



AFRICAN GROWTH AND OPPORTUNITIES ACT FORUM

Plenary Session on HIV/AIDS
Washington, DC





Background Papers

Plenary Session on HIV/AIDS

AGOA Forum ~ October 30, 2001

The four background papers prepared for the Plenary Session on HIV/AIDS of the AGOA Forum address issues related to HIV/AIDS crisis:

1

Implications for Achieving AGOA Objectives

Paper 1 describes the AGOA objectives and explains how HIV/AIDS may affect our ability to achieve those objectives. The key message is that our success in achieving the AGOA objectives is directly related to the ability of the public and private sectors in Africa to address the HIV/AIDS crisis.

2

How Are Finance and Planning Ministries Responding?

Paper 2 describes the challenges ministries of finance and planning face in responding to the HIV/AIDS epidemic. Success will depend on the ability to make detailed plans and resource allocations for HIV/AIDS program implementation and on working closely with other ministries to ensure complementarity between domestic resources, including poverty-focused debt relief, and donor assistance.

3

How Are Trade and Commerce Ministries Responding?

Paper 3 addresses challenges faced by ministries of trade and commerce in addressing the HIV/AIDS crisis, particularly in the areas of intellectual property rights, trade practices, tourism, the world of work, and international competitiveness.

4

How Are Businesses Responding?

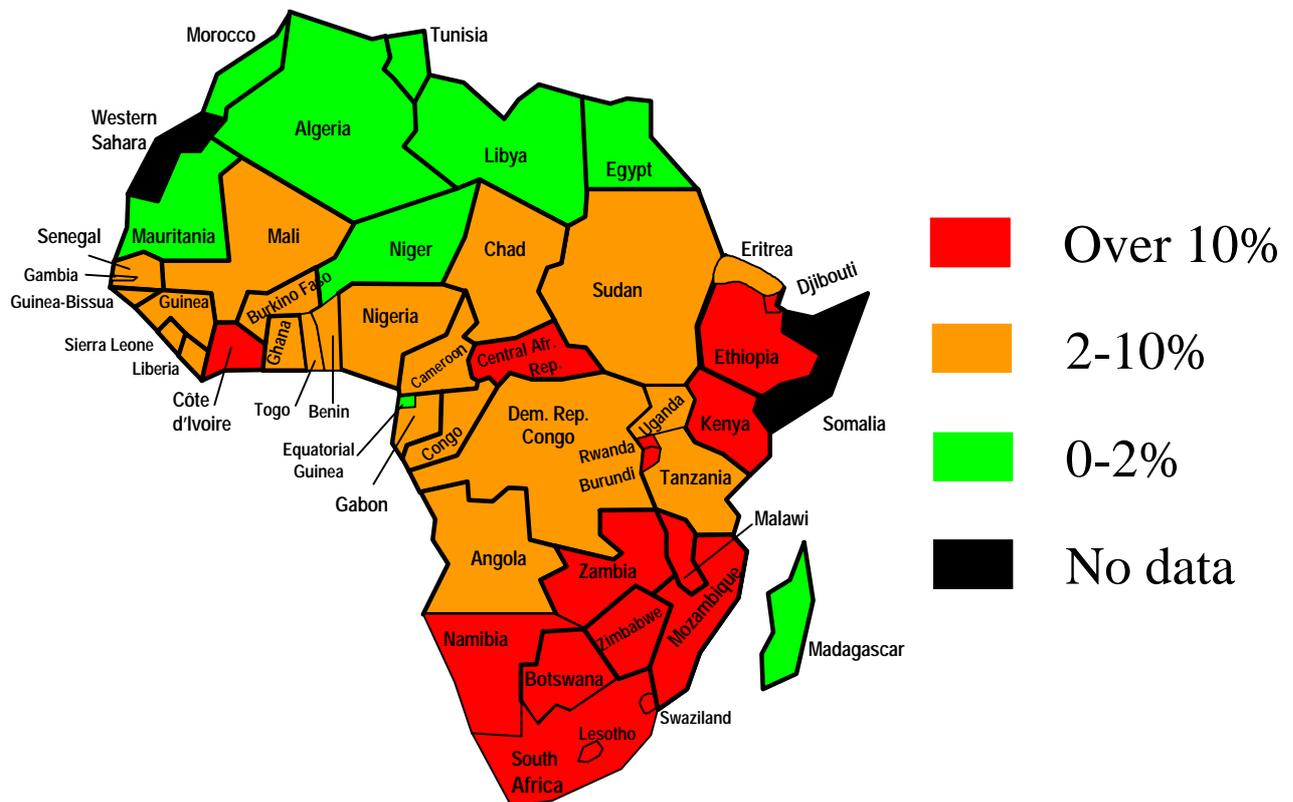
Paper 4 discusses ways in which the private business sector is responding to the issue of HIV/AIDS. The most important message for business is to get started on an HIV/AIDS program, to evaluate the effectiveness of current activities, and to involve top leadership. The paper focuses on activities that businesses can implement within their organizations and in partnership with community-based and governmental organizations.



The Africa Bureau of the U.S. Agency for International Development sponsored the preparation of the background papers. These papers will be revised and participant comments will be incorporated into the final versions, which will be distributed after the meeting.

The HIV/AIDS Crisis in Africa

Percent of Adults Infected with HIV in Africa, 1999



Source: UNAIDS, 2000.

1



The HIV/AIDS Crisis: The Implications for Achieving AGOA Objectives

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This paper is one of four background papers prepared for the Plenary Session on HIV/AIDS, AGOA Forum, Washington, DC, October 30, 2001. The Africa Bureau of the U.S. Agency for International Development sponsored the preparation of the background papers. These papers will be revised and participant comments will be incorporated into the final versions, which will be distributed after the meeting.

What is AGOA?

The African Growth and Opportunities Act (AGOA) was signed into law on May 18, 2000. The act provides opportunities for African nations to increase their economic cooperation with the United States by exempting from duties and quotas most products made in the eligible countries. AGOA is intended to foster economic and political development in sub-Saharan African countries by expanding access to U.S. trade and investment markets, thereby leading to long-run prosperity based on free markets and more democratic governments.

Specifically, the objectives of AGOA are to

- Promote increased trade and investment between the United States and sub-Saharan African countries;
- Promote economic development and reform in sub-Saharan Africa; and
- Promote increased access and opportunities for U.S. investors and businesses in sub-Saharan Africa (1).

To date, 35 African countries have become eligible for AGOA benefits. Eligibility is based on whether a country has established or is continuing to establish, first, various market-oriented policies for its economy and, second, various political policies such as political pluralism and protection of human rights and worker rights.

The 35 countries can access the expanded Generalized System of Preferences (GSP) benefits as well as various apparel and textile provisions available through AGOA. The expanded GSP benefits consist of an additional 1,800 tariff line items beyond the approximately 4,600 items that are currently part of the existing GSP. The apparel and textile provisions allow AGOA countries unlimited access to the U.S. market for apparel made from U.S. fabric and yarn as well as a limited amount of apparel made with regional fabric and yarn. In effect, these two sets of exemptions provide duty-free and quota-free access to the U.S. market for essentially all goods from AGOA countries. In addition, AGOA increases loans, guarantees, and insurance to investments in AGOA countries through the U.S. Overseas Private Investment Corporation.

Purpose of AGOA

- Foster economic and political development
- Ensure long-run prosperity based on
 - Free, stable markets
 - Democratic governments

AGOA Objectives

- Promote trade and investment between the United States and AGOA countries
- Promote economic development and reform in AGOA countries
- Promote increased access and opportunities for U.S. investors in AGOA countries

Policies to Achieve Objectives

- Expanded GSP tariff line items—over 6,400 items
- Extensive apparel preferences
- Investment incentives

How Could HIV/AIDS Affect the AGOA Objectives?

Figure 1 illustrates the impact of HIV on Africa in terms of infected adults. The figure shows that, in some countries, the prevalence of HIV is devastatingly high. In Botswana, for example, the prevalence of HIV among those between the ages of 15 and 49 is more than 35 percent. In 12 of the 35 AGOA-eligible countries, more than one in 10 adults are infected with HIV.

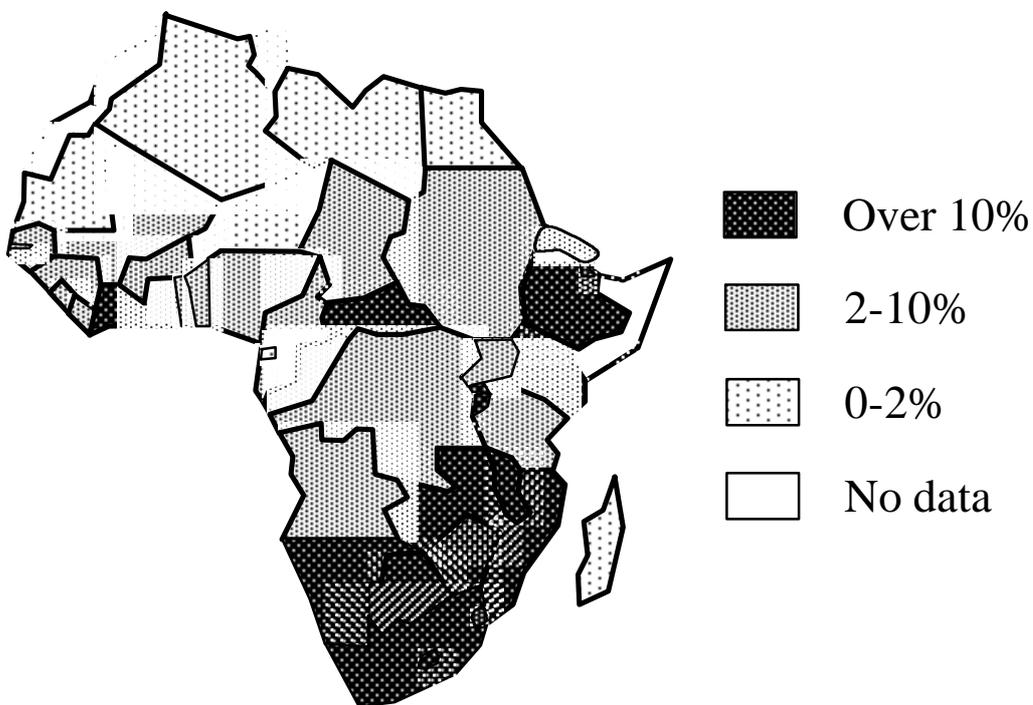
Because the HIV/AIDS epidemic has become so widespread in sub-Saharan Africa, it will have a devastating impact on firms, national economies, and, possibly, political systems. These impacts will affect AGOA's objectives in the following ways:

- **Investment Incentives.** One of the purposes of AGOA is to reduce investor uncertainty by ensuring that exemptions extend for eight years. Increased uncertainty over firm performance because of the impact of HIV/AIDS will increase the risk associated with an investment, resulting in reluctance on the part of U.S. investors. In addition, as more Africans die from AIDS, the pool of potential co-investors will decline. Finally, the impact of HIV/AIDS on African economies overall will create an atmosphere less conducive to investment in general.
- **Trade.** Given that HIV/AIDS has a negative impact on output (both agricultural and manufacturing), fewer available goods will be eligible for AGOA trade concessions. As skilled employees die from AIDS, their respective countries lose and find it difficult to replace the employees' experience in dealing with export markets. The potential impact of HIV/AIDS on the transport sector may be particularly important as countries may experience increased difficulty in bringing export products to the marketplace.
- **Eligibility Criteria.** AGOA states that the president of the United States must conduct an annual review of eligibility status and must terminate such status if a country is not making continual progress toward meeting the eligibility criteria. Given that HIV/AIDS has already had a significant impact on household poverty and that projections indicate that the impact on the health care sector will be extensive, overall eligibility for AGOA may in turn be affected.

AGOA presents a unique opportunity for the U.S. and African countries to increase trade and promote economic growth. For African countries, AGOA can potentially open large markets for their exports, especially apparel and textiles. The success of AGOA depends heavily on the health and productivity of African workers. A healthy and productive workforce in Africa can translate into significantly increased exports to the United States as well as increased opportunities for investment in Africa by American businesses.

However, HIV/AIDS could potentially impede successful implementation of the AGOA objectives. If we are to achieve the objectives of AGOA, all sectors of society need to work together to address the HIV/AIDS epidemic. This is not just a health problem. It requires a sustained multisectoral response (including participation by the ministries of planning, finance, trade, and commerce) and the participation of the private sector to mitigate the impacts of AIDS and create an environment where prevention and care programs can succeed.

Figure 1. Percent of Adults Infected with HIV in Africa, 1999



Source: UNAIDS, 2000.

How Does HIV/AIDS Affect African Businesses?

For African businesses to attract new investors, they must demonstrate a competitive advantage. In much of Africa, businesses already have a competitive advantage because labor is abundant, affordable, and productive. Countries inevitably compete against one another to attract investors. In turn, investors seek to locate their businesses in a country that has the most productive, lowest-cost workforce.

There are several mechanisms by which HIV/AIDS affects the international competitiveness of African businesses:

- 1. Labor Supply.** AIDS deaths lead directly to a reduction in the number of available workers. These deaths occur predominantly among workers in their most productive years. As younger, less experienced workers replace experienced workers, worker productivity is reduced, which in turn results in a decline in international competitiveness.
- 2. Profitability.** AIDS reduces the profitability of African businesses by both increasing the cost of production and decreasing the productivity of African workers. The loss of profitability clearly will reduce Africa's competitive advantage.
- 3. Other Impacts.** AIDS can also affect African businesses in many ways that are difficult to quantify but that nonetheless can significantly affect competitiveness. For example, AIDS affects worker morale, labor relations, demand for output, and so forth.

Each of these impacts is discussed in greater detail on the following pages.

Impact on AGOA Eligibility Criteria

- Pressure on political structures
- Increases in poverty and demand for health services

Impact on Investment

- Uncertainty over the impact of HIV/AIDS causes investor reluctance
- Decrease in the pool of national entrepreneurs
- General economic picture

Impact on Trade

- Reduced production due to increased costs to firms
- Decrease in workers with experience in export markets
- Transport of export products to marketplace

How Does HIV/AIDS Affect the Labor Supply?

As already indicated, the AGOA objectives are designed to promote trade and increase investment in Africa. However, this objective can be reached only if African businesses have an adequate supply of trained workers.

It is currently estimated that at least one in 12 workers in sub-Saharan Africa is infected with HIV; for some African businesses, the ratio is as high as one in three. Most infected workers will become ill and die within seven to 10 years of becoming infected. The impact from losing so many workers will vary greatly as will the response of companies with several infected workers.

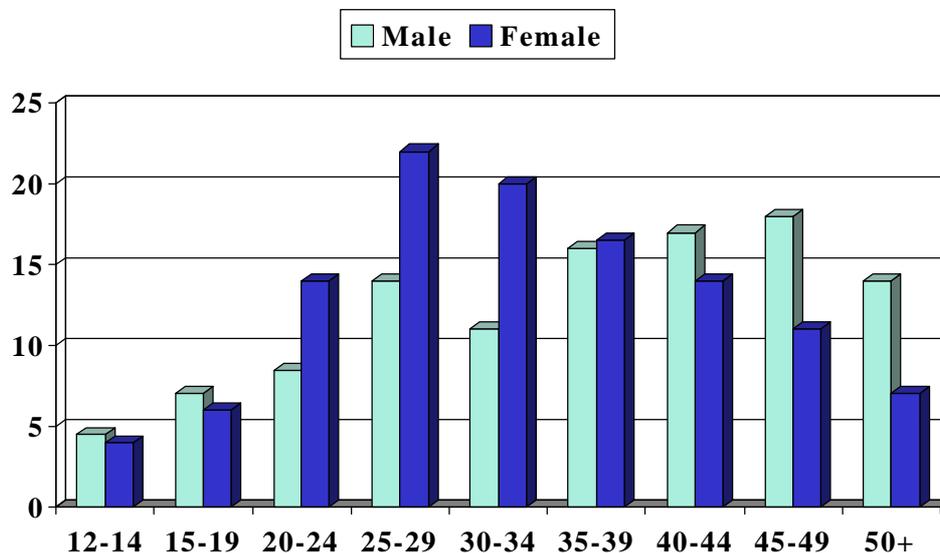
Most African businesses that have more than 10 employees have already seen at least one employee die of HIV/AIDS or currently employ infected workers. In some countries, the number of HIV infected employees has been devastating. For example,

- In a sugar mill in South Africa, 26 percent of all tested workers were infected with HIV (2).
- In Botswana, it has been estimated that 35 to 40 percent of all teachers are infected with HIV (3).
- One study in Kenya on a sugar estate found that 25 percent of the estate's workforce was infected with HIV (4).
- Even in countries such as Ghana, which has a more moderate prevalence of HIV, businesses report significant numbers of both AIDS deaths and known HIV infections (5).

