accurately, and earlier, the effects of the crisis and thus to take corrective actions.

34. Efforts are currently being made in several of these strategic areas to put in place mitigation measures:

a) To avoid AIDS treatment disruptions, for example, the Global Fund has recently commissioned a review of its funding and procurement practices, seeking to ensure that its array of funding modalities (grant renewals, Rolling Continuation grants, bridge and emergency bridge financing) will cover the needs of 21 countries with ongoing Global Fund-supported programmes, where there are risks of funding disruptions in 2009-10 affecting 736,000 persons on antiretroviral therapy.

b) To raise spending efficiency by lowering input costs, the Clinton Foundation recently announced new reduced prices for second-line antiretroviral drugs⁹. PEPFAR and the

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Global Fund are both actively searching for efficiency gains, the latter stimulated by its announced 10% reduction in grant levels.

c) Some donors are examining areas for possible efficiency gains, so that available funds can be stretched further to achieve the same or higher levels of coverage with prevention and treatment services, (e.g. by improving geographical or population targeting) while maintaining quality. The Global Fund has requested that recipients make efficiency gains of 10-25% on projects funded under Round 8, and is also proposing that this be implemented for grants approved under Round 9.

d) The announcement in late September 2009 of the Task Force on Innovative Financing for Health Systems, led by Gordon Brown and Robert Zoellick, of a package of measures designed to generate an additional US $5.3 billion over the next few years, may also hold some promise of mobilizing additional resources that will support delivery of HIV-related services, as well as other health services 10.

35. Contributions of the cosponsors. Over the past year, a number of the UNAIDS cosponsors have undertaken activities that contribute to the mitigation effort:

a) The ILO’s Jobs Pact sets forth a comprehensive set of crisis response measures based on successful examples and tested policies that aim at stimulating economic recovery, generating jobs, and providing security for working people and their families. It specially recognizes that workplace programmes on HIV are a key area of importance to respond to the crisis. The ILO has added its own staff component to the UNAIDS UCC survey, with additional information on the linkages between the economic and jobs crisis and its impact on HIV initiatives with particular focus on the world of work. There is significant recognition for livelihood support and social protection to mitigate the impact of the crisis on HIV-affected households across all regions. The ILO will also complete an in-depth survey on the impact of the financial crisis on AIDS and on working men and women in 10 countries in the Africa region, in consultation with its constituents and with multisectoral stakeholders.

b) UNDP is working with UNAIDS and the World Bank to mainstream HIV programmes into national development processes and plans, recently expanding this work to include Botswana, Lesotho, Swaziland and Namibia. Mainstreaming the AIDS response is intended to ensure that a wider range of stakeholders and resources are mobilized to keep AIDS rooted in immediate and long-term development agendas. In response to the crisis, UNDP advocates for maintaining rights-based approaches for AIDS programmes, which includes; promoting an enabling legal environment for HIV programmes; supporting and advocating for legal and social programmes that protect the rights of people living with HIV and counter stigma and discrimination; and protecting programmes that target marginalized populations (those programmes that, as this report highlights, may be particularly vulnerable to funding cuts during the economic crisis) 11.

c) UNESCO strives for the universal availability of effective education on sex, relationships, HIV and other sexually transmitted infections, particularly for children and young people. UNESCO believes in prevention and education, and is the lead organization responsible for the scale-up of prevention education programmes. It is aware of the crisis and

10 http://www.internationalhealthpartnership.net/en/taskforce
vulnerabilities among social programmes, and fears that the crisis will entrench harmful gender relations that exacerbate the negative effects of HIV on people living with HIV and others. The organization is committed to working with partners to maintain vital social sector programmes throughout the crisis.

d) **UNFPA** has combined its Resource Allocation System, which classifies countries according to women’s health indicators, with International Monetary Fund data on macroeconomic vulnerability to identify 12 countries where the global economic crisis is likely to take the heaviest toll on reproductive health services. UNFPA has focused on ensuring contraceptive supplies in these countries, which overlap substantially with countries with large HIV burdens.

