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**THE DEVELOPMENT CHALLENGE OF HIV/AIDS:
Update on World Bank Activities**

Attached for the April 30, 2001 Development Committee meeting is a paper entitled "The Development Challenge of HIV/AIDS: Update on World Bank Activities" prepared by the staff of the World Bank. Ministers may wish to comment on this subject (Agenda Item II.C) in their prepared statements.

THE DEVELOPMENT CHALLENGE OF HIV/AIDS

UPDATE ON WORLD BANK ACTIVITIES

1. During the 2000 Spring Meetings, the Development Committee took up the issue of HIV/AIDS. Recognizing the mounting threat the epidemic posed to development around the world, the Committee called for an intensified international response and endorsed the World Bank's proposed strategy for expanding its contributions to the global effort. This paper provides a brief update on the course of the epidemic and key developments in the international community over the past year, and then summarizes progress in the World Bank's implementation of its HIV/AIDS strategy.

Latest Global Developments

2. *The epidemic has continued spreading.* HIV continued its rapid advance last year. UNAIDS estimates that 5.3 million people were newly infected in 2000, 3.8 million of them in Sub-Saharan Africa. More than 36 million people are now living with HIV/AIDS worldwide, 95% of them in developing countries. Africa remains by far the worst affected. In 16 African countries, more than 10% of adults are now infected, and South Africa has the largest HIV-infected population of any country (4.2 million, 12% of the global total). South and Southeast Asia has been the second most affected region in absolute numbers, with 5.6 million now living with HIV/AIDS, 3.7 million in India alone. Three Southeast Asian countries and some Indian states now have adult HIV prevalence rates of 2% or higher. The Caribbean has the highest rates of HIV outside of Africa, with more than 4% of adults infected in the Bahamas and Haiti. The actual number of infected persons in this region is estimated to be much higher than the officially reported number, given widespread underreporting. The region where the epidemic spread most quickly last year was Eastern Europe and Central Asia, where it is driven largely by unsafe drug-injecting practices. The incidence of HIV/AIDS is also rising in the Pacific Island countries. Increasing incidence of sexually transmitted infections is the most significant factor common to all countries in this region. Some Pacific Island countries with presently low HIV incidence could in fact possess an impending HIV crisis, particularly among young adults.

3. *Government leadership has grown.* Over the past year, more governments than ever before have confronted HIV/AIDS publicly and positively. The response has been particularly strong in Africa, where broad leadership had previously been wanting. Since mid-2000, African countries have hosted four major conferences—including the XIII International Conference on AIDS in Durban—at which several leaders spoke candidly about the epidemic. The Africa Development Forum of December 2000 in Addis Ababa culminated in a consensus statement declaring a “watershed in national leaders’ readiness” to address AIDS and announcing a joint commitment to marshal all national resources against the epidemic. An OAU heads of state summit on HIV/AIDS will take place in Abuja, Nigeria this month with the aim of producing a concrete plan. Governments have also begun matching commitments with action. Countries across the continent have launched comprehensive national HIV/AIDS programs and allocated substantial new resources to the issue. This includes the region's two largest countries as well as several countries that lacked national plans as recently as one year ago.

4. In the Caribbean, heads of state and other high-level officials assigned the highest priority to the HIV/AIDS epidemic during the Meeting of the Caribbean Group on Cooperation in Economic Development (CGCED), held at the World Bank in June 2000, as well as during the CARICOM Heads of Government meetings in July 2000 and February 2001. Caribbean leaders and representatives of leading international and regional agencies also agreed to support the launch of an HIV/AIDS initiative at the Regional Conference on HIV/AIDS held in Barbados, September 2000, organized by the Government of Barbados, CARICOM, PAHO/WHO, UNAIDS, and the World Bank.

5. In Asia, the governments of Bangladesh, Cambodia, China, India, and Thailand have demonstrated a commitment to developing strong HIV/AIDS programs (Thailand's program has been particularly successful). In the Pacific Islands, the Government of Papua New Guinea has established a National AIDS Council, which has been highly active in promoting HIV/AIDS awareness and prevention.