If businesses are to succeed financially, they require a steady supply of adequately skilled labor. For companies requiring skilled workers, it is likely that HIV/AIDS will present a particularly significant problem. Professionals are in short supply, and the costs required to train a new worker are often significant. One study demonstrated that firms took, on average, eight times longer to replace a deceased professional than a skilled worker (6).

Figure 2 illustrates the average age and sex of persons infected with HIV in Rwanda. This shows that the bulk of infections are occurring among young people who are just entering the workforce. This should be particularly worrisome to African businesses, as it demonstrates that the future supply of laborers and managers are likely to be the ones most affected by HIV/AIDS. At the same time, this figure shows the critical importance of spending money on HIV/AIDS prevention among young people. In order to safeguard the future labor supply, it is necessary to stress prevention programs for youth today.

Figure 2. HIV Prevalence by Age and Sex (Rwanda, 1997)



“Several managers remarked that absenteeism can result in paying virtually two persons to do a single job and/or paying overtime rates to have someone’s work covered (7).”

One of the few studies that actually related HIV status to employee records was performed at a sugar mill in South Africa. The study found that infected workers incurred, on average, 55 additional days of sick leave during the last two years of their life (2).

Summary

African businesses, especially those that rely on skilled workers, are likely to be severely affected by HIV/AIDS. It is therefore critical to implement effective prevention programs and introduce training programs that can ensure an uninterrupted labor supply.

How Does HIV/AIDS Affect Profitability?

HIV/AIDS can affect a company's profitability by either increasing expenditures or decreasing revenues. During the early stages of infection, managers may observe an unexplained increase in the number of sick days taken. The employee, his or her spouse, and children may incur higher health care costs, many of which are reimbursed by the employer. The productivity of the worker may decline, particularly when opportunistic infections such as tuberculosis (TB) become more common.

As the epidemic progresses, managers may observe within their workforce an increase of diseases, such as TB, sexually transmitted infections (STIs), skin rashes, diarrhea, and possibly even malaria. (Some evidence suggests that HIV-infected individuals are much more susceptible to serious bouts of malaria as a consequence of their suppressed immune system.) There is likely to be a corresponding increase in health care costs and sick days. Employees who are identified as being infected may be retained, moved to a less demanding position in the company, or fired outright (with or without compensation) depending on corporate policy.

A loss in revenues attributable to HIV/AIDS can occur when infected workers take leave due to illness, the need to care for other infected family members, or the need to attend the funerals of coworkers or loved ones. Productivity can also decline when workers in poor health come to work but are unable to produce at their normal levels.

The extent to which people living with HIV/AIDS will continue to be employed depends on the type of work performed and the existing policies of the relevant company. Presumably, employees involved in heavy manual labor will be less likely than desk workers to maintain their jobs when they become infected. Certain companies are required (by government mandate or union contract) to continue offering benefits. However, other companies are able to shift the burden to the government or the families of the employee living with HIV/AIDS.

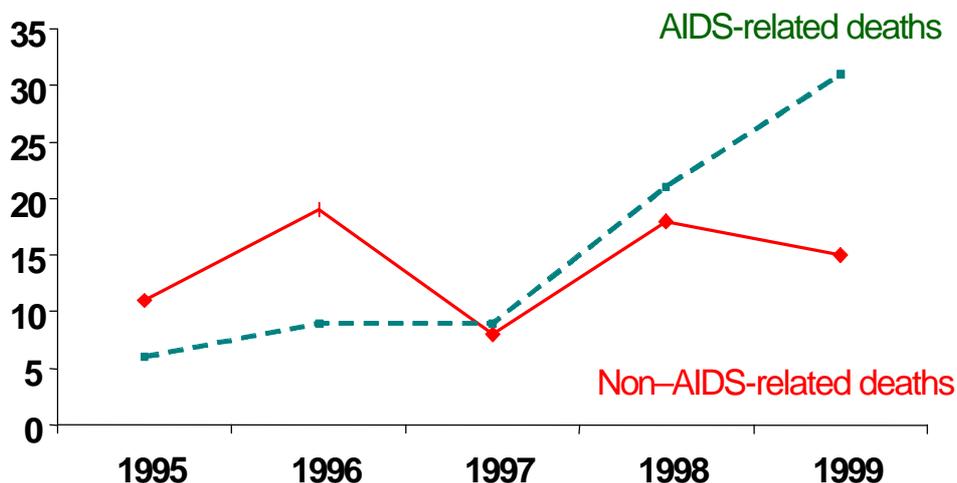
There are various ways in which expenditures are likely to increase when African businesses are affected by HIV/AIDS. An increase in health care costs is likely to be one sign that a company is experiencing the effects of the epidemic. Companies with private health insurance policies may find that their premiums are increasing. Other companies with in-house health care services may find an increased need for services that may not immediately be identified as HIV-related.

| Factors Leading to Increased Expenditure | Factors Leading to Decreased Revenue |
|--|--|
| Health care costs Burial fees Training and recruitment | Absenteeism due to illness Time off to attend funerals Time spent on training Labor turnover Reduced worker productivity |

“NamWater, the largest water purification company in Namibia, announced recently that HIV/AIDS is ‘crippling’ its operations. They report high staff turnover due to AIDS-related deaths, increasing absenteeism, and a general loss of productive hours. The firm plans on examining the impact of the epidemic through a survey, and then designing further policies to mitigate the impact. The company already distributes condoms to their workforce and has trained 60 peer educators (8).”

Figure 3 indicates how quickly the number of AIDS-related deaths can increase. As more workers die of AIDS, it is likely that the private sector in Africa will observe increased costs in terms of death benefits. When a worker dies, many larger African companies offer a death benefit to the surviving family. In some cases, these death benefits equate to as much as three years of salary plus funeral-related expenses. Some companies also pay workers a death benefit if their spouse or children die. With the advent of the HIV/AIDS epidemic, companies have tried to mitigate the impact of benefit costs in various ways. For example, some African companies have reduced the amount of their contribution to funerals. Other companies have required funerals to be conducted on weekends to minimize the disruption to work.

Figure 3. Death Rate on a Sugar Estate in Swaziland



The cost of recruiting and training new workers may also be substantial. The cost of replacing unskilled workers may be small, particularly when the rate of unemployment in the community that houses the business is high. As a result, most unskilled workers can be replaced within a week with little or no cost of recruitment. However, many African countries have a shortage of experienced senior managers. In this case, positions may be left unfilled for months or even years, which represents a significant cost to the company. Some companies even have had to resort to hiring highly paid expatriates following the death of senior managers.

As with recruiting, the cost of training and of general human resource development depends on the education and skill level required for the position as well as on the capacity of the pool of available workers. Training of unskilled workers often occurs

over a period of a few days and does not generally represent a high cost to the company. The costs involved in training a director of finance, marketing, accounting, or sales, however, can be significant, particularly as such training is typically performed overseas. One international company, for example, trains its African senior managers in Europe over a period of four weeks. That same company indicated that when a managing director is lost due to AIDS or other reasons, the company incurs costs of \$100,000 to recruit and train a replacement.

In the end, HIV/AIDS is likely to have a variable impact on expenditures depending on

- the prevalence of HIV;
- the cost of training and providing benefits;
- the availability of prevention activities; and
- the extent to which the company can shift the economic burden of the disease from itself to workers, their families, and the public sector.

The data on the extent of the impact of HIV/AIDS on profitability remain controversial. Studies completed in Kenya (4) and South Africa (2) suggest that the economic impact of HIV/AIDS on profitability is likely to be substantial. Studies in Zambia (9), Malawi (10), and Botswana (11) however, indicate that the impact of HIV/AIDS on profitability was not substantial at the time those studies were carried out.

Summary

The loss of profits due to HIV/AIDS may be substantial for some African business, thus preventing achievement of the AGOA goals. Therefore, it is critical that businesses become aware of the HIV/AIDS problem and take immediate steps to mitigate its impact. Such steps should include workplace peer education programs, condom distribution, voluntary counseling and testing, STI treatment, and treatment for HIV-related opportunistic infections.

What Other Impacts Does HIV/AIDS Produce?

The indirect impacts associated with HIV/AIDS are much more difficult to quantify but can nonetheless be an important factor in influencing investment decisions. The indirect impact incurred by African businesses refers to those outcomes that cannot be directly attributable to an increase in revenues or a loss in expenditures over the short term, but that still can create a significant burden for a company. For example, HIV/AIDS can result in a substantial decline in morale among workers. As employees watch many of their co-workers die of AIDS, they may adopt a generally fatalistic attitude toward life and work.

One indirect effect of absenteeism is that it results in extra work for other *healthy employees* who have to stand in for sick colleagues. In some companies, healthy employees were increasingly working extra hours to compensate for the time lost by their absent (sick) colleagues. In so doing, not only did companies pay more in terms of overtime, but interviewed workers also pointed out that they were overworked and exhausted. According to the engineering manager of one of the companies, working longer hours produced stress among employees and was responsible for a decline in both the quantity and quality of the final product (sugar).

The spread of the epidemic can also contribute to worsening labor relations. If employees do not feel that their employers are providing adequate prevention or care services, the relationship may degenerate. In some cases, workers demand the dismissal of their colleagues when learning of their colleagues' illness.

HIV/AIDS can also result in a significant decline in the demand for some products. HIV/AIDS is known to be a disease that tends to impoverish families, particularly because infected individuals are often the main income earners in the household. As a result, families end up earning less but spending more on health care, leaving few resources available to purchase other goods. Thus, most businesses are likely to observe at least some decline in demand for their products, especially the "luxury" goods that consumers can forgo during difficult economic times. An article by Alan Whiteside, for example, noted that a South African furniture manufacturer (JD Group) projected an 18 percent reduction in its customer base as a result of HIV/AIDS. The study went on to conclude that consumers would incur a significant decrease in demand for furniture due to HIV/AIDS and its corresponding impact on household consumption (12).

“...[K]nowledge or even suspicion that one of their colleagues has HIV/AIDS is likely to trigger certain negative attitudes and behavioural responses towards that individual and how they perform their own tasks (13).”

“It is estimated that extension staff in north central Namibia spend at least 10 percent of their time attending funerals (14).”

Summary

Managers may not always be aware of the ways in which HIV/AIDS is affecting their business. One way to address the indirect effects of HIV/AIDS is to establish a workplace policy that explains how the needs of infected workers should be addressed. Such a policy should promote a positive relationship among infected workers, their employer, and their colleagues.

How Does HIV/AIDS Affect African Economies?

In addition to the impact of HIV/AIDS on particular businesses, HIV/AIDS can influence national economies. Such an impact can be particularly devastating to AGOA objectives, for investors seldom invest in countries with declining economies.

Various methodological issues and features of developing country economies make detection of macroeconomic impacts difficult. Initial studies regarding the potential impact of HIV/AIDS on macroeconomic growth have generally not been conclusive, with some studies in Botswana (15) and Tanzania (16) showing that the change in per capita income would be minor.

However, as the epidemic has progressed, economists have tended again to raise questions about the potential macroeconomic impacts of HIV/AIDS. A study of African countries in 2000 suggests that HIV/AIDS has reduced the growth of per capita income by 0.7 percent per year; in malarial countries, the rate of growth was further lowered by 0.3 percent. For countries with HIV/AIDS prevalence levels above 20 percent, GDP is estimated to be 2.6 percentage points less per year. The most recent economic analyses have therefore indicated that the epidemic may be affecting growth to a much greater extent than earlier predicted (17).

A Kenyan analysis indicated that HIV/AIDS would produce a significant impact, with predictions that HIV/AIDS would leave the Kenyan economy one-sixth smaller than it would have been in the absence of HIV/AIDS (18).

A recent study found that the impact of the AIDS epidemic in South Africa could be “substantial.” By the year 2010, the level of GDP could be lower by 17 percent due to HIV/AIDS while the level of per capita GDP could be lower by 7 percent. About half of the decline is attributable to the increase in current government spending to pay for health care associated with the epidemic; another third of the decline is attributable to lower productivity (19).

Summary

It appears that many African economies are already being affected by HIV/AIDS. Decision makers must be prepared to pursue policies at the national level that can mitigate social and economic impacts. This may include promoting policies that increase savings and encourage investment in specific types of human capital that might be in short supply (e.g., teachers, doctors, and so forth).

Conclusion

African nations have a potential competitive advantage over other regions of the world. However, for initiatives such as AGOA to succeed, African nations will have to ensure that they are addressing the HIV/AIDS epidemic. Businesses and governments must protect the vast majority of workers who are uninfected, offer appropriate support and services to those who are infected, and ensure that the impact of HIV/AIDS is mitigated.

Since HIV/AIDS tends to affect people in their prime working ages, the spread of the disease can prevent some nations from meeting their labor needs, particularly for businesses that require workers with significant training or work experience. The loss to HIV/AIDS of even one critical employee can cause a business to lose its competitiveness.

The spread of HIV/AIDS has resulted in the loss of profitability among African companies. This loss is attributable to increased expenditures on benefits such as health care, sick leave, and death benefits as well as to the additional cost of retraining new employees. In turn, revenues have been shown to decline when many workers become infected and their productivity declines. African businesses have also been affected more indirectly as a result of HIV/AIDS. For example, as workers become ill, companies have experienced a decline in morale, labor relations, and demand for the company's products. Lost profitability among African businesses may already be thwarting efforts to encourage foreign businesses to invest new money in the African continent.

Strong macroeconomic prospects are particularly important to investors who want assurance that they are investing in a country with a stable currency and a growing demand for their products. The most recent economic studies indicate that HIV/AIDS can negatively affect a nation's overall economic growth, which in turn is likely to hinder the success of the AGOA initiative by limiting the number of businesses that are willing to invest in Africa.

Signs of Hope

To conclude, it is imperative to recognize that in most AGOA-eligible countries, more than 90% of workers are not infected with HIV. In other words, despite the potentially dire consequences of HIV/AIDS, in most countries there is still time to prevent and to mitigate the impact of the epidemic. Also, we now know what works in terms of HIV/AIDS prevention. In countries such as Uganda and Senegal, prevention programs have succeeded in significantly reducing or limiting the spread of HIV infection. Finally, there are now unprecedented levels of commitment globally to addressing the issue of HIV/AIDS.

AGOA represents a unique opportunity for African countries to plan for and achieve real economic growth. However, AGOA must also spur African leaders to assign a high priority to HIV/AIDS prevention and care so as to ensure that uninfected workers remain uninfected and that the goals of AGOA can be achieved.

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2



The HIV/AIDS Crisis: How Are Finance and Planning Ministries Responding?

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Emerging Commitment

A combination of events globally and in sub-Saharan Africa highlights a new awareness of the HIV/AIDS epidemic as a development issue that must be addressed by governments of the region.

- At an April 2001 meeting of heads of state of the Organization of African Unity (OAU), *leaders agreed to allocate a minimum of 15 percent of government expenditures to public health*, thus paving the way for a heightened campaign to reduce the threat of HIV/AIDS to Africa's development prospects.
- In June 2001, the United Nations General Assembly held its first-ever special session dedicated to a health issue. Secretary General Kofi Annan used that occasion to call for concerted action in the face of the challenge of HIV/AIDS, malaria, and tuberculosis—the communicable diseases that most threaten Africa.
- The Group of Eight countries, meeting in Genoa, Italy, in July 2001, *agreed to a stepped-up resource mobilization effort* that, by October, had generated pledges of nearly US\$1.5 billion in support of a *Global AIDS and Health Fund* (GHF).
- Growing consensus indicated that the combined efforts of international public and private donors, along with developing country governments and the private sector, *would need annual spending of US\$9.2 billion by 2005* to bring the epidemic under control.
- Governments in Africa are preparing *Poverty Reduction Strategy Papers* for inclusion in their *medium-term expenditure frameworks* for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and for donor assistance that will increasingly focus on the multisectoral approach to addressing the HIV/AIDS crisis.

