WORLD

Introduction

"HIV/AIDS is the single most important development challenge in Africa. The epidemic is undermining economic growth and fundamentally threatens social and economic development."
Clare Short, British Secretary of State for International Development, 25 May 2001

The HIV/AIDS crisis in Africa is at last receiving international attention. But the crucial link between AIDS and the continuing developing country debt crisis is being overlooked.

AIDS worsens the debt situation and debt exacerbates AIDS. Nowhere is this clearer than in Sub-Saharan Africa. This report looks at the new global trust fund for AIDS, sets out the circular links between AIDS and debt and makes recommendations for the international response.

What is the new global trust fund for AIDS?

In April 2001 in Abuja, Nigeria, United Nations Secretary General Kofi Annan called for $7-10 billion a year to tackle the AIDS epidemic. World leaders backed his call and finally the HIV/AIDS epidemic in developing countries seemed to be getting the financial attention it deserved.

However, developed country governments have not rushed forward with large pledges. The USA has offered $200 million. The UK has promised £75 million (approx. $100 million). It looks as if Annan's $10 billion will only ever be an aspiration.

"The $200 million from the US probably means up to $1 billion in total new resources this year, figuring that other countries will give about $600 million and private donors another $200 million."
Mark Malloch Brown, United Nations Development Programme.

The likely $1 billion will fall way short of Annan's goal.

- The World Bank calculates that an effective AIDS programme for Africa alone would cost $3.2 - 4.5 billion per year. Current expenditure is around $350 million.
- The Global AIDS Alliance estimates that Sub-Saharan Africa needs $15 billion a year to combat HIV/ AIDS.[1]

It has not yet been settled how the new global trust fund will be directed or administered. Options under consideration include the World Bank, a UN agency, or a new panel of experts and donors.

The criteria for deciding which countries benefit, how much countries will receive, and for what purposes funding will be available, have not yet been agreed. Nor has the question of who decides.

[1] Drop the Debt (2001)

Whatever happened to debt relief and cancellation?

"[Debt is] not a sexy topic anymore despite its crippling effects."
Michael Chege, Professor of Development, University of Florida at the African Development Bank annual meeting, 29 May 2001

In terms of meeting the 2015 International Development Targets[2] the new global trust fund for AIDS seems to have taken the limelight. WDM suspects world leaders of "debt fatigue".

At the 1999 Summit in Cologne, leaders of the G7 countries promised $100 billion of debt cancellation. Only $12 billion has so far been delivered. WDM is continuing to campaign for an end to the debt crisis and is concerned that world leaders' professed enthusiasm for the new global trust fund for AIDS could deflect attention away from the need for debt cancellation.

Debt relief that has been granted so far under the Heavily Indebted Poor Countries Initiative[3] has generated positive effects. For example, Uganda's debt service payments have dropped from $151 million a year to $88 million and the money released is being channelled through Uganda's Poverty Action Fund into sectors like health and education. The country's spending on primary healthcare has increased by 270 per cent since debt relief.[4]

In some countries, including Uganda, civil society has a role in monitoring the spending of resources from debt relief. In all countries receiving debt relief civil society now has a role in deciding domestic priorities for spending to reduce poverty.

WDM suggests that more and faster debt relief and cancellation are a vital and effective way of helping countries combat HIV/AIDS.

Where is HIV/AIDS worst?

"It is in poor countries, particularly those in Africa that the pandemic has spread furthest and fastest, to the point where it has become the most formidable development challenge of our time."
Kofi Annan, Secretary General of the United Nations, 10 April 2001

HIV/AIDS is a problem worldwide, but it is worst in Sub-Saharan Africa:[5]

	Globally	Sub-Saharan Africa	UK
Number of people living with HIV/AIDS	36.1 million	25.3 million	35,000
% of adults (15-49 years) with HIV/AIDS	-	8.8%	0.11%
Number who died from AIDS during year	-	2.4 million (2000)	450 (1999)
Number infected with HIV in year	-	3.8 million (2000)	-

2 Targets agreed by all industrialised countries include: halving the proportion of people living in extreme poverty by 2015; access through the primary healthcare system to reproductive health services for all as soon as possible and no later than 2015.
3 The Heavily Indebted Poor Countries (HIPC) Initiative was launched in 1996 by the World Bank and the International Monetary Fund to channel debt relief to countries deemed eligible.
4 Drop the Debt (2000)
5 Figures from UNAIDS (2000)

Rates of infection in Sub-Saharan Africa:[6]

Country	% population with HIV/AIDS
Central African Republic	13.84
Malawi	15.96
Mozambique	13.22
Tanzania	8.09
Zambia	19.95

"[Life expectancy] will soon be 17 years shorter because of HIV/AIDS - 47 years instead of 64. [HIV] is quite literally robbing Africa of a quarter of our lives".
Callisto Madavo, World Bank Vice President for Africa.[7] [8]

Action to combat AIDS is extremely urgent as many countries are seeing rates of infection increasing at alarming rates.