e) **UNICEF** is actively monitoring the effects of the economic crisis on children through sentinel surveillance, simulations and impact analyses, and other research which examines the impact of the economic recession on all children, including those made vulnerable by HIV and other causes. UNICEF’s April 2009 policy brief: “Children, AIDS and the economic crisis: What do we know? What can we do?”, makes the case for “AIDS-sensitive but not exclusive” social protection mechanisms to help mitigate the impact of the crisis on HIV-positive mothers and children, by protecting investments in integrated reproductive, maternal and child health services, including prevention of mother-to-child transmission and paediatric AIDS treatment.

f) The **UNODC** surveyed its field staff to gauge the effects of the economic crisis and has reported that programmes for injecting drug users and prison populations are at special risk of being hurt by the economic downturn. The UNODC will continue to maintain an injecting drug user working group to monitor the situation.

g) The **World Bank** jointly carried out the first UCC survey with the UNAIDS Secretariat (and advice from WHO) in March 2009 and with the Secretariat has co-led the key activities and analysis to inform this report. This set of work will include a separate paper describing the results of the July-August UCC survey. The ASAP Programme, hosted by the World Bank on behalf of UNAIDS, developed and released the “Financial Crisis Impact Assessment Tool for HIV/AIDS” in June 2009 to assist countries in developing their responses. As co-leader of the UNAIDS Economic Reference Group (ERG), the World Bank has commissioned a set of papers assessing the efficiency and effectiveness of HIV programmes in three countries, for presentation to the ERG’s December meeting. The World Bank continues to support joint work with UNDP to mainstream the AIDS agenda into national development plans and programmes, now with heightened attention to the effects of the economic crisis. It is also realigning its broader work programme to expand and strengthen efforts to identify and promote greater efficiency and effectiveness in client countries’ HIV programming.

h) The **World Food Programme** has deployed its “Economic Shock and Hunger” (ESHI) index to better understand which countries are likely to become more vulnerable to food insecurity due to the global financial and economic crisis. The ESHI analysis considered key financial and economic factors as well as broader food security indicators (foreign investment, trade, remittances, exchange rate, development assistance, GDP per capita, food deficit, undernourished and underweight children) to understand the food security

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implications on 126 lower and middle-income countries. The ESHI analysis was followed by case studies in Armenia, Bangladesh, Ghana, Nicaragua and Zambia. WFP is aiming to target its food assistance to children and pregnant and lactating women in the most severely affected countries, and to people living with HIV and their households.

i) WHO continues to intensify its support to increase countries' capacities to mobilize resources and to become more efficient through better integration and delivery of services. It also provides information to countries on drug prices, which helps them negotiate lower prices. WHO country staff participated in the first survey carried out jointly by the World Bank and the UNAIDS Secretariat in March 2009 to inform the report on the impact of the crisis on the AIDS programmes. WHO, in collaboration with UNAIDS, is forecasting the behaviour of ARV demand, and taking into account the impact of the current and future resource limitations in the treatment guidelines development process.

j) The UNAIDS Secretariat, jointly with the World Bank, carried out the first UCC survey in March 2009, and has spearheaded the second round of data collection including the CSO survey and the 12 country case studies. The Secretariat plans to conduct further analysis of the effects of the crisis on national HIV programmes in 2009, as well as monitoring the responses of countries and their international partners.

WHAT NEEDS TO BE DONE?

36. In the current climate of the global economic downturn, much is at stake in the ongoing AIDS programmes in developing countries. It is vital that actions be taken to preserve the gains that have been achieved in recent years (4 million people on treatment, expanding prevention efforts for most-at-risk populations, new legal protections for men who have sex with men and sex workers, efforts to expand coverage of prevention of mother-to-child transmission and HIV/tuberculosis services, etc). Billions of dollars have been invested and have yielded very substantial benefits, saving millions of lives and averting millions of infections. Failure to maintain expenditure levels will substantially undermine the achievements realized from previous investments.