The Africa Growth and Opportunities Act (AGOA) Forum offers a unique opportunity to address the challenge of HIV/AIDS. Materials in this and accompanying documents lay out areas for priority action by governments and the private sector in these 35 countries.

Experience from selected countries demonstrates that governments can meet the challenge of HIV/AIDS and successfully pursue development objectives. Ministries of finance and planning as well as ministries of health, education, trade, commerce, and tourism have critically important roles to play in the face of this challenge. Text and data below identify opportunities for action that can enhance development prospects.

Challenge and Response

HIV/AIDS is not just a health issue to be addressed by ministries of health and population alone. The disease affects many parts of the economies and societies of sub-Saharan Africa and, as such, requires a multisectoral response.

Ministries of finance and planning in most sub-Saharan African countries, in cooperation with health ministries and national AIDS programs, lead their governments' efforts to confront the challenge of HIV/AIDS. They do so within the resource envelopes laid out in their medium-term expenditure frameworks (MTEFs). In the past, these development-planning documents were linked to annual policy framework papers; more recently, they are linked to Poverty Reduction Strategy Papers (PRSPs). Plans for public spending and priorities for social and economic objectives, including HIV/AIDS interventions, must fit into these frameworks to ensure adequate financing.

PRSPs outline goals and objectives and then lay out a path of public spending and investment to achieve them. In 2000, 21 of the AGOA countries prepared interim PRSPs.¹ In all cases, the documents make reference to HIV/AIDS. In the case of Malawi, for example, the government's document refers to the disease as a supersectoral issue requiring action from many parts of government and the private sector.

A major issue for development is how much of scarce available funds can be allocated to HIV/AIDS interventions. The disease demands attention from finance and planning authorities and the highest levels of government because other development objectives will not be reached unless AIDS is brought under control (see box).

Major Challenges in Planning for HIV/AIDS

- Including HIV/AIDS resource mobilization and spending requirements in financial planning and budgeting merits high priority in medium-term plans.
- Implementing the OAU Abuja commitment to allocate 15 percent of government budgets to health will require that AGOA-eligible countries increase public health spending by, on average, 50 percent.
- Disbursing donor commitments from a Global AIDS and Health Fund (GHF) will require documentation and receipt of detailed government plans.
- Using debt relief funds under HIPC for HIV/AIDS programs merits priority planning attention as part of poverty reduction.
- Achieving development and poverty reduction goals presupposes a multisectoral approach and success in reducing the threat of AIDS.

¹ See the World Bank website (www.worldbank.org) for reference to the current status of all interim and other PRSP documents and related review materials.

Nonetheless, finance and planning authorities must balance the requirements of HIV/AIDS funding against other pressing needs to

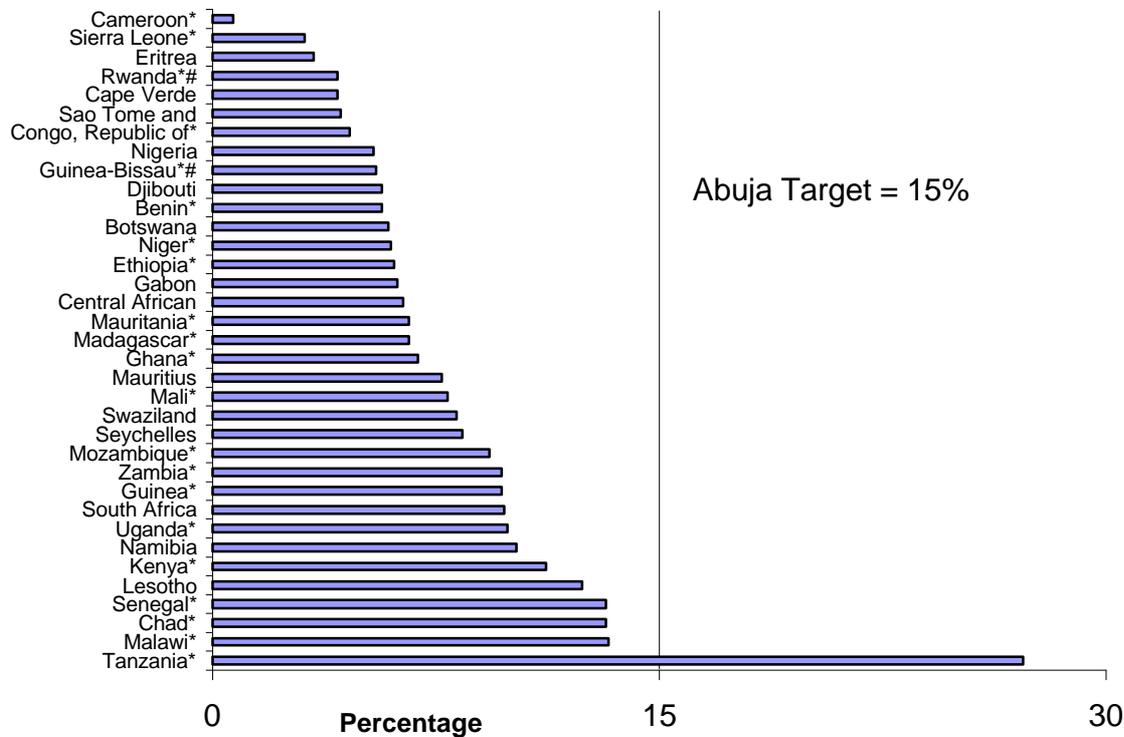
- Maintain fiscal sustainability by ensuring an ongoing balance between revenues and expenditures;
- Promote development through expansion of export capacity and by increasing the productivity and human capital of the domestic economy; effective policies must foster private sector investment and a vigorous export economy that may, as appropriate, include openness to foreign investment and assistance;
- Reduce poverty; and
- Use the tools of planning to mobilize domestic and international resources and enhance opportunities for private sector investment.

These other commitments notwithstanding, the most affected countries and governments will have to devote considerable resources to HIV/AIDS interventions lest the epidemic undermine other objectives.

In that spirit, government leaders at the April 2001 meeting of the Organization of African Unity (OAU) in Abuja committed to spend a substantial share of available resources on health. Much of the increment would be allocated to malaria, tuberculosis, and HIV/AIDS control programs. Virtually all the AGOA-eligible countries (Tanzania alone may be an exception) would have to increase health spending by 50 percent or more to reach the 15 percent allocation target (see Figure 1).

Such an increase may pose fiscal problems. For the heavily indebted poor countries, identified with an asterisk (*) in Figure 1, the HIPC Initiative may help overcome that constraint. Donors can be expected to work closely with governments assigning high priority to HIV/AIDS programs and sharing the burden of the projected high costs of providing adequate services.

Figure 1. Public Expenditure on Health as Percentage of Total Public Expenditure



* Heavily indebted, poor countries

#Data from interim PRSP documents

Source: Data in Figure 1 come from WHO, *World Health Report 2000*, Annex Table 8, with the exception of Guinea-Bissau and Rwanda, which, because of the appearance of overstatement in the WHR data, were taken from the interim PRSP documents prepared by the governments of those countries.

National AIDS programs have often been supported almost entirely by donor assistance. Thus, AIDS program managers may not be familiar with the work of integrating their programs and plans into the medium-term expenditure framework developed by finance and planning ministries. A central task may therefore be to train staff in ministries of health and national AIDS control programs in the instruments and mechanisms needed to ensure inclusion of their financing needs in the overall management system.

In some cases, a National Disaster Declaration aimed at highlighting the challenge of HIV/AIDS may be one means to strengthen resolve and ensure an adequate response. Where appropriate, some government ministries (e.g., trade and commerce, tourism, education, sports, and youth) will wish to create AIDS Control Units to complement the work of ministries of health and social welfare.

Many of the region's governments place a National AIDS Coordinating Council in the office of the president (see box). Ministries of finance, planning, health, labor, youth, trade, commerce, and tourism have distinct but mutually supportive roles to play in effecting and coordinating a response.

Kenya's Response to the HIV/AIDS Epidemic

Kenya's government began organizing and funding the national response to HIV/AIDS in the early 1980s. The 1994 National Development Plan included a chapter on AIDS. Parliament approved a national AIDS policy in 1997, and President Daniel arap Moi declared AIDS a national disaster in 1999. The National AIDS Control Council (NACC), established in 2000, is a multisectoral body charged with organizing and coordinating the AIDS program.

Today, HIV/AIDS policy is fully integrated into Kenya's medium-term expenditure framework, the government's development strategy. Completion of an interim Poverty Reduction Strategy Paper and plans to use resources under the HIPC Initiative also support strategic planning for Kenya's response. Each ministry now has an AIDS Control Unit to coordinate the response of that sector.

Subnational bodies strengthen local efforts. District AIDS Committees coordinate government, NGO, and private sector activities at the district level. AIDS Control Committees develop people-centered activities and responses to HIV/AIDS and related development issues.

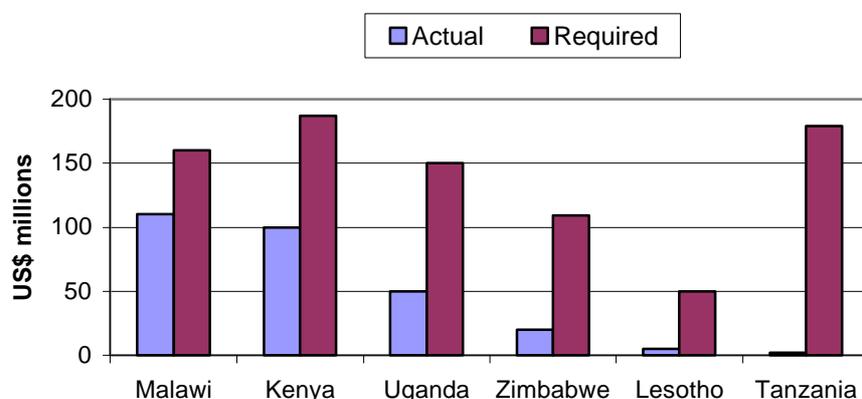
Resource Requirements

How much will be needed to stem and reverse the spread of HIV/AIDS?

For the 35 AGOA-eligible countries, UNAIDS and its technical associates estimate that annual spending by 2005 must rise to about US\$3.6 billion to offer an adequate response to the HIV/AIDS epidemic (1). Otherwise, specialists believe, both the incidence and prevalence of HIV/AIDS will continue to increase.² Data available through UNAIDS show the spending levels recommended for prevention and care for most of these countries in 2005.³

The AGOA countries currently spend far less than these amounts. Sub-Saharan Africa as a whole spent only US\$165 million on HIV/AIDS in 1998, the last year for which reasonably complete data are available. More recently, interviews with AIDS program managers in six countries (2) compared their countries' actual spending against the managers' estimate of need (see Figure 2). All managers indicated a large unfilled resource gap. A critical challenge will be to find the means to expand programs yet maintain efficiency and effectiveness.⁴

Figure 2. Actual and Required HIV/AIDS Spending Levels, Selected Countries



² Incidence refers to new infections in a one-year period. Prevalence is the percentage of all persons (usually the adult population) who are HIV-positive. Incidence must fall rapidly, from one year to the next, to achieve a gradual decline in prevalence.

³ Due to lack of basic data from UNAIDS and selected governments, there are no estimates of resource requirements for Cape Verde Islands, Sao Tome and Principe, and Seychelles. Government officials report that some steps are being taken to assemble necessary data for these countries.

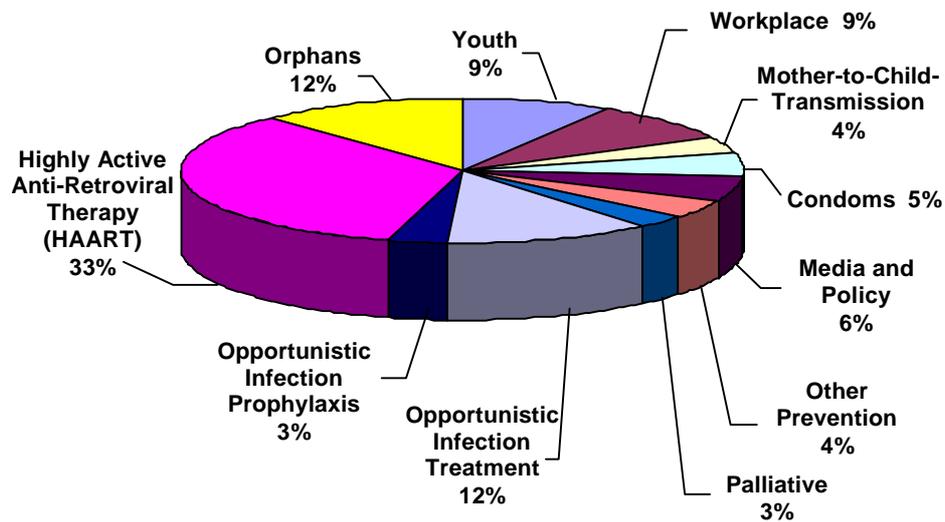
⁴ Data are preliminary and subject to substantial revision. The Tanzania program manager, for example, included only the direct budget outlays for the AIDS program office in the statement of actual spending. The same manager, in contrast, estimated required spending across the whole of both the public and private sectors, thus showing an extremely large gap between actual and required outlays.

How would these larger amounts be spent, program by program?

For the sub-Saharan Africa region as a whole, spending on 12 prevention interventions will require about one-third of the \$3.6 billion total. Spending on five interventions that provide care, support, and treatment would use the remaining two-thirds. The split between prevention spending and care spending will vary widely among countries. The share for prevention will be highest for those countries that still have low rates of prevalence and incidence of HIV/AIDS (e.g., Ghana, Guinea, Mauritius, and Senegal). But, for countries that are already highly affected, the share for care, support, mitigation, and treatment will be higher. These actions include palliative care associated with opportunistic illnesses, support for orphans and vulnerable children, and antiretroviral therapy. Specific spending requirements, country by country, are under review and subject to ongoing discussions with governments and civil society in each of these countries. For the AGOA countries as a group, Figure 3 shows the projected expenditure requirements by intervention.

Spending requirements for HAART, highly active antiretroviral therapy, shown as one-third of the total in Figure 3, are especially difficult to estimate and project into future years. The changing price and regulatory environment for the drugs could dramatically reduce costs of treatment and hence any estimate of financing requirements. Voluntary price reductions and outright donation of some pharmaceuticals from manufacturing companies may greatly affect how much of the cost of HAART falls on the beneficiaries of the treatment.

Figure 3. HIV/AIDS Prevention and Care
2005 Resource Requirements (%)



How much spending will be required in each country? By 2005, the greatest expenditure requirements will be in the larger, most highly affected countries. Ethiopia, Kenya, Malawi, Mozambique, Nigeria, South Africa, Tanzania, Uganda, and Zambia would all need to spend over US\$100 million annually, according to UNAIDS estimates.⁵

⁵ Detailed country estimates are under review by UNAIDS and other organizations.

Mobilizing Resources

How is the large gap between recent actual program outlays and projected required future spending to be filled?

Bilateral funds will continue to be important, and procedures for requesting assistance under bilateral agreements will probably not change significantly. For example, USAID, which has been the largest donor in sub-Saharan Africa for HIV/AIDS, will continue to provide assistance to AGOA-eligible governments insofar as funds permit.⁶

Multilateral donors will continue to promote debt relief linked to the medium-term expenditure frameworks and Poverty Reduction Strategy Papers for the 41 countries covered under the HIPC Initiative. Twenty-one of the AGOA-eligible countries have prepared Poverty Reduction Strategy Papers, and most of them will qualify for HIPC debt relief. World Bank staff estimate that the net present value of debt relief for 10 of these countries (Cameroon, Ethiopia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Senegal, Tanzania, and Uganda) totals about US\$18 billion (5). If these countries could devote just 10 percent of this amount to HIV/AIDS-related public health efforts, donors would likely complement their efforts with external financing on a similar scale.