Where is the debt crisis most acute?

"Every child born in the developing countries comes to the world bearing an average debt obligation of $417. Sub-Saharan Africa spends more on servicing its debt than on the health and education of its 310 million children."
Devraj (2001)

The debt crisis is worst in Sub-Saharan Africa:

- 34 out of the 41 countries in the IMF/ World Bank Highly Indebted Poor Countries (HIPC) debt relief initiative are in Sub-Saharan Africa
- Sub-Saharan Africa still owes $170 billion to creditors
- Sub-Saharan Africa pays creditors $40 million a week to service its debts[9]

The following table shows how, even after reductions in debt service, debt repayments are still very large compared to health and education spending.[10]

Country	Debt service payments 1999 ($ million)	Debt service payments 2001 ($ million)	Primary education spending ($ million)	Health spending ($ million)
Malawi	102	59	82	51*
Mozambique	214	48	119**	73
Rwanda	49	16	6	8
Tanzania	144	142	229	88
Uganda	179	51	37	16
Zambia	331	158	33	24

* Malawi: figure from Drop the Debt (2000)
** Mozambique: total education spending is used because it has been impossible to calculate primary education spending.

[6] Christian Aid (2001)
[7] Schoofs (1999)
[8] UK life expectancy - 77 years Human Development Report 2000 (UNDP)
[9] Drop the Debt (2001)
[10] Information in the last 3 columns from Oxfam, calculated from Decision Point documents, I-PRSPs, the World Development Indicators 2000 and the UNESCO World Education Indicators (2000).

Debt exacerbates AIDS

"Structural adjustment raises particular problems for governments because most of the factors which fuel the AIDS epidemic are also those factors that seem to come into play in structural adjustment programmes".
Dr Peter Piot, Director UNAIDS

In September 1999, WDM and MedAct's report "Deadly Conditions?" warned that *"the conditions attached to desperately needed debt relief may be nourishing the canker of the HIV/AIDS epidemic".*[11] This continues to be the case today.

Debt exacerbates AIDS in two ways:

1. Annual debt service payments
Each year, indebted governments in Sub-Saharan Africa spend a significant proportion of their national budget servicing their debts. For years, the diversion of resources to service debt has drained funds from all aspects of health and education services, such as training staff and investing in infrastructure. The cumulative impact has been a severe deterioration in services in Sub-Saharan countries. The table on page 6 shows the knock-on effects of this on the AIDS epidemic.

2. Debt relief conditions
For over fifteen years the World Bank and International Monetary Fund have attached conditions to the granting of loans and, more recently, debt relief.

In the past, these conditions consisted of packages of reforms known as Structural Adjustment Programmes (SAPs), which required countries to focus on two things: reducing government spending and increasing export earnings.

As the table on page 6 illustrates, these policies have contributed to the spread of HIV.

Since December 1999, SAPs have been replaced by conditions drawn from Poverty Reduction Strategy Papers (PRSPs). Under the HIPC Initiative, indebted country governments must draw up Poverty Reduction Strategy Papers and get them endorsed by the World Bank and International Monetary Fund.

WDM's analysis of Poverty Reduction Strategy Papers shows that although more resources are now being channelled into spending on health and education, in other respects Poverty Reduction Strategy Papers look very similar to the old Structural Adjustment Programmes[12].

The model of economic growth being promoted in Poverty Reduction Strategy Papers continues to rely on export-oriented industrialisation. Consequently, large numbers of people continue to migrate from their rural home communities to urban areas, export processing zones and other commercial sites in order to find work. This migration fuels the spread of HIV/AIDS.