37. Given that the global economic crisis creates a series of major risks to the AIDS response, it also presents low- and middle-income country governments, their external partners, CSOs, and the UN system with an increased and urgent need to put in place measures that can put HIV programmes onto a more solid and sustainable basis for future gains in preventing new infections, keeping those who are HIV infected healthy and productive, and improving the lives of orphans and AIDS-affected communities. Bold actions are required now.

38. 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 to 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)

39. The continued financial backing 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.

40. At the same time, there is much that low- and middle-income countries can do to make the 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.

41. To complement the efforts of low- and middle-income country governments, external development partners need to make strong efforts to sustain their financial support for AIDS programmes in these countries. In some instances where low- and middle-income governments 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. Furthermore, the external partners should explore new mechanisms for mobilizing more financial resources as part of larger efforts in innovative financing for development. The 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.

42. Civil society organizations also have an important role to play. In some countries where international and national NGOs are implementing large-scale treatment and prevention activities, these organizations also need to realize efficiency gains in their operations wherever possible. Other CSOs are vital in monitoring the performance of national AIDS programmes and in tracking the flow of financial resources – in the current global economic crisis environment, their efforts to improve transparency and accountability need to be redoubled.

43. To match the efforts of these other parties, the UNAIDS cosponsors can make a vital contribution in a number of ways, including sharpening the focus of their technical support to national governments and the Global Fund on ways to promote better targeting of interventions with strongest impact, realization of greater efficiencies, and more learning across countries. They can also expand their work on resource tracking and evidence building to improve allocation decisions that can fulfil the “know your epidemic” approach. Finally, cosponsors can strengthen and integrate their monitoring of the effects of the crisis on AIDS programmes, drawing on the comparative advantage of each (e.g., by having the WFP monitor feeding programmes for patients on AIDS treatment, UNODC keep tabs on harm reduction programmes, UNICEF/WHO follow coverage and quality of prevention of mother-to-child transmission programmes, etc.).
NEXT STEPS

1. Building on the analysis in this paper a number of actions may be considered for a range of stakeholders.

   a. Member States should: conduct more rigorous prioritization to demonstrate a greater impact from HIV investments; expand social safety nets to include those living with HIV and the most affected and vulnerable populations; leverage the technical support available within the UNAIDS family and elsewhere; and actively engage with funders to understand and respond to changes in funding.

   b. Major funders should: engage in greater consultation with other funders to ensure an orderly response to the current crisis; ensure that shifts in funding towards broader health initiatives continue to cover HIV programmes, ensuring that synergies between HIV and other health areas such as tuberculosis and sexual and reproductive health are fully realized; and take active measures to realize efficiency gains in their operations wherever possible.

   c. Civil Society Organizations should: continue to strongly advocate for the most effective interventions; and to look for opportunities to realize efficiencies within their own operations whenever possible.

2. With respect to UNAIDS the following activities will be taken up:

   a) UNAIDS will expand and focus its technical assistance on the following areas where countries are requesting technical support to deal with the economic crisis: (i) priority-setting within national HIV plans; (ii) raising programme efficiency; (iii) designing safety nets that include people living with HIV; and (iv) mobilizing additional funding, for example, by requesting assistance from the UNAIDS AIDS Strategy and Action Plan service;

   b) UNAIDS will convene a meeting with funders to share perspectives and intentions on future contributions;

   c) Work to ensure that HIV needs are systematically incorporated into broader work on social protection and health systems strengthening at both country and global level;

   d) UNAIDS will convene a meeting of with funders to share perspectives and intentions on future contributions with a view to strengthening the predictability and a cohesion of resource flows into the global HIV response; and

   e) Engage in the international dialogue around innovative financing instruments to ensure that the HIV agenda is able to benefit from these potential new sources of funding.