The key challenge for governments in sub-Saharan Africa will be to develop sound plans for program implementation and to demonstrate to their own civil society and to supporters in the donor community that programs are working to diminish the HIV/AIDS epidemic. Agreed procedures to monitor and evaluate program effectiveness will be an essential part of each national plan and strategy. Such plans are already an integral part of the interim PRSP documents and need to be elaborated only in the area of HIV/AIDS to begin to yield positive donor responses (see box).

Key Messages on Financing for HIV/AIDS

- Demonstrating effective use of unprecedented financial resources for HIV/AIDS may be the greatest challenge governments will face over the next five years.
- Disbursements of donor commitments from a Global AIDS and Health Fund (GHF) will require full documentation and detailed plans of recipient governments for using those funds as well as the commitment of domestic resources to address the health needs of poverty groups.

At the United Nations General Assembly Special Session on HIV/AIDS and the subsequent meeting of the Group of Eight countries in Genoa, Italy, many governments

⁶ See the detailed studies on earlier resources flows, 1996-1997 (3, 4).

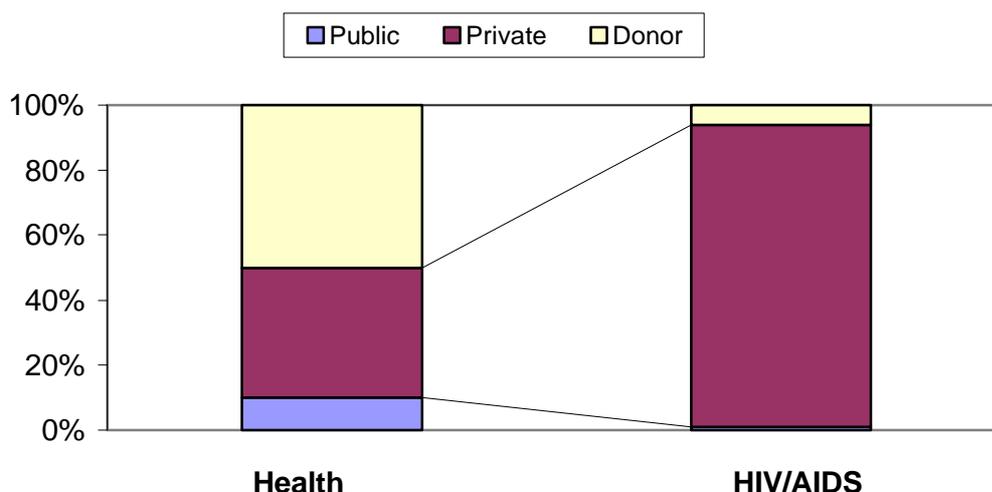
and private foundations agreed to contribute to a Global AIDS and Health Fund (GHF) established initially in the office of the UN Secretary-General. The sums available in GHF undoubtedly represent a substantial increase in available resources. President George W. Bush, for example, characterized the U.S. contribution of \$200 million on May 11, 2001, (complemented soon thereafter by the European Commission, France, Italy, Japan, and United Kingdom) as a starting point of assistance. The United States made a further grant of \$100 million on July 24, 2001. Secretary-General Kofi Annan inaugurated the fund on May 3, 2001, when he donated the proceeds—in the amount of US\$100,000—of the Philadelphia Liberty Medal that he was awarded. Some 24 additional contributions brought total resources to nearly US\$1.5 billion by October 2001. Over US\$100 million, most of it from the Gates Foundation, comes from private foundations. More will come as governments demonstrate their own resolve to reverse the spread of HIV/AIDS.

At the time this report was drafted, the details of GHF management had yet to be announced. Thus, procedures for accessing these funds remain to be clarified. It may nonetheless be prudent to assume that, as with other external assistance, GHF funds will be conditioned on effective plans for implementation of poverty- and disease-focused programs that can yield good value for money spent—hence, the importance of the medium-term expenditure frameworks and the Poverty Reduction Strategy Papers.

How the Public and Private Sectors Can Cooperate

Governments and the private sector in sub-Saharan Africa must inevitably share the costs of dealing with HIV/AIDS. How these responsibilities are divided (who pays for what?) will greatly affect how well countries respond to the epidemic. In a careful study of the sources of spending on HIV/AIDS in Rwanda, in excess of 90 percent of all spending came out of pocket from people living with HIV/AIDS and their families (see Figure 4). In contrast, donors and the public sector budget finance well over half of other health services in Rwanda. This evidence strongly supports the view that governments must work closely with the private sector to ensure that public resources benefit those most in need. Otherwise, the poor who pay for services out of pocket will be overburdened with health care costs related to HIV/AIDS.

Figure 4. Sources of Finance for Health and HIV/AIDS in Rwanda



Source: Based on Nandakumar (6).

Governments need to concentrate on financing public goods, that is, those products and services that individuals underfinance because the benefits are diffuse. These include essential information, education, and communication. Ministries of finance and planning are already familiar with the need to fund public goods.

Further, governments must concentrate their efforts on financing goods and services for those too poor to afford what they need. The demands for AIDS prevention, care, and treatment among the poor of sub-Saharan Africa are well in excess of currently available

resources. Governments have a major role to play in directing their own and donor resources to the needs of the poor that would otherwise go unfulfilled, resulting in ill health and premature death.

Too often, governments have been drawn into financing curative health services for groups, especially better-off urban populations, that could otherwise have paid for their own services. If governments use their limited resources to finance care and treatment for middle- and upper-income groups, they will not be doing all they could do in the interests of the country. A continuing challenge in monitoring and evaluating HIV/AIDS programs will be to assess whether the focus of government spending is directed at the needs of the poor and at the delivery of public goods.

Governments can facilitate private sector action by ensuring that no unnecessary legal and regulatory barriers block effective efforts of prevention, care, and support. Tariffs that impede importation of essential HIV/AIDS goods and services may need to be reviewed. Ministries of trade, commerce, and tourism may all have roles to play in ensuring a positive environment for the struggle with AIDS. For example, regulations that keep truckers overnight at borders and hence encourage commercial sex may also need review by the authorities.

Resource Allocation

For the next few years, available resources will be insufficient to meet all the needs of prevention, care, support, and treatment. Choosing the “best buys” will be essential. Government managers must look for the most cost-beneficial means to reduce the threat to development associated with HIV/AIDS. The search for efficiency and effectiveness will prove vitally important.

How much should be allocated, by money amounts and as shares of the total AIDS effort, to prevention? How much to care and support? Possible expenditure areas, by sector, include at least the following priority programs: youth education, voluntary counseling and testing, condom promotion, community mobilization, treatment of sexually transmitted infections, peer counseling, palliative care, treatment of opportunistic infections, prophylaxis for opportunistic infections, antiretroviral therapy, orphan support, food support, and poverty reduction. Choosing the right mix at each stage of the campaign to deal with HIV/AIDS can have a major impact on the success of the effort.

Computer models can help decision makers make “good buys” in the effort to cover the population with services. Models can help calculate total funding requirements to achieve national goals and to understand the most cost-effective approaches to achieving those goals.

An example is the GOALS model (7). This four-component model includes information and scenario projections for (1) cost of care, (2) cost-effectiveness of mother-to-child-transmission treatment protocols, (3) selected prevention interventions, and (4) goal setting and attainment. The model displays the impact of resource allocation decisions on HIV prevalence and the coverage of prevention, care, and mitigation services.

To assess likely results in terms of prevalence reductions and coverage, the policymaker can specify alternative levels and patterns of overall funding and allocations by service as related to alternative policy choices and program designs (model available at www.tfgi.com). Policy and technical staff in the government of Lesotho recently applied this model to guide the planning process in that country (see box). The experience may offer useful lessons for other countries as well.

Resource Allocation in Lesotho and the GOALS Model

Lesotho's *National AIDS Strategic Plan (2000/2001–2003/2004)* sets out seven goals in the areas of prevalence, incidence, onset of sexual activity, condom use, sexual partnering, counseling, and gender sensitivity, along with programmatic actions to achieve them. A generic resource allocation model, customized for the Lesotho case, was used to sort out the most cost-effective means to achieve the best combination of results in these seven goal areas.

The Lesotho AIDS Program Coordination Authority led the analysis team, which included members from the Ministry of Development and Planning, Positive Action, Lesotho Anti-AIDS Alliance, and UNAIDS. The USAID-funded POLICY Project provided technical assistance and trained team members in the use of the model and how to adapt it to the Lesotho strategic plan.

The Lesotho team used this model to examine several resource allocation options. The analysts reviewed the initial budget and compared Lesotho's unit cost estimates to international norms and assessed the proposed scale of activities to estimated need. The team developed alternative budget scenarios and examined the feasibility of achieving the stated goals at lower cost. Analysts assisted government planners in preparing a summary and detailed inventory of funding needs and goals that could be presented to potential donors.

The Lesotho team then prepared two funding scenario options. One scenario shows the funding requirements to achieve maximum impact on prevalence and maximum coverage of care and support services. The second scenario looks at the best way to allocate a fixed budget, namely, the team's best estimate of real resource availability. These scenarios will form the basis of the allocation of national resources and discussions with donors to mobilize funds for the strategic plan.

These models cannot make resource allocation decisions. They can only assist decision makers in understanding the trade-offs. National leaders still need to set the priorities for prevention, care, human rights, support to people living with HIV/AIDS, research, policy, coordination, and other essential elements of a comprehensive response.

Conclusion

There is an old saying, “The best time to plant a tree is 20 years ago. The next best time is now.” Further delay in addressing the AIDS epidemic will only increase its devastating impact on the societies and economies of Africa.

A first step is to integrate plans to confront HIV/AIDS into overall frameworks for government programs. Twenty-one AGOA governments have completed their interim PRSP documents; and all of them mention HIV/AIDS, though with varying degrees of thoroughness. The World Bank and IMF have reviewed and approved the interim PRSPs of seven of these countries: Kenya, Lesotho, Mauritania, Mozambique, Tanzania, Uganda, and Zambia. These seven countries are moving ahead briskly to implement poverty reduction strategies that give ample attention to HIV/AIDS. Other countries are close behind them and will soon qualify for debt relief and enhanced donor support. Many countries need to revisit these documents to ensure adequate attention to the HIV/AIDS crisis.

Beyond this stage, much important work remains. Implementation plans must allocate scarce resources among alternative investments, linking activities to achieving agreed objectives (see box). Finance ministers will soon need to enter into intensive negotiations with donors to secure assistance. They will assess how much they can contribute to HIV/AIDS from their savings from debt relief. Uganda, for example, has already made substantial progress in that regard. Finance and planning ministers may need to strengthen their ties to ministers of health and national AIDS program managers. Finance ministries are often held accountable for ensuring that their governments use money effectively as it is transformed into time and effort by health workers and those providing care to the patients and families affected by HIV/AIDS.

Beyond PRSPs

- Finance and planning ministries make detailed plans and resource allocations for program implementation. They demand effective use of resources and manage allocations of debt relief under the HIPC Initiative to expanded HIV/AIDS programs.
- Health ministries and national AIDS programs work closely with planning authorities to ensure complementarity between domestic resources, including poverty-focused debt relief, and donor assistance.
- Other ministries review the impact of HIV/AIDS on their objectives and assess how they can contribute, in a multisectoral approach, to mitigating the crisis.
- Governments prepare to monitor and evaluate annual progress to ensure continuing support from civil society and international donors.

Where appropriate, sectorwide assistance programs, Poverty Reduction Strategy Papers, and debt relief instruments can be refocused to include a more vigorous program for confronting HIV/AIDS. Each country and government situation is unique, and each government will chart its own course to address the HIV/AIDS challenge. Donor assistance will flow more readily to those governments able to demonstrate consistent macroeconomic policies that give adequate due to the resource needs for AIDS programs linked to poverty reduction.

Finance and planning ministries face the challenge of demonstrating effective use of what may well be unprecedented amounts of financial resources in the next few years. Disbursements from bilateral and multilateral donors, including GHF, will require full documentation of results via active monitoring and evaluation of results.

An enormous global reservoir of goodwill is available to the nations of sub-Saharan Africa as they embark on the challenge of bringing HIV/AIDS under control. Technical cooperation in the form of assistance in priority setting, resource allocation, and monitoring and evaluation will be available through multilateral and bilateral organizations. There is perhaps no higher priority among advocates for effective development assistance than the need to control the HIV/AIDS epidemic.

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3



The HIV/AIDS Crisis: How Are Trade and Commerce Ministries Responding?

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This paper is one of four background papers prepared for the Plenary Session on HIV/AIDS, AGOA Forum, Washington, DC, October 30, 2001. The Africa Bureau of the U.S. Agency for International Development sponsored the preparation of the background papers. These papers will be revised and participant comments will be incorporated into the final versions, which will be distributed after the meeting.

Introduction⁽¹⁾

The Trade and Development Act of 2000, which contains the African Growth and Opportunities Act (AGOA) provisions, recognizes the increasing importance that sub-Saharan Africa plays in trade with the United States. The overall amount of trade between the United States and sub-Saharan Africa was US\$29.4 billion in 2000, an increase of about 50 percent from 1999.

- U.S. exports to sub-Saharan Africa were US\$5.9 billion, more than exports to all of the former Soviet Union combined (including Russia)
- U.S. imports from sub-Saharan Africa were US\$23.5 billion, led primarily by crude oil and minerals.

Over time, trade with sub-Saharan Africa has become increasingly concentrated. Angola, Kenya, Nigeria, and South Africa accounted for nearly 72 percent of U.S. sales in 2000; the leading export products were aircraft and oil and gas field equipment. Approximately 87 percent of total imports from sub-Saharan Africa originated from four countries (Angola, Gabon, Nigeria, and South Africa), with the leading products being crude oil and minerals such as platinum, diamonds, and steel.

Overall, however, sub-Saharan Africa still accounts for less than 1 percent of total U.S. merchandise exports, and less than 2 percent of U.S. merchandise imports. Although overall world trade has tripled over the last two decades, sub-Saharan Africa total trade increased by only 10 percent, resulting in a decrease in the share of sub-Saharan Africa in global trade from about 4 percent to less than 1.5 percent. This is the result of many factors, including weakening economic performance, decreases in commodity prices, war, famine, and drought.

The interaction between the HIV/AIDS epidemic and the trade and commerce sectors of sub-Saharan African economies occurs in a number of different ways:

- **Intellectual Property Rights.** The questions of compulsory licensing and parallel importing as they relate to the provision of HIV/AIDS drugs are complex, yet important in understanding whether these drugs are to become available for sub-Saharan African countries. For example, understanding the role of intellectual property rights in stimulating research and development is critical. Patents can also encourage both domestic and foreign direct investment.
- **Restrictive Trade Practices.** Certain trading patterns, such as tariffs and delays at border crossings, may be altered to mitigate the impact of the epidemic.
- **Tourism.** Although tourism is an important source of foreign exchange for many countries, the epidemic may be exacerbated by activities that take place during tourist visits. The industry itself may be vulnerable to perceptions of higher risk on the part of incoming tourists.

- **International World of Work.** The workplace offers a unique setting to provide prevention and care programs. The recent International Labor Organization's (ILO's) Code of Practice on HIV/AIDS gives guidance on how to implement such programs in the workplace.
- **Effect on Competitiveness.** Through different mechanisms, including increasing unit labor costs and decreasing investment flows, HIV/AIDS may affect a country's international competitiveness.

| Major U.S.-African Trading Partners: 2000⁽¹⁾ | | |
|--|-------------|-------------|
| Country | Exports (%) | Imports (%) |
| Angola | 3.8 | 15 |
| Gabon | | 9 |
| Kenya | 4 | |
| Nigeria | 12 | 45 |
| South Africa | 52 | 18 |

Impact of HIV/AIDS on Trade and Commerce Sectors

- Intellectual property rights
- Restrictive trade policies
- Tourism
- International World of Work
- International Competitiveness

How Can Intellectual Property Rights Affect the HIV/AIDS Epidemic?

“Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time” (2).

As part of the World Trade Organization’s overall agreement, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement lays out the international standards of protection for intellectual property rights, including patents. The general rule affecting patents is that both product and process inventions in all fields of technology can be patented, and thus protected under the agreement. There are certain types of exceptions to these patent rights, such as the following:

- When the exception does not unreasonably conflict with normal exploitation (i.e., if the patented invention will be used in research);
- When *compulsory licensing* is allowed under certain conditions; or
- When *parallel imports* are allowed under certain conditions.