[11] WDM and MedAct (1999)
[12] World Development Movement (April 2001)

Impact of debt-related reforms on AIDS:

Policy	Reform	Result	Impact on HIV/AIDS
To reduce government expenditure	Introduce user fees for health services	Reduced access to health services	• Reduced awareness of health issues, including HIV/AIDS • Poorer general health • Reduced treatment for opportunistic diseases and AIDS sufferers
	Introduce user fees for education	Children, particularly girls, removed from school	• Children do not receive health education • Illiterate population less able to learn about AIDS • Low status of women increases their vulnerability to poverty and infection
		Mothers and girls turn to prostitution to cover extra costs	• Increased risk of contracting and spreading HIV
	Decreased spending on health and education	Reduced quality and quantity of facilities; lack of equipment; fewer and less well trained staff	• Increased vulnerability to infection
	Public sector redundancies and wage freezes	Staff shortages leading to reduced quality and quantity of education and health services	• Increased vulnerability to infection
		Unemployment	• Poverty of former employees increases their vulnerability to infection
	Removal of price subsidies on food, fuel and other basic commodities	Reduced quantity and quality of food eaten	• People in poorer health more vulnerable to infection and death • Women more likely to turn to prostitution to feed their family thus increasing rates of infection
		Reduced ability to travel to clinics	• People less able to receive health care
	Reduction of civil service	Reduced administrative capacity	• Government less able to promote AIDS prevention
		Unemployment	• Poverty of former employees increases their vulnerability to infection
To increase export earnings	Promote large, export-orientated projects	Workers migrate to jobs away from home	• Workers more likely to engage in risky behaviour, increasing exposure to infection[13] • Migration of infected workers spreads HIV

[13] A 1999 study among miners in southern Africa found that over a third of employees in their late 20s and 30s were infected with HIV, along with a quarter of young and older employees UNAIDS 2000:15

AIDS worsens debt

"In countries that are worst affected by the epidemic, rising sickness and death often take place against a background of deteriorating public services, poor employment prospects and endemic poverty that are not directly related to the HIV epidemic, but that may be exacerbated by it."
UNAIDS (2000:12)

Evidence is growing that in the hardest hit countries of southern Africa, national wealth will be reduced as a result of HIV/AIDS by 15-20 per cent over the next 10 years.[14]

As the following table illustrates[15], HIV/AIDS weakens economies by striking a number of important areas at once.

Effect of AIDS	Impact on economy
Worker absence due to sickness, caring for relatives, attending funerals	Reduced labour productivity
Companies pay out more on health care	Reduced profitability
More workers, teachers, health care staff and administrators die Need to hire and train new staff	Reduced quantity/quality of services Reduced efficiency and productivity lead to reduced profitability
Fewer workers with increased outgoings (on health care and funerals) that deplete their savings	Reduced national savings mean less capital available for investment, leading to lower growth rates
Workers fall sick and die	Fewer workers able to pay tax means less money for governments to invest or spend on social services
Government tries to spend more resources on tackling AIDS	Government has less resources to invest in the "productive" economy, thus reducing growth rates
Increased spending on HIV/AIDS programmes means less money available for routine health and education services	Reduced quality/quantity of health care; reduced quality/quantity of education, leading to reduced capacity for economic growth

The International Labour Organisation predicts that the industries worst affected by AIDS will be transport, mining, fishing, agriculture, construction and tourism[16], all of which are key export earning sectors. Across Sub-Saharan Africa it says economic growth could be cut by 25 per cent by 2020. In South Africa, Gross Domestic Product is forecast to be 17 per cent lower by 2010 than it would have been without AIDS[17]. In Botswana, per capita income for the poorest quarter of households is forecast to fall by 13 per cent in the next ten years.

The private sector will bear many of the costs. In Tanzania a survey of six firms showed annual average medical costs per employee increased more than three times from 1993-97 due to AIDS, while the companies' burial costs showed a five-fold increase.[18]

[14] Presentations at the 13th International Conference on AIDS in Durban, South Africa July 2000.
[15] Table based on findings of the International Food Policy Research Institute, 17 June 1996
[16] International Labour Organisation (2000)
[17] UNAIDS/World Bank (2000)
[18] UNAIDS (2000)