6. ***Global attention and support have also grown.*** The past year also brought a marked increase in global awareness of HIV/AIDS. Public and activist attention to the epidemic have reached unprecedented levels, including sustained front-page coverage in major periodicals around the world, a rapid growth in Web-based news groups, and strong targeted campaigns. The Durban conference generated more reporting than any prior AIDS conference. Both the UN General Assembly and the Security Council passed resolutions on HIV/AIDS. Activism has intensified, especially on the issue of expanding access to life-prolonging HIV/AIDS drugs. A growing number of donors have developed HIV/AIDS strategies, funding has expanded, and major foundations are devoting increased resources to the crisis. UNAIDS and several donors have called for an international trust fund for HIV/AIDS. Global attention now stands at its highest level since the start of the epidemic.

7. This attention will attain an even higher pinnacle from June 25-27, 2001, during the UN General Assembly Special Session on HIV/AIDS (UNGASS). This unprecedented session, which the Secretary-General is personally leading, will be the most prominent meeting ever held on the epidemic. Several heads of state and government and dozens of senior ministers are likely to attend, as well as global HIV/AIDS leaders, agency heads, major foundations, international celebrities, and hundreds of NGOs and community-based organizations from around the world. UNGASS aims to produce a specific, time-bound Declaration of Commitment of member states by the end of the session.

8. ***Drug prices have fallen rapidly.*** In spring 2000, the UNAIDS Secretariat invited several UNAIDS cosponsors, including the World Bank, to join in negotiations with developing countries and the five major manufacturers of HIV/AIDS drugs. Under this Accelerating Access initiative, manufacturers have reduced their prices by as much as 90% in individual agreements with countries (antitrust laws prohibit them from agreeing jointly on price reductions). This has still left prices far higher than most poor countries can afford, however. Pressure has therefore mounted to permit countries to import generic versions of HIV/AIDS drugs or to compel the patent-holding firms to license local manufacture. In response, some of the major manufacturers have recently announced even steeper discounts to match generic prices.

9. ***But the crisis is more acute than ever.*** Despite these promising developments, however, it must be emphasized that the situation on the whole is worse than a year ago. Nearly three million people died of AIDS in 2000, a number likely to grow as those more recently infected with HIV begin developing AIDS. For all the renewed leadership, inadequate action has been taken in the vast majority of countries. Those countries that have so far been spared the worst need to learn from those in which HIV/AIDS struck early and take urgent action to head off an explosion of the epidemic. For all the global attention, the international community has yet to provide resources at anywhere near the required level. While money alone will not solve the problem, it is a vital part of the solution, and resource flows are currently too low. Total global support for HIV/AIDS in developing countries last year was probably under \$1 billion, less than a third of estimated need in Africa alone, and only a small fraction of the sums devoted to recent issues such as the "Y2K bug." As a result, HIV advances virtually untouched and AIDS continues to undermine the substantial development achievements of a growing number of countries. In sum, the epidemic remains an ongoing, staggering test of international collective action—which the world has thus far failed.

Update on World Bank Activities

10. Pursuing the strategy discussed during the 2000 Spring Meetings, the World Bank has substantially expanded its efforts against HIV/AIDS. This work has been carried out in collaboration with UNAIDS and bilateral donors and has drawn on all the Bank's institutional strengths. The following provides a summary of the major developments in each area of action.

11. ***Resources.*** The World Bank has already committed more resources to HIV/AIDS in FY2001 than in any previous year. The Executive Directors have approved \$566 million for HIV/AIDS programs so far, which is more than half as much as the Bank committed to HIV/AIDS in the previous 15 years combined.

12. The expansion in commitments has been driven largely by a new approach in Africa. The Bank last year designed and prepared in just a few months the Multi-Country AIDS Program (MAP) for Africa, which was approved by the Board in September 2000. The MAP makes available \$500 million to IDA-eligible countries, which they access through individual country projects. It will help countries scale up national prevention, care, support, and treatment programs, as well as preparing to cope with the mounting burdens they will face as the millions living with HIV today develop AIDS over the next decade. MAP projects, which have been developed in partnership with UNAIDS and bilateral donors, support implementation of national HIV/AIDS strategies. The overall goal is to help countries mainstream HIV/AIDS activities into the work of all relevant sectors, rather than expecting any single sector to handle the challenge alone. MAP projects support activities in the public and private sectors and in civil society, as well as extensive capacity building and training to strengthen key institutions and communities against the epidemic. The MAP aims both to increase resources for HIV/AIDS and to address the key impediments to a larger response, such as slow implementation and inadequate support to communities. Streamlined procedures are helping resources to flow more quickly than usual, while still ensuring accountability. MAP projects also channel a

substantial share of resources (in many cases 50%) directly to communities to carry out AIDS activities of their own design.