The TRIPS Council held a special session in June 2001 on Intellectual Property and Access to Medicines. The council chair summarized the meeting as follows:

“[A]ll members are determined to ensure that the TRIPS Agreement is part of the solution and not part of the problem of meeting the public health crises in poor countries...Members recognize that patents are important for public health policies because they provide incentives for research and development into new drugs...Many delegations said that the TRIPS Agreement could provide sufficient flexibility to enable public health needs to be met, if it is properly interpreted and applied.” (3).

Since drugs that treat HIV/AIDS are relatively new, most are still under patent, as defined by the TRIPS Agreement, particularly in developed countries. Patent protection has not been applied for, however, in all countries. In a recent study for some countries in Africa, for example, only 21 percent of possible patent applications for AIDS drugs have been filed (see box). When patents do exist, alternative access to these drugs is available through two mechanisms: compulsory licensing and parallel importing. Recently, much attention has been paid to the conditions under which these mechanisms are valid.

Issues Surrounding Intellectual Property Rights

- **Compulsory licensing** may be in effect in emergency situations
- **Parallel importing** may be allowed under certain conditions

Patent Protection in Africa

A recent study of 53 African countries found that only 21 percent of potential patents actually exist, thus allowing for the importation of generic drugs. Although this is true for most African countries, it is not true in South Africa, where 11 of the 15 most common drugs do have patent protection. In addition, one of the most commonly used AIDS drugs, Combivir, does have patent protection in most African countries (8).

United States

“On February 21, 2001, the Bush administration decided to let stand a May 2000 executive order that prohibits U.S. retaliation against African nations promoting access to HIV/AIDS pharmaceuticals and medical equipment as long as their efforts are consistent with international treaties and agreements, including TRIPS” (5).

Compulsory Licensing

Compulsory licensing, or use of a patent by a third party without the consent of the patent owner, is allowed under the TRIPS Agreement under a number of conditions that protect the patent owner's rights. Two of the main conditions include the following:

- An effort must be made to obtain voluntary use of the license, unless there is a national emergency, other circumstances of extreme urgency, government non-commercial use, or anticompetitive practices.
- Remuneration must be made to the right patent holder.

Once compulsory licensing occurs, it cannot be given to a single party for its exclusive use, and it usually applies only to production for the domestic market. One issue for further discussion by the TRIPS Council in subsequent sessions is whether compulsory licensing may be used for import rather than local production. Because many smaller developing countries may not have the domestic capacity to produce sophisticated pharmaceuticals, they would like to purchase drugs on the international market that have been produced under compulsory licensing, after they become subject to the TRIPS Agreement in 2005 (4).

Parallel Importing

Parallel, or gray-market, imports are those goods that are produced legitimately by the patent holder in one country, purchased by another company, and sold in another country by the second company. This practice is addressed in the TRIPS Agreement via the legal principle of "exhaustion"—a patent right in the specific purchased product is "exhausted" once the patent holder has sold the product. Any issue regarding the exhaustion of intellectual property rights cannot be raised as a dispute in the World Trade Organization, although issues of national treatment and most favored nation treatment can be raised. Note that parallel imports are not the same as "generic" products; if the product is under patent in a particular country, then a generic product is an illegal copy of the patented drug. At the recent TRIPS Council meeting, developed countries warned that parallel imports could affect the negotiations currently taking place for selling HIV/AIDS drugs for lower prices in developing countries (4).

Kenya and South Africa

The Parliament of Kenya recently joined the South African government in passing a bill to allow domestic production and importation of various medicines, including antiretroviral drugs. The bill requires that Kenya give the relevant pharmaceutical firms six months' notice prior to granting the compulsory licensing (6).

Brazil

Brazil recently announced that it would begin domestic production of a generic version of Nelfinavir, after declaring AIDS a "national emergency." Some royalty payments will be made to patent holders. Earlier domestic production of AIDS drugs was undertaken based on a different Brazilian law that allowed domestic production of a generic drug if a foreign company did not begin production in Brazil within three years of being granted a patent (7).

What Restrictive Trade Patterns Affect HIV/AIDS?

Restrictions on trade patterns take various forms, including tariffs, quotas, delays at border crossings, and other nontariff barriers. Some trade restrictions are based on official government policies, such as tariffs and quotas, and as such are under the direct control of the relevant ministry. Other practices, such as delays at border crossings, are the result of many factors that are not explicitly under the control of government. Identifying some of these trade restrictions, as well as how they affect the HIV/AIDS epidemic, may help countries mitigate some of the impact of the epidemic.

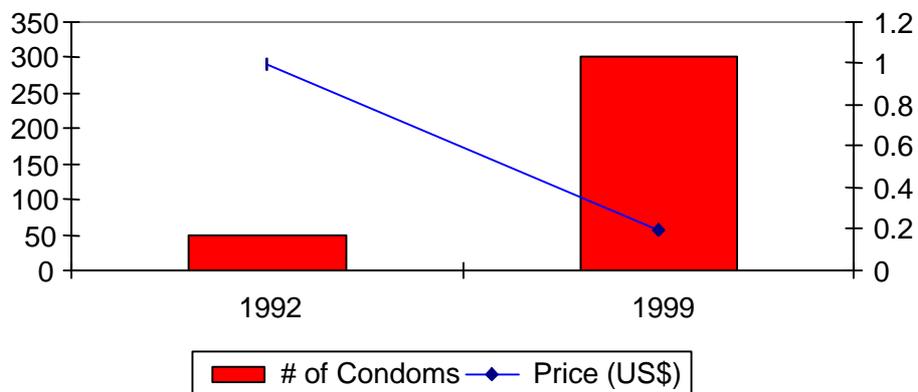
One trade restriction that is under the control of national governments is tariffs imposed on imports. When a tariff is imposed, the domestic price of a good rises above the international, competitive price. The higher relative price of the good can cause a decrease in the demand for it, relative to other goods. When the purchase of this good would result in a positive impact on the HIV/AIDS epidemic, lifting tariff duties may result in increased purchases, and thus slow the epidemic.

For example, in the early 1990s, Brazil had some of the highest condom prices in the world; the average cost of a condom in 1992 was US\$1. This high price was due to a combination of very high import tariffs and other retail taxes. As a result, the per capita use of condoms was very low—only about 50 million condoms were sold per year. Once the price distortion was recognized, various organizations conducted advocacy campaigns to lower the taxes on condoms. By 1999, the average price per condom decreased to US\$0.20, and total sales increased to 300 million units per year (see Figure 1). Thus, this represents an example in which the removal of a trade distortion had a clear impact on purchases; the resulting increase in condom use could only have a positive impact on the HIV/AIDS epidemic (9).

How Do Trading Patterns Affect HIV/AIDS?

- High tariffs or other nontariff barriers can affect prices or access to products for prevention or treatment.
- Delays at border crossings increase risky behaviors.
- Policies can be enacted to address these trade practices, such as decreasing tariffs or facilitating border crossings.

Figure 1. Impact of Tariff Reduction on Condoms Sold in Brazil



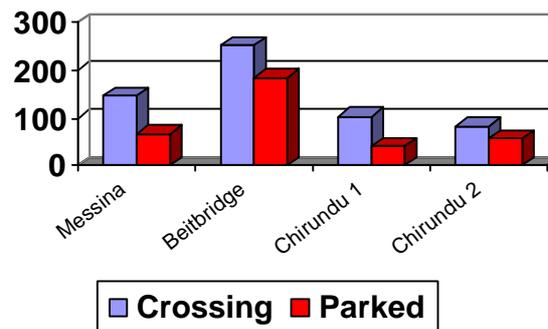
Sometimes, however, potential changes in policy to mitigate the epidemic are not so obvious. For example, delays at border crossings in sub-Saharan Africa increase high-risk behavior, such as the use of commercial sex workers. A 1993 survey of 168 drivers in Cameroon found that the average trip length was 14 days. During the trips, about 62 percent had sex at least once, while 25 percent had sex every night (10). A recent survey of four border crossings in southern Africa found that several thousand truckers cross each border monthly, with about 1,000 sleeping at least one night at each border. The delays are extensive; as Figure 2 shows, for every two trucks that cross the border at each of these four stops, there is at least one that remains parked at the border because of delays. These numbers do not include trucks parked in the towns; in Messina, South Africa, where between 120 and 180 trucks cross daily and between 60 and 80 trucks are parked at the border, it was estimated that about 200 trucks were parked daily throughout the town (11).

Delays are the result of many factors, including lack of infrastructure and staggered border opening hours. One study reports that delays at the South Africa border are related to the country's concern about migration flows (11).

What can be done to reduce time at border points? The Common Market for Eastern and Southern Africa (COMESA) has devised various policies, some of which are designed to facilitate border crossings. Among them:

- Standardization of **customs rules and regulations** results in faster movement of goods and services by reducing time spent at border points.
- Introduction of a **COMESA carrier license and insurance** that would be valid throughout the region will facilitate movement between countries.
- Introduction of a **customs bond guarantee** reduces delays at borders.

Figure 2. Average Number of Trucks Crossing Border and Parked at Border Daily, South Africa



COMESA Policies to Facilitate Border Crossings

- Standard customs rules and regulations
- Carrier license and insurance
- Customs bond guarantee

What Is the Interaction Between Tourism and HIV/AIDS?

Over the last 20 years, tourism has become an increasingly important part of the economies of AGOA countries. The number of international tourists arriving in the area increased from 2.6 million in 1980, to 5.1 million in 1990, to 13.2 million in 1998. Overall, the total receipts from international tourism rose from US\$2.5 million in 1980 to more than US\$6 million in 1998, in real terms (see Figure 3). In addition to an increase in overall receipts, tourism has also increased in relation to exports. In 1980, tourism was about 5 percent of total exports; by 1998 this percentage had increased to more than 13 percent. South Africa and Kenya together account for about one-half of total international tourism receipts (12).

Thus, tourism plays an important and growing role, particularly in certain economies, by providing jobs, income, tax revenues, and foreign currency. The interaction between HIV/AIDS and tourism is complex; due to riskier behaviors adopted by tourists while on vacation, the HIV/AIDS epidemic is exacerbated. At the same time, tourists may be discouraged from visiting countries with high HIV-prevalence rates because of a fear of infection (13). Several studies have found that, in general, tourists increase risky behavior in a number of ways. Sexual activity increases, both with other tourists and with local people; however, the use of condoms is not consistent during these sexual encounters. Young people, in particular, increase sexual contact during tourist visits, with a large percentage of these contacts being unsafe. Finally, the increase in alcohol consumption that occurs during holidays increases risky behavior even further (14).

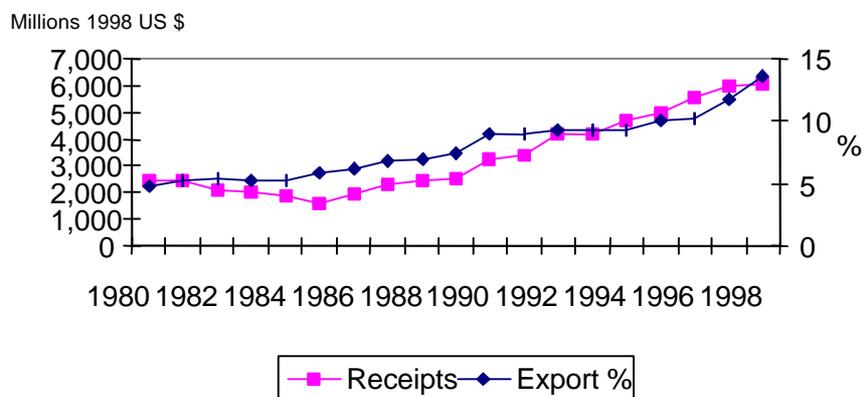
Although there is little quantitative evidence regarding the negative impact of HIV/AIDS on tourism, anecdotal evidence suggests that the HIV/AIDS epidemic may have an impact on overall tourism receipts. Early in the epidemic in the late 1980s, the British military banned soldiers from visiting tourist sites, such as Mombasa or Molindi, because of HIV/AIDS. After this story reached the British public, one travel agency reported cancellations of US\$3 million from British tourists. Another study in Thailand, however, found that tourists were not changing plans based on fears regarding the expanding HIV/AIDS epidemic (13).

What can ministries of tourism do to encourage tourism amid the HIV/AIDS epidemic? Studies in the Dominican Republic and Indonesia found that tourists were receptive to the idea of having information about HIV/AIDS located in their hotel rooms, particularly those tourists who perceived themselves to be at high risk (15, 16). In addition, instituting a 100 percent condom-use policy between sex workers and their tourist clients would have an impact on the transmission of the virus. This policy has been shown to be effective in increasing condom use in both the Dominican Republic and Thailand (13). Finally, treating STIs and providing materials about HIV/AIDS to workers in the tourist industry, as well as supplying condoms, could have a mitigating effect on the epidemic as well.

Interaction Between HIV/AIDS and Tourism

- Risky behavior adopted by tourists exacerbates the epidemic
- An increasing epidemic may affect tourists' willingness to visit, resulting in a loss of foreign exchange

Figure 3. International Tourism: Total Receipts and Receipts as Percent of Total Exports



Risky Behavior of Tourists

- Sexual activity increases
- Condom use is infrequent
- Young people in particular are at risk
- Alcohol consumption increases

Policies for Tourism Industry

- IEC materials for tourists
- 100% condom use policy
- STI treatment, IEC materials for workers

What Policies Can Be Adopted in the International World of Work?

“We want to maintain an open policy with our employees who are carrying the disease by accepting their condition with no fear of victimization.”

— NamWater CEO (17)

The ILO recently adopted a Code of Practice on HIV/AIDS and the World of Work. The code defines HIV/AIDS as a workplace issue and provides guidelines regarding the various issues associated with HIV/AIDS, including the appropriate use of testing in the workplace, the provision of workplace prevention programs, and responsibilities for care and support for affected people. Within these issues, particular attention is paid to how crosscutting topics, such as stigma, discrimination, and gender inequality, affects programs that might be enacted by government, employers and their organizations, and workers and their organizations. The code applies to all employers and workers in the public and private sectors, including formal and informal sectors (18).

Testing

The code recognizes both appropriate and inappropriate testing procedures. For example, testing is deemed inappropriate when used to hire or fire workers or used in any discriminatory way. It is appropriate, however, when offered on a voluntary basis, or when workers have occupational exposure. In all cases, confidentiality should be strictly enforced.

Although most African businesses do not currently mandate the testing of their workers, the code will help prevent these practices from occurring. For example, executives in numerous companies in Zimbabwe indicated that what they really thought was needed was a mandatory screening program (19). In one brewery in Ghana, managers also expressed the need for mandatory testing (20). Some companies avoid the issue of mandatory testing by allowing their employees to be tested for insurance purposes (19). Other companies test their workers in violation of the existing law, thus risking a potential legal response from either the government or their employees.

Prevention

“Workplace information and education programmes are essential to combat the spread of the epidemic and to foster greater tolerance for workers with HIV/AIDS (18).”

The ILO code discusses in great detail the types of prevention programs that should be adopted, including their objectives, such as attitudinal and behavioral change, and their content. The types of programs the code advocates include

- Information and awareness-raising campaigns;
- Educational programs;
- Gender-specific programs;
- Linkage to health promotion programs;
- Community outreach programs; and
- Other practical measures to support behavioral change.

As with any intervention, workplace programs for HIV/AIDS will only be widely adopted if leaders are convinced that the programs actually work. For managers, there is a need to know that expending resources on HIV/AIDS prevention will result in preventing new infections. While there are limited data on the impact of workplace prevention programs, a few studies have shown tremendous efficacy of prevention programs. Other studies have found that the treatment of STIs resulted in a significant reduction in the incidence of HIV, although these studies are not specific to workplace treatment programs.

Despite the efficacy of prevention programs, such as peer education, condom distribution, and STI treatment, most managers have not pursued such a comprehensive prevention program. Managers argue that employees are already aware of HIV or that the employees do not engage in “immoral” activities. When prevention programs are initiated, they almost always exclude participation by management. AIDS is usually viewed as a problem of the uneducated workers, even though the data indicate that the financial impact of losing a senior member of staff is much greater than losing an unskilled worker.

