



HIGHLIGHTS OF USAID WORKSHOP:
PROMOTING ECONOMIC GROWTH IN A NEW ERA
JUNE 28 – JULY 2 2004

The Challenge of HIV/AIDS

This session presented several perspectives on the challenge of HIV/AIDS to economic growth in developing countries around the world.

Ambassador Randall Tobias, Coordinator for the U.S. Government Activities to Combat HIV/AIDS Globally, presented startling statistics and trends concerning the ongoing battle against HIV/AIDS and outlined the President's Emergency Plan for AIDS Relief (PEPFAR). Around the world, some 40 million people are infected with the HIV virus, and as many as 40% of them are not aware of it. In 2003 alone, 3 million people died from AIDS, and 5 million more were infected. The human and physical capacity to fight the global HIV/AIDS pandemic is desperately limited in most developing countries. In the U.S., there are 279 physicians for every 100,000 citizens; in Mozambique, by contrast, there are just 2.6 physicians per 100,000 people. Conventional wisdom tells us that AIDS can decimate a society's human capital. What we are learning from harsh experience is that the disease also takes a toll on the mechanisms by which society creates human capital, including schools, businesses, and the family unit itself.

PEPFAR, a five-year, \$15 billion program spanning 15 countries, has several core goals, including: (i) Encouraging bold leadership at all levels to fight HIV/AIDS; (ii) Employing best practices; and (iii) Encouraging broad coordination to promote best practices, not duplicate efforts. This includes engaging NGOs, the private sector, other government agencies (including USAID, whose knowledge of these countries is critical to the global fight), and donors. In addition, the program has set ambitious targets for preventing new infections, providing HIV/AIDS treatment to infected populations, and for addressing the issue of orphans and vulnerable children while continuing to provide care to infected parents and relatives. PEPFAR is focusing its attention and resources on prevention, treatment and care of HIV/AIDS; it does not address the food needs or the economic growth constraints that are consequences (and symptoms) of the disease's spread. Further, while policy changes may be sufficient to build up human capacity to fight HIV/AIDS in some countries, in others massive resources and training will be needed as well. To close this human capacity gap, the initiative will rely heavily on NGOs and other programs, but it is hoped that, above all, the organizations engaged in fighting the war against HIV/AIDS will work to leave in-country stakeholders with the capacity to continue this work on their own.

Malcolm McPherson, Senior Fellow at the John F. Kennedy School of Government at Harvard University, provided an overview of the damaging relationship between HIV/AIDS and economic growth and offered some recommendations for how to overcome the challenges this pandemic presents. HIV/AIDS unravels all sources of growth. It changes the economic behavior of individuals and firms, and immediately reduces investment and productivity—the building blocks of growth. As HIV/AIDS decimates human capacity, its impact on growth intensifies and accelerates as falling investment is exacerbated by declining income and savings; by a “hollowing out” effect on government offices, firms, and other economic entities; by

fragmenting networks that distribute information and knowledge; and by breaking down institutions as the incentives to “play by the rules” diminish. Decision horizons shorten, and investments in education, physical capital, financial assets, and even economic reform suffer.

To counter the damaging effects of HIV/AIDS, McPherson offered several recommendations, including: (i) Restoring a sense of “futuraity” in the economy to reinforce forward-looking economic behavior; (ii) “Scaling up” the fight against HIV/AIDS with national campaigns, by empowering agencies to organize multi-sector responses to the crisis, by consolidating local, regional and national efforts, and by mobilizing critical partners; and (iii) Getting local businesses to put pressure on the government and to invest some of their own resources to bolster efforts where government is over-stretched or otherwise lacks the skill to execute effectively.

Bruce Bolnick, Chief Economist at Nathan Associates, focused on the cyclical relationship between HIV/AIDS and poverty. Not only does the disease adversely affect growth, it also undermines poverty reduction. Poor households suffer tremendously as jobs and incomes are lost due to illness, and as families incur the costs of care for sick relatives. Increasing poverty then brings problems such as hunger and malnutrition, less education for children, less access to prevention measures and pressure on women to generate incomes for their families. Bolnick offered the example of Mozambique, where between 2000-2001 per capita growth was reduced by 0.7 percentage points, and poverty incidence jumped 4.3 percentage points, due to the rapid spread of HIV/AIDS; moreover, based on current trends, by 2010 one in 8 Mozambican adults is expected to die from the disease. Programmatically, prevention, treatment and care through programs such as PEPFAR are vital strategies for lessening the impact of HIV/AIDS on poverty, and economic and social programs are vital for reducing the poverty that makes populations vulnerable to the disease.

Finally, Richard Cornelius, a Senior Policy Advisor for Health in USAID’s Bureau of Policy and Program Coordination (PPC), discussed strategies for mitigating the impact of HIV/AIDS in key social sectors, and explained USAID’s role in supporting these efforts. HIV/AIDS is not just a health issue, it is also a development issue: it reverses development gains, which (as Bruce Bolnick highlighted) exacerbates the HIV/AIDS problem itself. The design of activities in all sectors needs to take into account the impact of the HIV/AIDS pandemic on human and institutional capacity in their sectors. Missions can establish working groups to coordinate mitigation activities across sectors, conduct sectoral assessments, and help counterpart governments form strategic responses to the problem. Initial support for local sector assessments and strategic planning can widen and deepen the information base for making decisions, taking action, and for leveraging and coordinating resources from host governments and other donor funds to execute systemic responses to HIV/AIDS in the countries with which USAID works..

During Q&A, one Workshop participant pointed to the challenge of incorporating HIV/AIDS interventions in Economic Growth (EG) programming when the technical range of activities is delimited by narrowly defined SO’s and funding earmarks. Another underscored the importance of supporting corporate social responsibility programs to help fight the HIV/AIDS problem. Another still expressed the need to address HIV/AIDS, and public health in general, as a global, multi-sectoral issue that has implications for poverty reduction, gender, and other aspects of economic development.