13. Prepared jointly with UNAIDS and the International Partnership Against AIDS in Africa, the MAP has already generated a strong response from clients. Within four months, seven African countries had projects approved under the MAP, committing a total of \$287 million: Cameroon, Eritrea, Ethiopia, Gambia, Ghana, Kenya, and Uganda. This has more than doubled the total support IDA has committed to Africa since the beginning of the epidemic in the early 1980s. MAP projects in four more African countries are scheduled for approval in FY01, which would exhaust the initial \$500 million allotment. The Africa Region and UNAIDS have carried out the first in a series of joint implementation assessment reviews so that early lessons learned from MAP projects can be incorporated into the Bank's supervision strategy and into the design of future projects. One lesson already reflected in Regional practice is the importance of more intensive supervision, in light of the broad nature of the MAP approach. Management will prepare a second phase of the MAP for Board consideration in early FY02.

14. As most MAP projects have only been approved since December, it is too early to see ultimate impacts. The program has already had a salutary effect on implementation, however. Countries with MAP projects have, by and large, moved swiftly in adopting new mechanisms and in formalizing partnerships with a broader range of actors than were previously included in public HIV/AIDS programs. Support from MAP projects has helped AIDS authorities convert broad strategic frameworks into viable first-year action plans supported by detailed operational manuals. Such implementation tools have long been lacking in most countries, which has hampered execution of AIDS strategies.

15. The Bank, in conjunction with UNAIDS, PAHO/WHO, and other regional partners, has also worked quickly in preparing a similar approach with several Caribbean nations. The first phase of a \$100 million Caribbean MAP is scheduled for Board presentation by the end of this fiscal year and is expected to include Barbados and the Dominican Republic. Several countries have expressed interest in a second phase. The Latin America and Caribbean Regional Office is also including HIV/AIDS components in new loans to Mexico and Venezuela, and exploring the possible introduction of similar components in new loans to El Salvador and Honduras in FY02. It has also launched analytical work to assess the capacity of governments in the region to manage the epidemic.

16. Lending in other regions has also been growing. A \$40 million HIV/AIDS prevention project was approved in Bangladesh in FY01. A project addressing AIDS and tuberculosis in the Russian Federation is also scheduled for approval this fiscal year. AIDS/TB projects in the Ukraine and Sri Lanka are planned for FY02, as is a safe blood initiative in Vietnam. Previously approved HIV/AIDS projects and components are now being successfully implemented in Argentina, Brazil, Cambodia, China, and India, among other countries.

17. The Bank has also worked closely with the IMF and UNAIDS to help countries integrate support for HIV/AIDS into HIPC and PRSP programs. Resources from debt

relief are now programmed to support HIV/AIDS efforts in Burkina Faso, Malawi, and Uganda.

18. The Bank is working closely with partners to address gender issues in its HIV/AIDS operations. In some African countries, for every 15-19 year-old boy who is infected, there are six girls infected in the same age group. Women and girls also bear the greatest burden of care; families often take girls out of school to care for sick relatives or assume family responsibilities, jeopardizing recent gains in health, nutrition, and girls' education.

19. *Analysis, Advocacy, and Knowledge.* The Bank has used its policy influence to give HIV/AIDS greater prominence on the global development agenda. The 2000 Spring Meetings helped raise the profile of the epidemic as a development issue. The Bank's president and several vice presidents have delivered high-profile addresses on AIDS over the past year, and the epidemic figures prominently in the Bank's country dialogue in every region.

20. In analytic work, Bank staff have conducted the most comprehensive cross-country analyses to date of the macroeconomic impact of AIDS, and begun integrating AIDS into computable general equilibrium models for the economies of some of the hardest-hit countries. This work suggests that the macro impact will be substantial. Many African countries may already be losing 0.5% to 1.2% of per capita growth each year to the epidemic, with losses likely to grow.

21. At the micro level, the Bank and the UNAIDS Secretariat produced detailed estimates of the costs of mounting a comprehensive national prevention and care program in 24 Sub-Saharan African countries. In June 2000 the Bank prepared an assessment of the HIV/AIDS epidemic in the Caribbean, including an estimate of the cost of HIV/AIDS prevention and treatment packages for 23 countries. These assessments have been widely disseminated in the respective regions and served as the basis for preparing the two MAP programs. The Bank also supported a study projecting the impact of AIDS on education systems in four African countries. All of this work has been put to use by national policy makers and HIV/AIDS stakeholders, UNAIDS, and donors.