While providing prevention programs in the workplace is critical, these issues also need to be addressed within the entire community where the workers live. Even fewer companies are, in fact, willing to make contributions to their communities; they often view HIV/AIDS prevention as the responsibility of the government or nongovernmental organizations, not their responsibility. It is often common to hear managers say that they already pay their taxes and therefore should not have to take on the responsibility of the government. However, other companies have recognized that, although the primary responsibility for health care may be with the government, the private sector needs to ensure that minimum health care standards are being met.

Care and Support

The ILO Code of Practice recommends that the workplace be involved with various aspects of care and support, either onsite or through the community. Care and support should include

- Counseling;
- Occupational and other health services;
- Linkages with self-help and community-based groups;
- Continuation of benefits;
- Social security coverage;
- Assurance of privacy and confidentiality;
- Parity treatment with other serious illnesses; and
- Employee and family assistance programs.

Whether workers infected with HIV should be treated in the workplace increasingly has become an issue for businesses in Africa. For most companies, the first step in establishing an appropriate treatment strategy could involve a focus on TB. Isoniazid prophylaxis, for example, was found to increase life expectancy in Spain for HIV-infected workers by three years (22). Cotrimoxazole has also been shown to be extremely effective as a prophylaxis against TB and other opportunistic infections (23).

An increasingly important issue regarding HIV/AIDS concerns the introduction of highly active antiretroviral therapy (HAART). HAART has been shown to be extremely effective in reducing the morbidity and mortality of individuals in developed and developing countries (24). Even in developing countries, such as Brazil, antiretrovirals were found to decrease mortality by 32 percent (25). Nevertheless, HAART is extremely expensive for most of Africa. The price is coming down, however, with generic manufacturers offering a combination of drugs for as low as US\$295 a year. Distribution issues remain important when discussing widespread use of antiretroviral therapy.

The provision of HAART can produce significant savings, particularly for companies that invest heavily in employee training and benefits. The benefits accrue through delaying the impact of AIDS (health care, recruitment, etc.) for a number of years. On a purely economic basis, companies are likely to find that the benefits of HAART exceed the costs for senior staff but not for unskilled workers. There are ethical issues, however, associated with providing HAART only to senior staff. In the end, the decision to provide HAART to employees may extend beyond an economic rationale.

The International World of Work

The newly adopted ILO Code of Practice on HIV/AIDS and the World of Work discusses best practices for

- Testing
- Prevention
- Care and Support

Zimbabwe

In 1993 in Zimbabwe, 40 factories implemented HIV/AIDS prevention programs. In 1994, 20 of these companies added peer education to their prevention programs, while the remaining companies continued with their existing programs. Factories offering peer education had a much lower incidence of HIV than factories that did not (21).

Zimbabwe

Some companies have made significant contributions beyond their workplace. Private sector contributors to community-wide HIV/AIDS prevention efforts in Zimbabwe include Barclay's Bank, Delta, Southampton, Johnson and Johnson, BP, and Old Mutual (19).

Does HIV/AIDS Affect International Competitiveness?

There are several mechanisms by which HIV/AIDS affects the international competitiveness of an economy:

- AIDS deaths lead directly to a reduction in the number of workers available. These deaths occur to workers in their most productive years. As younger, less experienced workers replace these experienced workers, productivity is reduced, thus resulting in a decline in international competitiveness.
- A shortage of workers also leads to higher wages, which leads to higher domestic production costs. These higher production costs again lead to a loss of international competitiveness, which can cause foreign exchange shortages.
- Lower government revenues and reduced private savings (because of greater health care expenditures and a loss of worker income) can cause a significant drop in savings and capital accumulation. This will have an impact on international competitiveness, since a reduction in investment funds may result in reduced investment in new technology and new production techniques.

The impact of HIV/AIDS on competitiveness is difficult to assess quantitatively. Most studies have found that estimates of the macroeconomic impacts are sensitive to assumptions about

- How the epidemic affects savings and investment rates;
- Levels of employees' education, skill, and training; and
- Mechanisms for financing costs—deficit financing vs. other mechanisms.

Few studies have been able to incorporate the impacts found to date at the household and firm levels in macroeconomic projections. Some studies have found that the impacts may be small, especially if there is a plentiful supply of excess labor and if worker benefits are small. Other studies have found significant impacts. The magnitude of the impacts depends partly on the structure of the economy. Economies based on extractive industries or export agriculture are likely to be most severely affected.

Certain sectors are particularly at risk for significant impact from HIV/AIDS, depending on the level of skill required. For example, the mining sector is a key source of foreign exchange for many countries. Most mining is conducted at sites far from population centers, forcing workers to live apart from their families for extended periods of time. They often resort to commercial sex, with resultant HIV infection and the spread of the infection to their spouses and communities when they return home. Highly trained mining engineers can be difficult to replace. As a result, a severe epidemic can seriously

threaten mining production, increase unit labor costs, and affect exports and subsequent foreign exchange balances.

Another sector that could be severely affected is the water sector, which in turn affects export agriculture. Developing water resources in arid areas and controlling excess water during rainy periods requires highly skilled water engineers and constant maintenance of wells, dams, embankments, and so forth. The loss of even a small number of highly trained water engineers can place entire water systems, and significant investment in them, at risk. In addition, these engineers may be especially susceptible to HIV because of the need to spend many nights away from their families. Other heavily affected sectors include agriculture, transport, health, and education.

Effect on International Competitiveness

- AIDS reduces the number of workers available, and worker productivity is reduced.
- Worker shortages lead to higher wages, higher production costs, and a loss of international competitiveness.
- Lower government revenues and reduced private savings can cause lower savings and capital accumulation, resulting in a loss of competitiveness.

Conclusion

As discussed above, trade between the United States and sub-Saharan Africa has been increasing in recent years. The Trade and Development Act of 2000 is intended to encourage this trend through increased trade and investment incentives. The HIV/AIDS epidemic, however, may have an impact on the ability of the 35 AGOA countries to take advantage of the opportunities provided by the Trade and Development Act.

What can the ministries of trade and commerce do to address the potential impact of HIV/AIDS?

- Ministries should be aware of the opportunities available through the TRIPS Agreement and negotiations with the pharmaceutical companies to increase access to essential HIV/AIDS drugs.
- Certain tariff and nontariff-related barriers exist that have an impact on the transmission of HIV/AIDS, such as high tariffs on condoms and delays at border crossings. Policies can be implemented to address these barriers, including lowering relevant tariffs and standardizing various customs rules and regulations to facilitate border crossings.
- Foreign exchange earnings may be at risk due to fluctuations in tourism receipts due to HIV/AIDS. Information and condom campaigns for both tourists and workers in the tourism industry may be effective in fighting the epidemic.
- Ministries may explore the relevance of the newly adopted Code of Practice on HIV/AIDS and the World of Work for domestic workplace guidelines.
- Certain sectors are particularly vulnerable to the HIV/AIDS epidemic, such as mining, transport, water, and export agriculture. Awareness of this vulnerability may increase the incentive to institute workplace programs and to develop plans to address the possible consequences of HIV/AIDS.

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4



The HIV/AIDS Crisis: How Are Businesses Responding?

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This paper is one of four background papers prepared for the Plenary Session on HIV/AIDS, AGOA Forum, Washington, DC, October 30, 2001. The Africa Bureau of the U.S. Agency for International Development sponsored the preparation of the background papers. These papers will be revised and participant comments will be incorporated into the final versions, which will be distributed after the meeting.

“The challenge is to move from rhetoric to action, and action at an unprecedented intensity and scale. For this there is a need for us to be focused, to be strategic, and to mobilise all of our resources and alliances, and to sustain the effort until the war is won.”

— Nelson Mandela

What Can Business Do to Respond to the Crisis of HIV/AIDS?

This paper addresses how African businesses are responding to the HIV/AIDS crisis. It is imperative that businesses take immediate action to lessen the economic and social consequences of HIV/AIDS. If they take action, businesses can ensure that economic initiatives, such as the African Growth and Opportunities Act (AGOA) will succeed in stimulating economic growth in Africa. While both the public and private sector should have HIV/AIDS policies and programs, this paper addresses only the private business sector response to the epidemic. However, many of the actions, best practices, and conclusions discussed in this paper are also applicable to public sector policies and programs.

The most important step for a business in responding to HIV/AIDS is to get started on an HIV/AIDS program. If a business has started addressing HIV/AIDS, it must progress to the next step of evaluating the effectiveness of current activities.

A critical component to the success of any HIV/AIDS program is the involvement of top leadership. Other key components include development of workplace policies to eliminate stigma and discrimination, and education about the policies to both supervisors and employees. Other key components include providing workplace HIV/AIDS education, addressing care and treatment issues, and outreach to families of employees, suppliers and contractors, and communities.

Key Messages to Business

- Get started on an HIV/AIDS program
- If you have started, evaluate the effectiveness of its current activities
- Involve top business and labor leaders within a business
- Monitor existing programs for effectiveness

As a framework for action for businesses responding to the crisis of HIV/AIDS, this paper has been organized around specific kinds of activities that businesses can implement within their organizations, in the surrounding community, and in concert with governments in the country or countries in which they operate.

This paper presents six pillars of action in which the following practices are highlighted:

- ✓ **Workplace initiatives**
Implementing comprehensive and effective workplace HIV/AIDS programs that are collaboratively designed and implemented and that ensure employee rights and confidentiality are provided for within an HIV/AIDS workplace policy.
- ✓ **Community initiatives**
Ensuring that communities from which staff are employed and/or that are suppliers or contractors to the workplace are assisted and reinforce the overall community response to HIV/AIDS, including community-based interventions.
- ✓ **Advocacy initiatives**
Collaborating with other businesses, such as through coalitions or business service organizations, to advocate for increased response from national authorities and the international community. Small and large businesses can work together to ensure that legislation, tariffs, and taxes are conducive to and supportive of other HIV/AIDS efforts.
- ✓ **Capacity development**
Enabling businesses to provide employees, managers, and others with the capacities and competencies necessary to effectively undertake an HIV/AIDS program and the methods to successfully sustain it.
- ✓ **Enabling environment**
Providing capacities in order that business efforts are part of the coordinated efforts on a country level, both in creating and sustaining efforts to address HIV/AIDS.
- ✓ **Private-public sector partnerships**
Facilitating dialogue and action among business, labor, governments, and the nonprofit sector at country, state, and community levels to strengthen the national response to HIV/AIDS.

Workplace Initiatives

Workplace Policies

One of the first steps in implementing a comprehensive and effective workplace HIV/AIDS program is the design and incorporation of a workplace policy. Ideally, a policy is developed collaboratively with all those involved. Key elements of a model policy include addressing elimination of stigma, employee rights including nondiscrimination and confidentiality, periodic workplace programs, management responses to the epidemic, and other issues such as medical care and treatment.

Key Elements of a Policy

- Elimination of stigma and discrimination
- Confidentiality for affected workers
- Management response to the epidemic
- Periodic workplace programs
- Benefits, including care and treatment issues
- Inclusion of suppliers and contractors

A decade of experience in HIV/AIDS education in southern Africa has demonstrated that educational programs alone are of limited effectiveness without effective policies. In fact, educational programs can sometimes be counterproductive. Proper support services must be in place, specifically workplace-based, antidiscriminatory employment policies, for the fear of HIV can lead many people into denial and discourage them from making behavioral changes and seeking help.

The workplace offers a unique opportunity to confront societal discrimination and stigma. By teaching that there is no need to fear people living with HIV and providing a guarantee of job security, a powerful message is sent. It is more than just an educational message; workplace-based, antidiscrimination policies provide visible guarantees that people can live and work with HIV, often for many years, without fear of loss of income or isolation. Only when antidiscrimination measures are in place will people seek to learn their status, take to heart educational messages about how HIV can and cannot be transmitted, and ultimately seek to modify high-risk behavior.

Many workplaces have substantial HIV policies. Some examples of companies or labor organizations with workplace policies that specifically address confidentiality and stigma include Anglo-American, Levi-Strauss, MTV International, Debswana Diamond Company LTD, Eskom, Ford Motor Company of South Africa, Daimler Chrysler of South Africa, and the International Labor Organization (ILO) (1, 2, 3, 4, 5).

Examples of model policies are included at the end of this document. A number of model policies have been developed, which can be used as a guide for a business in developing their own workplace policy. The AIDS Management Standard Initiative is a standardized guideline that can objectively evaluate a company's commitment to an AIDS policy in the workplace (6). The guidelines are similar to the International Standard Organization #14000, which is used by the European Community (EU) to ensure a safe work environment.

Examples of Workplace Policies

Elimination of Pre-employment Testing. Large companies such as Eskom, a South African utility company, have eliminated a requirement for a pre-employment HIV test. They recognize that the test has limited value, since someone may become positive after taking the test. Other companies such as the Regent Bangkok Hotel in Thailand have a policy that does not use pre- or post-testing for HIV for recruitment, transfer, or promotion. They do offer voluntary counseling and testing and confidentiality for all employees (7, 8).

ILO Code of Practice Addresses Stigma and Discrimination. The ILO Code of Practice is a comprehensive document that addresses HIV/AIDS in the world of work internationally. The fundamental principle of the code is to safeguard conditions of decent work, avoid stigma, and promote non-discrimination and the dignity of workers and persons living with HIV/AIDS. The ILO code promotes partnerships of governments, unions, and employers to address HIV/AIDS workplace issues. Through collective bargaining mechanisms, these partnerships are expected to address provision of HIV/AIDS education and prevention programs, expanded health-related benefits, and mechanisms to redress grievances arising from discriminatory practices, denial of benefits, and other HIV/AIDS-related issues (5).

Multicountry Collaboration for Model Code of Practice. The Southern African Development Community (SADC), in consultation with its tripartite structures of business, labor, and government, has also developed a code of practice for the 14 member countries in sub-Saharan Africa. SADC member states are Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

Examples of Workplace Policies

Updating a Policy on HIV/AIDS to Encourage VCT. The Anglo-American Corporation of South Africa, Ltd., a mining and national resources company, has a new strategy and policies that encourage early diagnosis and knowledge of HIV status in all sexually active persons through voluntary counseling and testing (VCT). The strategy supports behavior change counseling and linking VCT to a program of care for infected persons. With regard to care, the policies address large-scale efforts to treat sexually transmitted infections (STIs) and improving care for all HIV infected individuals. The program encourages people to disclose that they are living with HIV and provide them with visible support.

Business Coalition Develops Model Policy. The Confederation of Indian Industry held a business leaders forum and collectively developed an HIV/AIDS model policy for industry, which was released on World AIDS Day. The model policy called for the provision of prevention and care, nondiscriminatory policies, elimination of stigma, and availability of condoms.

Comprehensive Workplace Programs

Policy is a key step in the development of comprehensive and effective workplace HIV/AIDS programs; however, it is not the only step. Such programs can include HIV/AIDS education and awareness programs; voluntary counseling and testing; provision of benefits, including medical care; youth development and training; and community initiatives.

Key Components of a Comprehensive HIV/AIDS Workplace Program

- Develop a policy to reduce stigma, discrimination, and work disruption
- Involve all stakeholders in education about the policy
- Provide workplace education and address care and treatment for supervisors/ labor leaders/employees
 - with suppliers and contractors
 - to the community at large
 - with the community of persons affected and infected
- Collaborate with community and government to address HIV/AIDS explore opportunities for corporate volunteerism and philanthropy
- Monitor and evaluate programs

Examples of Comprehensive Workplace Programs

Agribusiness Providing Workplace Education and Care. Illovo Sugar is a sugar production and processing industry, with more than 19,000 employees in Kenya, South Africa, and Tanzania. To prevent loss in productivity, the company has developed workplace education programs, provided treatment for STIs, and used peer counselors in prevention and education. It has also offered voluntary counseling and testing, introduced use of prophylactic antibiotics for opportunistic infections and screening for tuberculosis, and promoted a healthy lifestyle.

Providing Care as Part of Workplace Program. Heineken is providing all employees, along with their partners and children, access to preventive and therapeutic medical care. Recently, its board of directors decided to extend medical care to include demonstrated effective HIV/AIDS therapies, specifically antiretroviral therapy to infected employees and family members. Initially, these services will be provided to employees in Rwanda and Burundi, but will extend to other countries in which Heineken operates.

