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Confronting AIDS

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If developing countries face up to the realities of AIDS and act quickly, millions of lives can be saved. The following three articles on AIDS, written in 1998, look at the epidemic from an economic perspective and outline priorities for developing countries in preventing the spread of HIV and helping people already infected.

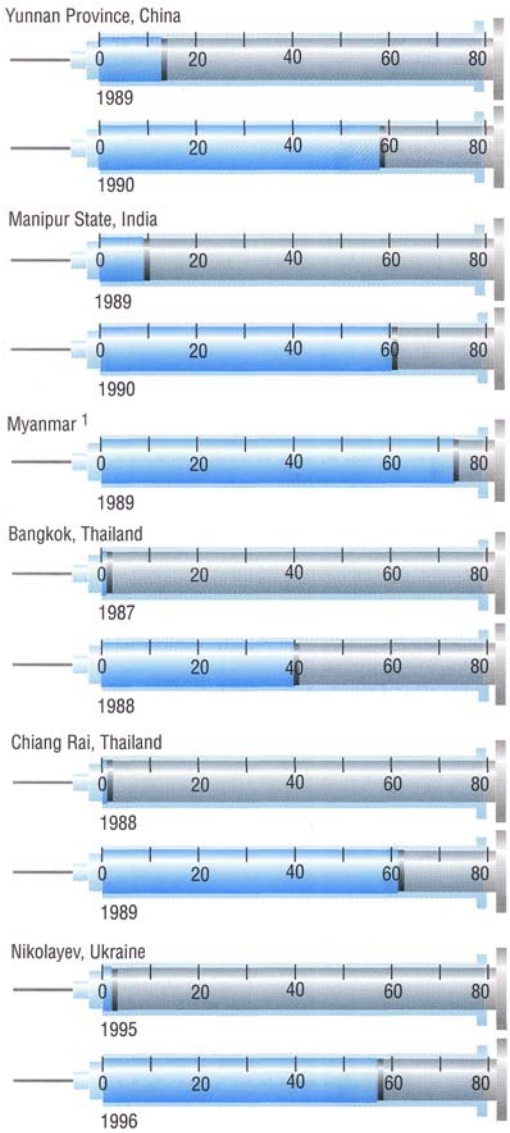
MORE THAN 11 million people have already died of AIDS. But 2.3 billion people live in developing countries where the disease has not yet spread beyond certain groups at risk. If the governments of these countries, the international community, and nongovernmental organizations act now, countless lives can be saved. And if the spread of AIDS is contained, the quality of care available to those unfortunate enough to become infected is likely to be better than it would be in the face of a full-blown epidemic, which would overwhelm the health care systems of most developing countries.

A recent World Bank Research Report, *Confronting AIDS: Public Priorities in a Global Epidemic*, asks how the governments of developing countries should respond to the AIDS epidemic when they face so many other daunting problems. Although the epidemic requires an immediate response, we must bear in mind that using scarce resources to help those suffering from AIDS means that this will reduce the resources available to achieve other important objec-

Chart 1

HIV spreads rapidly among injecting drug users who share needles

HIV prevalence (percent)



Sources: Gerry V. Stimson, 1996, "Drug Injecting and the Spread of HIV Infection in South-East Asia," in L. Sherr, J. Catalan, and B. Hedge, eds., *The Impacts of AIDS: Psychological and Social Aspects of HIV Infection* (Reading, United Kingdom: Harwood Academic); and, for Ukraine, UNAIDS, 1996, "UNAIDS Fact Sheet, Mid-1996" (Geneva).

[1] In 1988, HIV prevalence among injecting drug users in Myanmar was 0 percent.

tives, such as sending children to school, providing safe drinking water, and building roads. In the article titled "Setting Government Priorities in Preventing HIV/AIDS," Martha Ainsworth describes cost-effective measures governments can take to contain the epidemic. Mead Over's article, "Coping with the Impact of AIDS," focuses on the difficult issue of how societies can alleviate, equitably and compassionately, the suffering caused by the epidemic.

How serious is the epidemic?

As of the end of 1997, 30 million adults—90 percent of them in developing countries—were infected with the human immunodeficiency virus (HIV), which causes AIDS. Given that the mortality rates for other illnesses—tuberculosis, for example—are higher for people infected with HIV, by 2020 HIV/AIDS will be the single largest infectious killer of adults in their prime in the developing world.

These statistics are averages for the developing world as a whole. Where the epidemic is already advanced, the picture is much worse. In two African cities—Francistown in Botswana and Harare in Zimbabwe—40 percent of the women who visit prenatal clinics are infected with HIV. Admittedly, these countries have two of the highest rates of infection in the world, but HIV spreads with extraordinary speed in certain groups—such as people with many sexual partners and drug users who share needles. The percentage of HIV-infected injecting drug users in Nikolayev, a Ukrainian city on the Black Sea, rose from less than 2 percent in January 1995 to nearly 60 percent in just 11 months (Chart 1). Once the virus has spread to this extent in a group whose behavior puts it at risk, it will be passed to lower-risk individuals in the broader population, such as their sexual partners. Infected mothers may also transmit the virus to their children.

Past gains in life expectancy, an important measure of progress, are being eroded in the most severely affected countries. Between 1950 and 1990, life expectancy in the developing world increased from 40 to 63 years. However, in just a few short years, AIDS will have wiped out that entire gain in Zimbabwe (Chart 2). Many other countries will also see their hard-won gains reversed as AIDS spreads.

What should governments do?