22. *Global public goods and partnerships.* The Bank is increasingly complementing its national work with support for global public goods such as cross-border disease control and the development of an HIV/AIDS vaccine for the developing world (see separate report on Poverty Reduction and Global Public Goods). Working as part of the Global Alliance for Vaccines and Immunizations (GAVI), the Bank is exploring and implementing financing strategies that lower the risks and increase the incentives for private investment in priority vaccines for the developing world. Through its Development Grant Facility, the Bank is also providing \$700,000 a year to the International AIDS Vaccine Initiative (IAVI), an innovative NGO supporting the development of promising HIV/AIDS vaccine candidates.

23. The role of the Bank in global partnerships has expanded. The Bank is one of the UNAIDS cosponsors in the Accelerating Access initiative, and included measures in the MAP programs with future distribution of AIDS drugs in mind. The Bank is also building partnerships with other global organizations such as the International Federation

of the Red Cross and Red Crescent to better coordinate support of the international community to national efforts.

Next Steps

24. Over the next year, the Bank will continue expanding its work in all three areas noted above. In resources, 14 more African countries have sought support from the MAP, work is progressing on a regional HIV/AIDS project to address the epidemic along transport corridors in Africa, additional Caribbean countries have asked to be included in the Multi-Country APL, and several other countries are seeking free-standing HIV/AIDS projects in other regions. In conjunction with foundations and bilateral donors, the Bank is exploring a special multi-country initiative for IBRD countries in southern Africa (which are ineligible for support under the MAP). The Bank will strengthen support to countries to use HIPC and PRSP resources for HIV/AIDS, as well as explore means of raising more grant resources for HIV/AIDS programs.

25. The Bank will continue to support expanded access to appropriate drugs. Welcome as the recent price reductions are, they alone will not bring AIDS drugs to the millions who could benefit. Even the most significant of the current price reductions will keep the drugs largely out of reach in most developing countries, where per capita health expenditures rarely exceed US\$20. Additionally, few developing countries have the health systems or infrastructure to deliver such drugs or sustain long-term patient management. Further, to be effective, drugs need to be administered as part of a full spectrum of prevention, support and care. For instance, the firm that is providing free nevirapine (used for the prevention of mother-to-child transmission of HIV infection) has conditioned its offer on countries demonstrating that they will provide a comprehensive set of appropriate maternal and child HIV/AIDS services. In every MAP project, the Bank is therefore supporting the strengthening of health systems and the other groundwork necessary to ensure that drug access can be both broad and sustainable. As countries seek to use proceeds from Bank lending for AIDS drugs, the Bank will assess such requests on a case-by-case basis in conjunction with other partners and in consideration of likely technical and financial sustainability.

26. Bank staff will pursue the next stages of macroeconomic research, expand the review of sectoral impacts into further sectors, and develop a strategy for addressing the epidemic in post-conflict settings, where rapid demobilization poses serious risks of spreading HIV, especially to women and girls. In partnerships, the Bank will continue supporting UNAIDS, the International Partnership Against AIDS in Africa, the Accelerating Access initiative, GAVI, and other ventures, and will contribute substantially to the preparation for the UN General Assembly Special Session.

27. New resources are also likely to emerge. The case for an international trust fund to address HIV/AIDS and other global health issues is strong. Current grant financing for HIV/AIDS is too small, too slow, too fragmented, and comes with high transaction costs. A common global fund could help make grant financing more attractive to donors and more effective for recipients. The UNAIDS Secretariat and various donors have recently proposed several global trust funds to help achieve this end. A global health trust fund (including resources for HIV/AIDS) has been proposed by Italy on behalf of the G-7 and

WHO, in an initial amount of \$1 billion. The most important step now is for the donor community to agree on a common approach that will concentrate donor resources in support of agreed priorities, and avoid creation of multiple, overlapping funds. The Bank is prepared to advise on the establishment of a global fund as needed.

28. This is a pivotal moment in the fight against the HIV/AIDS epidemic. This meeting offers an important opportunity for the Development Committee to reiterate its earlier call for a "rapid intensification of international action on the global HIV/AIDS crisis" on the several fronts noted above.