Comprehensive Workplace Program, including Stakeholder Involvement

Debswana Diamond Company (PTY), Ltd., in Botswana has instituted a comprehensive HIV/AIDS program, which includes the communities surrounding its mines. They have developed a comprehensive policy for employees and suppliers, as well as providing medical care and antiretroviral therapy for all affected employees and their spouses. Their initial policy developed in 1995 included nondiscrimination provisions and no preemployment HIV testing, and stressed the importance of education and prevention efforts for HIV/AIDS. The policy outlines the role of all employees and supports structures such as home-based caregivers, counselors, peer educators, and health care workers.

In 2000, the company prepared a new strategic plan, identifying HIV/AIDS as an area of strategic importance requiring a special, ongoing focus. The new HIV/AIDS strategy includes a vision and mission statement to address HIV/AIDS in the following areas that require further attention: epidemic containment, living with AIDS, cost containment, stakeholder engagement, monitoring and evaluation, and communication.

The policy defines stakeholder engagement as a requirement for suppliers that provide goods and services to Debswana. Stakeholders must have their own workplace HIV/AIDS policy and programs as well as be supportive of Debswana's community HIV/AIDS initiatives. Suppliers are audited on a periodic basis to assure that they have an HIV/AIDS workplace policy and program. Debswana has also developed a youth training initiative through a scholarship program for youth that are receiving training in colleges.

Beginning in March 2001, the board of directors approved the provision of antiretroviral treatment for employees living with HIV/AIDS. Debswana provides subsidies for antiretroviral therapy, which includes prophylactic treatment and appropriate monitoring and laboratory testing. Debswana pays 90 percent of the cost for an infected employee and one legally married spouse who is HIV positive. A nurse monitors employees using antiretroviral therapy, through a toll-free line. She contacts all registered patients to discuss the importance of adherence to therapy and provides reminders to patients for blood tests and follow-up with doctors and other staff.

Debswana has engaged diverse stakeholders, including the Botswana Mining Workers Union, various government ministries and departments through the multisectoral AIDS committee structures, various pharmaceutical companies, and nongovernmental organizations. In the mining communities, Debswana collaborates with schools, local governmental agencies, community-based groups, and traditional and faith healers to provide HIV/AIDS education through peer education and participation in government and community efforts.

Community Initiatives

Communities supply the labor from which business operates, as well as business suppliers or contractors. Business can work to reinforce the overall community response to HIV/AIDS, including community-based interventions. Business can easily use their existing networks, including communication networks, to outreach to suppliers. They can also ensure that critical public health education messages are delivered to young people (9).

Business also has an opportunity to assist in providing support for community-based HIV/AIDS initiatives through corporate giving. In this way, locally supported projects can be started and sustained. Community capacity in addressing HIV/AIDS can also be provided by management advice and assistance to local community-based groups, as well as through organized corporate philanthropy. The goal is to support the formation of local foundations and organizations that can provide sustainable efforts for a long-term response to HIV/AIDS within specific communities in concert with local NGOs.

Examples of Community Initiatives

A Collaborative Community-based Intervention: The Lesedi Project. Treatment of STIs has been shown to reduce the risk of transmission of HIV in some studies. Initially begun in one community in Virginia, South Africa, the Lesedi Project was designed to provide diagnosis and treatment of STIs at no cost to miners and their female sexual contacts. Following the initial intervention, the project was expanded to other areas, and with a broader array of participating partners. Developing a longer term strategy for sustainability, the partners included Harmony Gold Mining Company, Ltd., Goldfields Ltd., Joel Mine, the local branch of the National Union of Mineworkers and the local, state, and national health departments. Each partner had an important role. The Department of Health provided staffing and assistance in securing funding from EU countries for the initial period. The unions facilitated communication, and thereby cooperation in the project. The company continued to support the project, especially when cost savings were recognized (10, 11).

Examples of Community Initiatives

Partnering Between Businesses in Communities. Rotary clubs have partnered within their communities and with other Rotary clubs around the world to address HIV/AIDS. In Bangladesh, the Rotary Club of Dhaka, Metropolitan Dhaka, and others in District 3280 worked with UNAIDS to organize a workshop and compile a resource guide to educate the media about HIV/AIDS. Another example is in South Africa, where the Rotary Club of Sandown, through matching grants from developed countries, established a community care center for HIV-positive/AIDS mothers and children and is managed for Hope Worldwide. This club developed an HIV education CD-ROM that will be used in the schools of South Africa. A third example is the Rotary Club of Delhi, South End, India, and a counterpart club from West San Fernando Valley, California, that combined club and district funds with a Rotary Foundation Matching Grant to purchase a van and video equipment to support a television HIV/AIDS awareness campaign. The van was used to tape interviews of people impacted by HIV/AIDS and provide print information. The interviews were broadcast on cable television and also locally broadcast in low-income housing areas (12).

Delivering Health Education Messages to Young People. As part of the Chevron Workplace AIDS Education Program (CWAPP), Chevron engages in a wide range of community education activities, using targeted approaches and innovative methods, such as cartoons, drama, music videos, and story. They have emphasized outreach to youth through the Chevron Adolescent Reproductive Health Program, with a variety of workshops, events, a yearly festival, and other activities.

Support for Youth Development and Training and Microcredit. Increasing economic opportunities for youth and women offers options other than sex work. The Planned Parent Association of Ghana (PPAG) offers youth development and training for youth. In Accra, the INNOVATE Project offers training in computer software and batik/tie-dye training. They also offer a youth resource service including a reference library, computer center/internet café, and recreational area. In Agape, teen mothers are provided with literacy and handicraft supplies. They are supported with enterprise development training and helped to access micro credit for small handicraft businesses through the Akuapem Rural Bank.

Examples of Community Initiatives

Corporate Grants for HIV/AIDS. Levi Strauss and Company and the Levi Strauss Foundation has been a corporate leader in making charitable gifts for community prevention and care projects. These resources fund projects that provide health care, education and HIV prevention services for poor and underserved people. Through their “community involvement teams (CITs)” or community volunteerism programs, company volunteers conduct HIV/AIDS awareness programs for employees as well as support communitywide efforts in HIV/AIDS.

(For a list of grants, see the company’s website at <http://www.levistrauss.com/responsibility/foundation/grants/index.htm>).

Partnerships with Grantmakers and Local Government. Ford Motor Company of South Africa (FMCSA) has gone into communities, which specifically include their employees and dependents, with two new pilot projects in partnership with local government, a U.S. government agency, and NGOs to influence behavioral change and assist with the care and support of those infected and affected by the HIV/AIDS pandemic. The first has been designed with the city, the Regional Department of Education, the University of Port Elizabeth, and a number of community-based organizations. Together, they have launched an HIV/AIDS pilot study involving senior primary school children (aged 11–13 years) in 40 schools in the Port Elizabeth area. Beginning in April 2001, the program was called the “Life Skills Programme Focusing on HIV/AIDS Education for Primary Schools Youth.” A second pilot project focuses on the care and support of people living with HIV and AIDS orphans or orphans-to-be in Mamelodi in partnership with local community organizations.

Providing Pharmaceuticals to Communities. Boehringer Ingelheim, a pharmaceutical company, announced that it would offer Neviripine to prevent mother-to-child transmission (MTCT) of HIV/AIDS free of charge for a period of five years in developing countries. Initial projects for distribution and systems to deliver care with Doctors without Borders have begun in South Africa and Uganda.

Peer Educators Provide Broad-based Community Education. Eskom, a large South African utility company, has participated in broad-based HIV/AIDS awareness in communities in South Africa and Nigeria in government-sponsored programs. Peer educators from Eskom have provided education in communities, including events with school-aged children, leaders in government, business, in schools, in television and radio, and in newspapers.

Advocacy Initiatives

Collaboration among business can enhance existing efforts and prevent duplication of effort. Businesses, especially small businesses, can share and learn about effective policies, programs, and advocacy through coalitions or business service groups. Examples of such groups are the Global Business Council (GBC), the Ugandan Business Council on AIDS, the Zambian Business Coalition on AIDS, and the Thai Business Council on AIDS. These coalitions are particularly important in sharing information about the implementation of HIV/AIDS comprehensive workplace programs, engaging new businesses, and advocating as a group to governments on issues related to HIV/AIDS.

These coalitions, as well as focused meetings of business and labor, can provide an effective forum in which to formulate effective responses to the epidemic and advocate collectively for additional efforts from national authorities, legislative bodies, and the international community. Working collaboratively, small and large businesses can ensure that legislation, tariffs, and taxes are conducive to and supportive of HIV/AIDS efforts. These groups can also engage other stakeholders in advocating for additional government funding. For example, businesses could advocate for care and treatment issues for tuberculosis and STIs.

In addition to funding for specific activities by government, coalitions and other tripartite groups can advocate for debt cancellation because of the impact of HIV/AIDS. Businesses can advocate for governments to provide specific assistance for debt cancellation, poverty reduction strategies, and readjustment of development goals due to the impact of HIV/AIDS.

In addition, coalitions or large businesses can advocate for legislative and regulatory changes, especially in relation to restrictive trade practices. For example, if high rates of HIV/AIDS infection are attributed to high-risk behaviors among truckers delayed at border crossings, businesses can advocate for more border security personnel or increased hours of border operation.

Examples of Advocacy Initiatives

Global Coalition Formed for Advocacy. The Global Business Council was founded in 1997 to promote the business response to HIV/AIDS and to offer leadership and advocacy to increase action by business on HIV/AIDS, as well as the need to inform and engage leadership from other sectors. The council's advocacy efforts help keep HIV/AIDS at the top of the national and international agenda, including media publicity. Sharing of policy and programming efforts are encouraged (2).

Coalition Established and Addresses Legislative Issues. Legislative issues around HIV/AIDS are being addressed through the National Economic Development and Labor Council (NEDLAC). This council, which has representatives of labor, government, business, and civil society, seeks consensus to reach agreements through negotiation and discussion. NEDLAC has developed a special code of practice for South Africa. The council is a collaborative partnership that reviews potential legislative issues that go through Parliament.

Dropping Excise Tax. Advocacy efforts between legislators, government ministries, and businesses assisted in removing an excise tax in Senegal that quadrupled the price of condoms, thereby assisting in the successful implementation of a national condom promotion campaign.

Advocating for Changes to Specific Legislation on Testing. The Chamber of Mines in South Africa is advocating for an amendment to the Employment Equity Act of South Africa, which prohibits all HIV testing in the workplace. Voluntary counseling and testing are an important adjunct to treatment options.

Capacity Development

Every business has capabilities in addressing the crisis of HIV/AIDS. Businesses can scan the environment within their organization, as well as within the communities from which they draw their labor, to assess potential contributions and capacities for addressing HIV/AIDS.

It is important that businesses provide employees, managers, and others with the capacities and competencies to effectively undertake an HIV/AIDS program and the methods to successfully sustain it. Enhancing capacity is a concept by which business can address HIV/AIDS within their own capabilities and within their sphere of influence. Innovative approaches, strategic thinking, and sound business planning are part of this capacity (13).

Evaluation is an important skill for managers and peer educators. Evaluation is also important for measuring how effective programs address HIV/AIDS issues. Monitoring and evaluation of programs is essential in providing feedback to continuously improve programming efforts. One of the most challenging aspects of HIV/AIDS programming efforts is the provision of care and services. Evaluation can be used to assess impact of providing care and treatment.

Examples of Capacity Development Initiatives

Business Leaders Are Important in Addressing HIV/AIDS. In June 2001, at the United Nations Global AIDS Special Session (UNGASS), leaders from government, business, and NGOs gathered to address HIV/AIDS. Bill Roedy, President of MTV Networks International and Chair of the Global Business Council on HIV/AIDS, challenged businesses to respond to this crisis. He noted that even though there had been a broad range of good quality responses, businesses had not matched “the magnitude of the epidemic nor its business capability.” He stated, “We are very well suited to the fight,” and outlined the following capabilities that business has in addressing HIV/AIDS: leadership, influence (global and local), marketing expertise, distribution, sales, communication skills, supply chains, organization and infrastructure, and, most importantly, people (14, 15, 16)

Enhancing Capacity for Accessing Care and Treatment. Labor/management partnerships are expanding the capacity of the worksite as an interim delivery mechanism for providing care where treatment does not currently exist. The National Union of Mineworkers recently signed an agreement with the Chamber of Mines of South Africa to provide access to AIDS treatment and care. (See <http://www.bullion.org.za/bulza/agreements/aids.htm>.) Daimler-Chrysler and the Ford Motor Company recently reached agreement with unions securing the protection against discrimination and treatment for HIV/AIDS for their employees and their families. Transport unions have taken the issue to centralized bargaining structures in which the Bargaining Council has initiated a major AIDS prevention program that includes the employment of peer counselors at major truck depots.

Participating with and Providing Management Advice to Community Programs. The Anglo-American Corporation of South Africa, Ltd., has been addressing the epidemic through community and government-sponsored HIV awareness campaigns and specific community interventions. Suppliers and contractors are encouraged to contribute management advice to community projects and facilitate access to donor funding.

Measuring Increased Condom Use. FMCSA has measured HIV/AIDS awareness and knowledge among every employee and contract worker who has received mandatory HIV/AIDS education. Managers report that employees no longer hesitate to engage in open discussion on HIV/AIDS, with more and more employees seeking advice or clarity. The use of condoms supplied by the company has increased 20-fold. Onsite dispensing of free condoms was increased, and usage increased from 700 per month to more than 17,000 per month.

E nabling E nvironment

The environment – including political commitment, community values, support systems, policies, and resources – necessarily influences the impact of HIV/AIDS interventions. A supportive environment is integral to the success of HIV/AIDS prevention and treatment programs, as well as individual efforts to change risky behaviors. Meeting the unique challenges of HIV/AIDS requires creating and sustaining country-level coordinated, multisectoral partnerships and strategies to address the epidemic.

Individual business entities, both large and small, also have an opportunity to support countrywide efforts on the local level and within communities. Media efforts can provide supportive environment for HIV/AIDS messages. Company participation in community awareness and education strengthens a broad-based response.

Businesses can assist with efforts to ensure the economic security of youth by preventing the economic attraction of sex work. The hotel and hospitality industry has been proactive in addressing this issue. For example, a youth career development program in Thailand provides training in a range of hotel services, such as food and beverages, housekeeping, and kitchen and laundry work (17).

The media is especially important in creating an environment that supports prevention, care, research, and behavior-change messages. The media has the ability to reach a broad audience in a very short time and can reinforce messages from educational programs or stimulate the need for more information.

Examples of Initiatives that Create Enabling Environments

Youth Prevention Initiative with Microcredit. The United Nations Foundation has launched a youth and HIV/AIDS prevention initiative in southern Africa, with local NGOs and donor agencies. In Zimbabwe, adolescent girls are provided with peer education and access to microcredit information. The project has also provided enhanced community support for orphans.

Participation in Broad-based Awareness with NGOs, Schools, and the Media. Chevron has participated in broad-based awareness activities with NGOs and international donor agencies, in the funding of educational materials for primary and secondary schools, as well as the training of female journalists in AIDS education and media access to information.

Education and Training and Microloans for Women. The Independent Business Enrichment Center in South Africa provides training and services to women and youth. Through the German donor, GTZ, the center provides a full range of programs, from micro-loans for economic sustainability for women as well as methods of addressing violence toward women, which was identified as a constraint to business growth (18).

Social Marketing of HIV/AIDS Messages to Youth. Africa Alive! is a broad-based social marketing effort addressing youth about HIV/AIDS. It supports popular, creative channels of communication, such as music contests in which contestants compete to have their songs with HIV/AIDS prevention messages aired, radio and TV dramas, and radio and TV talk shows and comic books.

Using TV to Encourage Youth to Talk with Elders. Supported by the United Nations Population Fund, a television program, "I Need to Know," encourages young people to ask questions of elders on topics that are difficult to discuss. The program airs on 20 television stations in Nigeria.

Airing Videos and PSAs. MTV Networks International has produced award-winning, original documentaries and public service announcements (PSAs) about HIV/AIDS, making them available for airing by all international broadcasters, rights-free, at no cost. For example, "Staying Alive," a program showcasing young people affected by HIV/AIDS, reached more than 900 million homes due to its rights-free distribution (2).