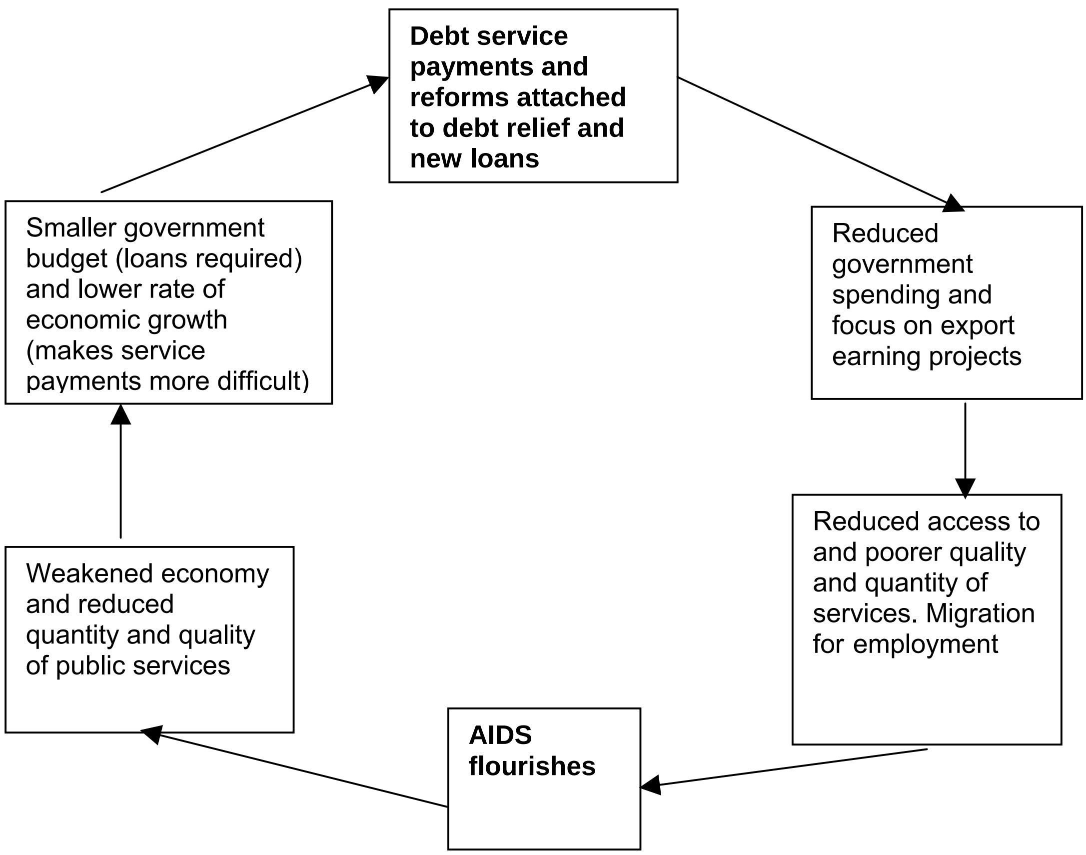
There are also increasing costs to the public sector. Swaziland estimates it will have to train twice as many teachers as usual over the next 17 years just to keep its services at 1997 levels. Its extra hiring and training costs are expected to drain the treasury of $233 million by 2016, more than the total 1998-1999 Government budget for all goods and services.[19]

The drain on both public and private sector finances caused by AIDS does not bode well for future rates of economic growth or countries' abilities to maintain their debt service obligations.

Even after HIPC debt relief, falling growth rates could mean that many countries have to spend an even larger proportion of their budget on debt servicing.

The vicious circle

"SAPs came at a time when households, communities and governments were already susceptible to the disease; and SAPs fully merged with, and exacerbated, prevailing patterns of susceptibility."
Collins and Rau (2000:19)



[19] UNAIDS (2000)

Country case study: Malawi

In Malawi, 16 per cent of adults are infected with HIV and 31 per cent of women attending ante-natal clinics are HIV-positive[20].

The impact of HIV/AIDS on the economy is already affecting economic growth rates. A study of tea workers shows mortality rates increased six-fold between 1991 and 1995, costing the company six per cent of its operating profit.[21] In 2000, Malawi's Gross Domestic Product was already lower by five per cent due to HIV/AIDS.[22]

Government spending on education is $82 million in Malawi, a country with only 58 per cent adult literacy (1998).

In Malawi, there is only one doctor per 50,000 people[23]. Yet, Government spending on health care of $51 million was dwarfed, in 1999, by debt repayments of $102 million. Even though debt relief reduced annual repayments to between $51-59 million in 2000, a condition of that relief was that health expenditure must remain 15 per cent lower than in 1997/8 (when expenditure peaked).[24] Meanwhile, the cost of scaling up Malawi's AIDS programme to an effective level is estimated at $152 million.[25]

How does the vicious circle of debt and AIDS affect women?