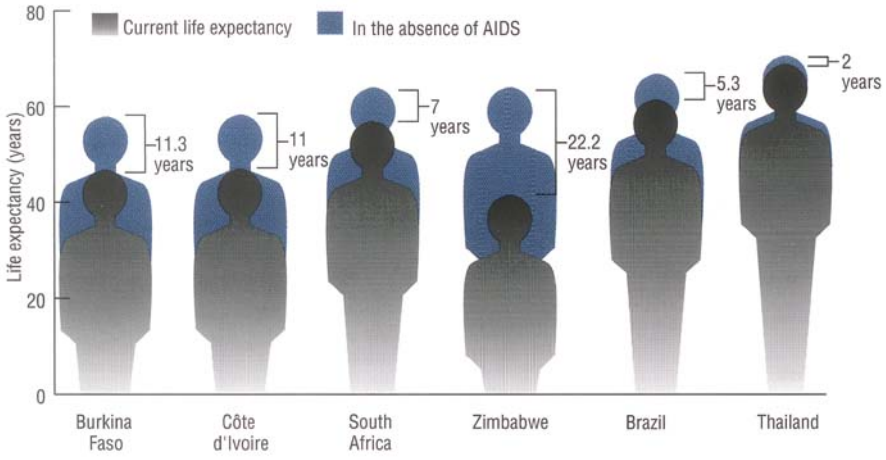
These outcomes would seem to provide governments with ample justification for allocating scarce public funds to the fight against AIDS. But governments in developing countries have limited resources and face many competing demands. The sums—public and private—needed to treat a single AIDS patient for one year would pay for one year of primary education for 10 children. The choices that countries make will, of course, depend on political, social, and moral considerations, but economics can be useful in helping governments set priorities. First, it can help to focus attention on areas where public action will be needed to achieve certain goals in the fight against AIDS. Second, within those areas, it can help us identify the actions that will have the greatest impact at the least cost and therefore warrant the use of scarce public funds.

From an economic standpoint, there are three important justifications for governments to play a role in fighting the AIDS epidemic.

Externalities. When the actions of one individual produce benefits for or impose costs on another, economists refer to these outcomes as positive and negative externalities, respectively. Externalities play an important role in economic analysis because they provide a clear rationale for public

Chart 2

AIDS has shortened life expectancy in some developing countries



Source: U.S. Bureau of the Census, 1996, 1997.

intervention. Why? Because individuals typically do not consider the externalities that will result from their actions. Only governments can act on society's behalf to correct this failure.

AIDS provides a classic example of the negative externalities of high-risk behavior. People who engage in unprotected sex with many partners may not even know they are infected and may fail to consider the risks to which they expose others—particularly their sexual partners and their children. As a result, there will be more unprotected sex than is socially desirable and everyone, including those who do not engage in risky behavior, will have a greater chance of becoming infected. The situation is similar for injecting drug users who share unsterilized needles.

Public goods. This is another important area where governments, and only governments, have the capacity for effective action. Public goods have two characteristics—they benefit society (hence their name) and they are unlikely to be provided by the private sector because it is difficult to profit from their production and distribution. Similarly, the generation and dissemination of certain types of information that the private sector is unwilling to produce or supply may be considered a public good. There is a compelling need to disseminate information on how HIV is spread and how people can protect themselves; to monitor risky behavior and HIV infection; and to evaluate the costs and effectiveness of different programs to prevent HIV and reduce its impact. The onus to provide these services will fall on governments.

Redistribution. The redistribution of income or assets is a third area that typically requires public action. The private sector, apart from some private charities, has little incentive to engage in redistributive actions. Societies have a moral responsibility to help those in need. HIV-infected individuals clearly fall into this category, but large numbers of poor people in the countries hit hardest by the epidemic are not suffering from HIV/AIDS. Governments with limited resources face a difficult challenge in supporting those with HIV/AIDS without shortchanging other vulnerable groups.

Combining the elements

All countries will need to employ some combination of preventive and coping measures. Ensuring an appropriate balance between the two is critical, both to achieve the best use of resources within the overall HIV/AIDS budget and to secure adequate funding for AIDS programs without neglecting other goals. In India, for example, the government subsidized about one-fifth of total health care expenditures in 1990, a small share compared with that of other developing countries, many of which subsidized as much as one-half the cost of health care. Assuming that the government maintains this level of subsidy and that HIV prevalence increases in India in line with increases observed in other countries, by the year 2010 the government would have to spend about one-third more on health care than would have been the case in the absence of the epidemic. This amounts to a staggering $2.5 billion increase in the health care budget. Spending relatively small amounts today to prevent the spread of HIV will reduce the future cost to governments of treating and caring for HIV-infected patients. Whatever the overall size of the AIDS budget, therefore, it is important to ensure adequate spending on prevention.

This argument has even more force in countries that provide larger public subsidies for health care. Unless these countries act now to contain the epidemic, they will face one of two equally undesirable outcomes. If they choose, at one extreme, to finance the ever-expanding health budget, the pursuit of other development goals will be severely hampered. At the other extreme, they could maintain public spending for other goals at the expense of the health budget; in this case, services both for AIDS patients and for those who are not HIV-infected are likely to deteriorate. The most extreme actions are unlikely, of course, and the probable outcome will be something in the middle. But the key point is that by devoting adequate attention to prevention today, governments will not be forced to make such painful choices tomorrow. By acting now, developing countries will be able to save millions of lives while preserving the scarce public resources that are needed to improve the quality of life for all members of society. ■

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This article is based on a World Bank Policy Research Report, Confronting AIDS: Public Priorities in a Global Epidemic *(New York: Oxford University Press for the World Bank, 1997).*