Private–Public Sector Partnerships

This section features strong public–private collaboration for stronger country programs. Highlighted are programs that facilitate dialogue between business, labor, governments, and the nonprofit sector at country, state, and community levels.

Public–private sector efforts can ensure that public funds are directed toward prevention and care, as well as providing for assistance for HIV/AIDS awareness and education. For example, countries such as Cameroon, Côte d’Ivoire, Gabon, Mali, Morocco, and Senegal are subsidizing access to antiretroviral drugs. Burundi and Rwanda contribute to a special fund for purchasing drugs at subsidized prices.

HIV/AIDS is causing readjustments in poverty reduction, development, and HIPC (heavily indebted poor country) initiatives (19, 20, 21). In particular, programs that target orphans and vulnerable children are especially important to enhance labor and security issues (22, 23).

These partnerships can work together for increased health assistance, including basic medical care and nutrition information, especially for the most needy populations. They can encourage collaboration on standard testing for candidate vaccines and microbicides with coordinated effort from government scientists, international bodies, and UNAIDS. For example, Anglo-American has also identified the long-term need to participate in vaccine trials, and is participating in vaccine readiness studies in collaboration with Aurum Health Research and the International AIDS Vaccine Initiative.

They can also encourage legislation, such as tax incentives for provision of medical care that ensures strong economic growth for industries and sectors affected by HIV/AIDS. Companies can contribute to National AIDS Councils, as Financial Holdings Limited donated \$10 million to the National Aids Council through the Zimbabwe National Chamber of Commerce for AIDS awareness programs.

Examples of Private-Public Sector Partnerships ⁽²⁴⁾

Multisectoral Efforts in Poverty Reduction. Poverty reduction strategies in high HIV-prevalence areas are addressed in the Malawi national AIDS plan as part of crosscutting concerns, called “Supersectoral Analysis,” in which actions specific to different sectors are identified, such as the public sector, private business sector, or ministries. Families and orphan issues are included in the plan. Government officials launched a resource mobilization roundtable in March 2000 that brought together representatives of health and development organizations, business, donor agencies, and government to expand the response from multiple sectors to address HIV/AIDS. The roundtable resulted in pledges of over \$100 million from donors and private sector resources to support countrywide HIV/AIDS efforts (20).

Examples of Private-Public Sector Partnerships

Including HIV in HIPC Initiatives. Tanzania has integrated HIV into its development strategies including the HIPC Initiative and the Social Development Fund.

Partnerships Between Public and Private Sector. The International Partnership against AIDS in Africa is a coalition working with the leadership of African governments to mobilize available resources through international and national donors and private sector sources. UN organizations provide support to country-level efforts by mobilizing resources for coordinated efforts from the private sector as well as integrating community responses from affected persons.

U.S.–Africa Labor Advocacy. In early 2000, John Sweeney, President of AFL–CIO and the U.S. Secretary of Labor, convened the U.S.–Africa Trade Summit on AIDS, hosted by the White House Office of National AIDS Policy, to bring American and African trade unions together to address the HIV/AIDS crisis. This summit crystallized efforts to tackle the issue of HIV/AIDS for trade unionists in Africa. Following the meeting, the International Confederation of Free Trade Unions (ICFTU) promoted a special workplan calling for roles and responsibilities of partners of trade unions in addressing HIV/AIDS. This workplan is known as the “Gaborone Declaration on HIV/AIDS in the Workplace: Plan of Action.” ICFTU has successfully advocated for increased spending for international HIV/AIDS activities with labor.

Nonprofit Links U.S. and Africa Businesses. Established in 1992, the Corporate Council on Africa is a nonprofit organization of corporations that seeks to strengthen economic ties between African and American corporations (see <http://www.africacncl.org>). It provides a forum on policies, information linkages, and business summits, and has produced a comprehensive report on HIV/AIDS, with specific recommendations for government and business in addressing HIV/AIDS.

Removing Patent Protection as a Barrier to Treatment. Bristol Myers Squibb is ensuring that patents and pricing for antiretroviral drugs do not prevent inexpensive therapy in Africa. The company has allowed one patent to be available at no cost to treat HIV in South Africa under an agreement with the co-owner of their patent, Yale University. In addition, the company has adjusted pricing for two antiretroviral drugs at \$1 a day, a price below cost. It has also pledged a five-year, \$100 million partnership with Botswana, Lesotho, Namibia, South Africa, and Swaziland to fund sustainable solutions in addressing HIV among women and children and community interventions. Early in 2001, additional funds of \$15 million were pledged to four countries in western Africa—Burkina Faso, Côte d’Ivoire, Mali, and Senegal—for enhancing programmatic efforts with country representatives.

What Do HIV/AIDS Programs Cost?

In today's competitive marketplace, businesses are becoming increasingly aware of all the factors that affect the bottom line. As with other health issues, HIV/AIDS has both economic and social consequences. For a business, HIV/AIDS can affect the labor supply, profitability, and other impacts, such as decline in worker morale, absenteeism, labor-management relations, and even consumer demand for products. Each business can measure the economic impact. A simple model for measuring impact on a business is available through Metropolitan Life Insurance of South Africa at <http://www.redribbon.co.za>. ("Try our online AIDS test", "AIDS in the workplace").

Several studies and literature reviews suggest that a company's investment in prevention and medical care may provide savings to that company (10, 11, 25, 26, 27, 28, 29). While spending for health in most African countries is about US\$10 per capita (30), it has been estimated that the direct medical costs of care for AIDS, excluding antiretroviral therapy, is about US\$30 per capita (20). Costs associated with providing antiretroviral therapy and medical care to administer and monitor therapies would be much higher. However, costs of providing care for tuberculosis (TB), treating STIs, providing therapy for opportunistic infections, and distributing condoms are far lower and may be highly effective in reducing the impact of HIV/AIDS. A World Bank analysis of the costs of HIV/AIDS interventions showed that providing prevention services produced cost savings for companies (36).

The term "best practice" for business is not well defined. Most approaches highlight programs with comprehensive and integrated HIV/AIDS programs in the workplace and include a component to maximize the productivity of affected workers and include community outreach. Some companies are choosing to provide care and treatment as a way to minimize impact of HIV/AIDS. Several leading authorities, including a recent Harvard consensus statement and a commission on macroeconomics of the World Health Organization, have supported the use of antiretroviral therapies (31, 32).

An economic model for best practices has not yet been developed since some studies are underway or just completed. Development of key economic indicators and measurement tools for business to assess their approach to HIV/AIDS against such indicators by type of business is needed (25). Compilations of best practices have been published for specific countries as well as global examples (26, 33, 34).

The practices that are highlighted in this document were chosen based on their proven success, practicality, and feasibility of replication by other businesses. They are consistent with values of corporate social responsibility, concern for the health and safety of employees, and cost of providing programs, where available. Leaders of the best-managed companies are addressing HIV/AIDS based on current and future corporate values (35).

Research on the Costs and Benefits of HIV/AIDS Programs

Reducing Turnover by Providing Medical Care. A study of the economic impact of HIV/AIDS was conducted in three firms in Abidjan, Côte d'Ivoire from 1995–1996. Employee turnover was found to be a significant factor adding to the cost of HIV/AIDS suggesting that company investment in medical care at the worksite or through medical insurance may mitigate the turnover rate and its associated costs (27).

Benefits of Treatment of TB and Opportunistic Infections Exceed Costs. Published data were analyzed from companies providing specific treatment for TB and opportunistic infections combined with counseling. The benefits to companies of investment in treatment and care are likely to exceed the costs, based on the present cost to a company of new infections (32).

Benefits of Providing STI Treatment. The Lesedi Project in South Africa measured the value of investment in prevention, as well as treatment. The cost of STI management intervention is \$230 per STI infection averted or \$3 per employee/year. For each year of the intervention, it is estimated that new HIV infections (HIV incidence) was reduced by nearly 50 percent. These activities contributed to a 46 percent decline in STIs in women and miners. Probability models estimate that HIV infections were averted by providing STI treatments within the community—about 40 HIV infections among the women and 195 HIV infections among miners. The intervention produced an estimated direct cost savings of US\$539,630. The company stated that this figure appeared low (10, 11).

Measuring the Business Cost of Providing Prevention and Care for HIV/AIDS. An ongoing research study conducted in seven firms in southern Africa is providing information about how HIV/AIDS is affecting the costs and benefits of providing HIV/AIDS prevention and treatment. The AIDS Economics Team of the Center for International Health at Boston University is conducting the study. Findings are as follows:

- **AIDS Costs:** In a preliminary analysis of three sectors that vary by size and industry, costs due to AIDS are estimated at 3–11 percent of annual salaries in 1999, 2–8 percent in 2000, and 5–18 percent by 2006.
- **Cost per infection:** As expected, costs per new HIV infection among males 35–40 were the highest. Actual costs varied by retirement, medical expenses, and disability and death benefit premiums. For two of the businesses, treatment was most cost-effective for supervisors and less so for technicians.
- **Cost-benefits of treatment:** For each new HIV infection a firm's prevention efforts successfully avoid, the company saves the costs associated with that infection (less the cost of prevention efforts). Treatment costs will vary widely between firms, depending on who is offered care within the labor force and the type of care offered. Providing treatment and care to keep employees in the workforce might be less expensive than the costs of HIV/AIDS, even for low-cost companies (29).

Opportunities for Future Responses and Conclusions

There are many opportunities for business to address the future response to HIV/AIDS. These include

- Continuing to address discrimination, stigmatization, and denial (DSD) related to HIV/AIDS. A recent UNAIDS report analyzes methods to reduce DSD from Uganda and India (37);
- Expanding and strengthening workplace policies and programs, specifically in the areas of treatment for TB, STIs, and opportunistic infections;
- Working with different sectors to address HIV/AIDS by strengthening the capacity of that sector, including working with legislators on specific programming (38, 39, 40);
- Focusing on education and microenterprise for youth to ensure the availability of skilled labor; and
- Enhancing strong community-level programs to keep the infection rate low and produce healthy and educated young men and women.

The dilemma of how to address the impact of HIV/AIDS will not be solved by businesses, governments, or individuals working in isolation. It will be solved by the collective action of many people from many sectors of the economy with differing perspectives engaged in collaborative, interdisciplinary discovery and focused action. It is with this view that this document was written. The purpose of the document is to forward the end goal of inspiring continuing coordinated action—both individual and collective—from all sectors of the economy to address the economic, social, and health impact of HIV/AIDS.

Editor's note: The name or mention of specific companies or products is not to be interpreted as a specific endorsement or recommendation of products or services by USAID over other similar products or services.

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Appendix: Sample Policies

AIDS IN WORKPLACE SAMPLE HUMAN RESOURCES POLICY STATEMENT

YOUR COMPANY NAME will treat HIV/AIDS the same as other life-threatening illnesses and handicaps in terms of our policies and benefits where they apply. **YOUR COMPANY NAME** does not discriminate against a qualified individual with regard to job applications, hiring, advancement discharge, compensation, training, or other terms, conditions or privileges of employment.

YOUR COMPANY NAME recognizes that an employee with HIV/AIDS or another life-threatening illness may wish to continue in as many of their normal pursuits as their illness allows, including work. **YOUR COMPANY NAME** will be supportive of and make reasonable accommodation for the employee who is medically able to perform his or her job. An employee's medical information is personal and will be treated as confidential.

While accommodating employees with life-threatening diseases and other disabilities, however **YOUR COMPANY NAME** recognizes its obligation to provide a safe work environment for all employees. **YOUR COMPANY NAME** is sensitive and responsive to coworker's concerns and will emphasize employee education. We will continue our efforts to be adequately informed about HIV/AIDS and will make this information available to employees on a regular basis.

The following work practices are an adaptation from those developed by the Allan Vincent Smith Foundation, in Hamilton, Bermuda. The work practices have been modified to suit the needs of the environment of **YOUR COMPANY NAME**, but the meaning of each point remains the same.

- People with AIDS or HIV infection are entitled to the same rights, benefits and opportunities as people with other serious or life-threatening illnesses.
- Employment practices comply with local laws and regulation and/or the practices of the parent company, whichever is greater, and where applicable.
- Employment practices are based on the scientific and epidemiological evidence that people with AIDS or HIV infection do not pose a risk of transmission of the virus to coworkers through ordinary workplace contact.
- Senior management unequivocally endorses nondiscriminatory employment practices and education programs or information about AIDS.
- **YOUR COMPANY NAME** will communicate policies and practices to employees in simple, clear, and unambiguous terms.
- **YOUR COMPANY NAME** will provide employees with sensitive, accurate and up-to-date information about risk reduction in their personal lives.
- **YOUR COMPANY NAME** will protect the confidentiality of employee's medical insurance information.
- To prevent work disruption and rejection by coworkers of an employee with AIDS or HIV infection, **YOUR COMPANY NAME** will undertake education for all employees before such an incident occurs and as needed thereafter.
- **YOUR COMPANY NAME** does not require HIV screening as part of pre-employment or general workplace physical examinations.

If you have any questions or concerns regarding this policy, please contact the Manager - Human Resources and Administration.

Source: Allen Vincent Smith Foundation of Bermuda

From the National AIDS Fund Sample Policy

(Company) does not unlawfully discriminate against employees or applicants living with or affected by HIV (Human Immunodeficiency Virus) or AIDS (Acquired Immune Deficiency Syndrome). The (Company) recognizes that HIV infection and AIDS, the most serious stage of disease progression resulting from HIV infection, pose significant and delicate issues for the workplace. Accordingly, we have established the following guidelines and principles to serve as the basis for handling employee situations and concerns related to HIV infection and AIDS.

1. The (Company) is committed to maintaining a safe and healthy work environment for all employees. This commitment stands on the recognition that HIV, and therefore AIDS, is not transmitted through any casual contact.

HIV is a blood/borne virus, and is spread only through intimate contact with blood, semen, vaginal secretions, and breast milk. For over ten years, scientists have made new discoveries about HIV infection and AIDS. But one piece of information has never changed—the disease spreads. Scientists have recognized this fact since 1982. The basic facts about HIV transmission and prevention are sound.

2. The (Company) will treat HIV infection and AIDS the same as other illnesses in terms of all our employee policies and benefits, including health and life insurance, disability benefits and leaves of absence. Employees living with or affected by HIV infection and AIDS will be treated with compassion and understanding, as would employees with other disabling conditions.
3. In accordance with the law, the (Company) will provide reasonable accommodations for employees and applicants with disabilities who are qualified to perform the essential functions of their positions. This applies to employees and applicants living with HIV infection and AIDS.

Generally, disabled employees have the responsibility to request an accommodation. It is the policy of (the Company) to respond to the changing health status of employees by making reasonable accommodations. Employees may continue to work as long as they are able to perform their duties safely and in accordance with performance standards. Supervisors and managers are encouraged to contact the Human Resources Department for assistance in making reasonable accommodations.

4. Coworker concerns will be handled in an educational fashion. The Human Resources Department can provide information and educational materials. In addition, the names of community-based organizations in our operating areas are appended. Consult one of these groups for support and information. Supervisors and managers are encouraged to contact the Human Resources Department for assistance in providing employees with information and assistance.

Recognizing the need for all employees to be accurately informed about HIV infection and AIDS, the (Company) will make information and educational materials available. Employees who want to obtain information and materials should contact the Human Resources Department.

5. Coworkers are expected to continue working relationships with any employee who has HIV infection or AIDS. Coworkers who refuse to work with, withhold services from, harass or otherwise discriminate against an employee with HIV infection or AIDS will be subject to the same disciplinary procedures that apply to other policy violations.

6. Information about an employee's medical condition is private and must be treated in a confidential manner. In most cases, only managers directly involved in providing a reasonable accommodation or arranging benefits may need to know an employee's diagnosis. Others who may acquire such information, even if obtained personally from the individual, should respect the confidentiality of the medical information.
7. (Company) maintains an "open-door" policy. Employees living with or affected by HIV infection and AIDS, and those who have any related concerns, are encouraged to contact their supervisor, office administrator, (Company)wide director, the Employee Relations and Development Manager, or the Chief Administrative Officer to discuss their concerns and obtain information.

If you have questions about this policy, its interpretation, or the information upon which it is based, please contact any of the individuals listed in item (7) above.

Appendix: List of local HIV/AIDS information and service organizations (optional).

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