"For poor women AIDS is just another problem they are blamed for and have to take responsibility for. They ask, 'How am I going to take care of my family? I have to put food on the table now'. 'You think AIDS is a problem! Let me tell you - I got real problems' "
Ward (1993:61)

Where Structural Adjustment Programmes or other debt related reforms have raised the costs of health care, education or food, one "coping strategy" some women have been forced to turn to in desperation is prostitution. Food today becomes more important than illness and death tomorrow. This poverty-driven prostitution takes different forms.

"[Many] women who don't have any food…go and 'make friends' with men in the bakery to buy some bread," explains Bernadette Mulelebwe of Fondation Femme Plus, an organisation that helps women with HIV/AIDS in the Democratic Republic of Congo.[26]

Young women, who can't afford school fees, may *"take on a wealthy benefactor as a lover."* Unfortunately, *"a girl's sugar daddy may well be HIV-positive"*[27]. In other situations, it is the mother who will engage in prostitution for her children's education. Last year, more women than men were infected by HIV in Sub-Saharan Africa.

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[20] Jubilee Plus
[21] Drop the Debt (2000:21)
[22] Drop the Debt (2000:21)
[23] UNDP (2000)
[24] Jubilee Plus
[25] UNAIDS quoted by Drop the Debt (2001)
[26] Christian Aid (2001:8)
[27] Christian Aid (2001:8)

The load placed on women's shoulders by debt related reforms has been simultaneously increased by the extra burden of HIV/AIDS.

For example women are having to cope with:

- more time spent caring for sick and dying relatives and other members of their community, reducing women's opportunities to work on food plots or for cash
- the death of male breadwinners, requiring women to work outside the home for cash, leaving less time available to produce food on their own plots, thus exacerbating household food shortages
- money spent on caring for sick and dying relatives leading to indebtedness or sale of productive assets
- withdrawing their daughters from school to add labour to the household
- losing all legal rights to their home and other assets on the death of their husband, yet retaining responsibility for their children
- increasingly caring for large numbers of traumatised orphans without the means to provide for them.

Breaking the circle: conclusions and recommendations

Conclusion

Debt and AIDS are inextricably linked through a vicious circle of cause and effect. Countries struggling with a debt crisis and an AIDS crisis will only see improvement if both are tackled simultaneously. They need substantial new resources and new thinking.

WDM believes debt relief and cancellation are a vital and effective way to deliver resources to developing countries for the fight against HIV/AIDS.

Recommendations

A number of areas must be tackled if the vicious circle of debt and AIDS is to be broken. All responses must take into account the pivotal role of women.

1. <u>Cancel the debt</u>

Annual debt service payments are diverting millions of pounds a year out of small and weak economies, with the result that governments have substantially reduced resources to spend on health and education services for their people. Unpayable debt should be cancelled to end these annual service payments by low income countries.

The World Bank and International Monetary Fund should change the way they calculate which countries receive relief and how much. Debt service payments should only be made from money remaining after poverty reduction programmes have been financed.

The World Bank has calculated the amount of debt relief that countries should receive based on optimistic assumptions of economic growth rates. These assumptions must be revisited in the light of the projections of reduced growth rates due to HIV/AIDS. Countries should receive more debt relief as a result.

2. Rethink the conditions related to debt

The World Bank and International Monetary Fund should immediately assess the impact of the conditions attached to debt relief. Where evidence shows that recommended policy reforms (eg reduced government expenditure) exacerbate the HIV/AIDS crisis, these recommendations should be rethought.

3. Fund work on HIV/AIDS as part of an integrated approach to development

Substantial long-term assistance to community-led development and guaranteed access to basic health care and education for all citizens are key. Although drugs to treat AIDS are important, an emphasis on prevention is crucial. Governments that are already highly indebted and struggling with the HIV/AIDS epidemic need grants to tackle health issues, not loans, which lead to further indebtedness.

The AIDS epidemic in Sub-Saharan Africa is inextricably linked to the debt crisis. The vicious circle between debt and AIDS can only be broken by a serious international commitment to tackling both crises simultaneously. WDM believes that more and faster debt relief and cancellation are a vital and effective way of helping developing countries combat HIV/AIDS.

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