HIV/AIDS FINANCING IN THE PHILIPPINES: STATUS & AGENDA FOR IMPROVEMENT

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Executive Summary

The Philippines, while seemingly fortunate in thus far being able to avert a full-blown HIV/AIDS epidemic, remains at risk for this potentially disastrous possibility. On both the policy and program fronts, strategic areas have been identified to better focus the various sector-specific prevention and control activities. Nonetheless, if recent and current financing and allocation patterns are any measure, the reality may be far from the drawing board ideal. The current HIV/AIDS financing backbone will thus have to be streamlined and made more efficient and effective. To these ends, the following policy options are proposed: quantified resource allotment, institutional profiling and matching, agency benchmarking, and programmed public financing commitments. The need for the Philippine National AIDS Council to revitalize itself and thereby lead in these new endeavors is emphasized.

SITUATIONAL ANALYSIS

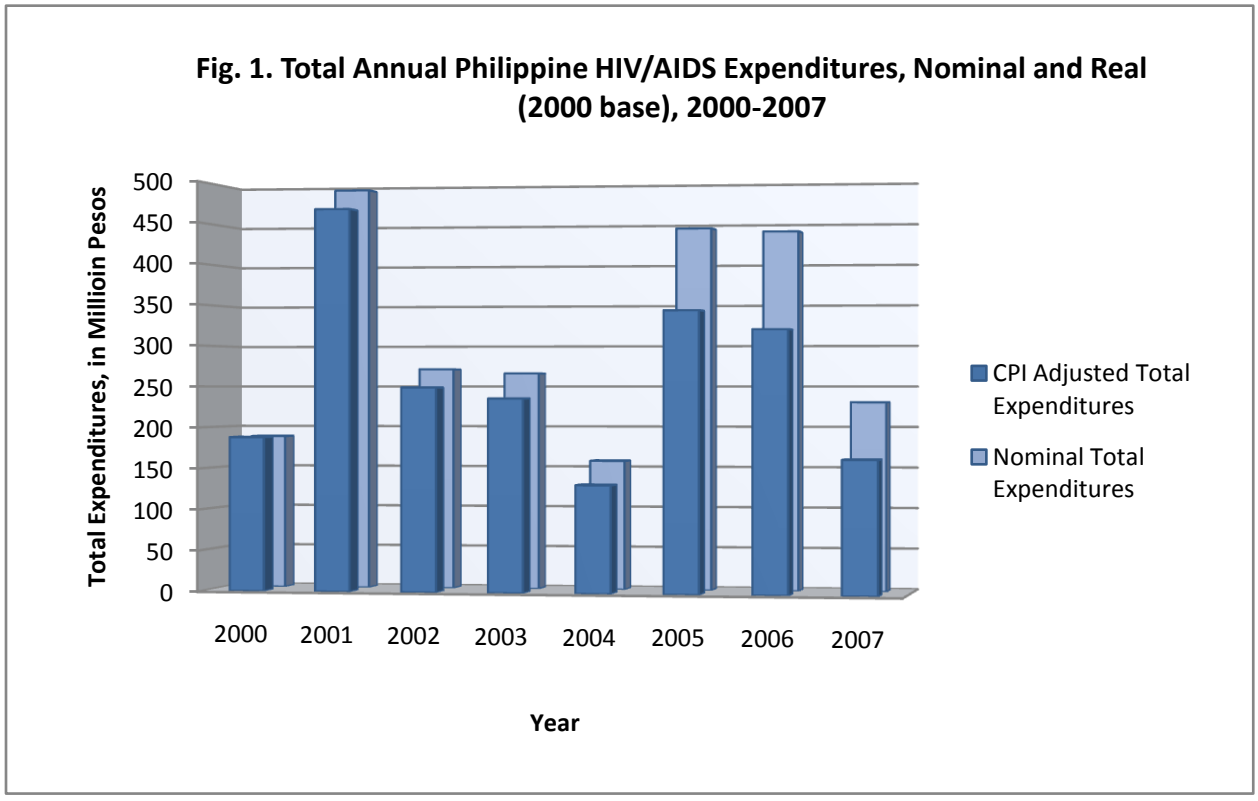
The Philippines, having as yet relatively low prevalence rates of HIV/AIDS, has been variously described as being a "success story" to having an underestimated problem that is "hidden and growing"[1,2]. Neither of these views should engender complacency in the country's efforts to minimize if not eliminate the threat of AIDS on its greater populace. The unfortunate turn of events in Indonesia, another "low level" country that recently witnessed an increased incidence of HIV/AIDS following a diminution of political (and financial) commitment, highlights such a danger.

The Philippine National AIDS Council, the lead state agency for overseeing "an integrated and comprehensive approach to HIV/AIDS", has identified five key prevention and control strategies[4]. As contained in the 2005-2010 AIDS Medium Term Plan, the fourth for the country, the strategies are:

1. Scaling-up and quality improvement of preventive interventions targeted to identified highly vulnerable groups (sex workers and their clients, IDUs, MSMs, and OFWs),
2. Strengthening institutional and general public preventive interventions,
3. Scaling-up and quality improvement of treatment, care and support (TCS) services for people infected and affected with HIV/AIDS,
4. Integrate stigma reduction measures in the preventive, treatment, care, and support services and in the design of management systems, and
5. Strengthening and institutionalization of management systems in support of delivery of HIV/AIDS information and preventive services.

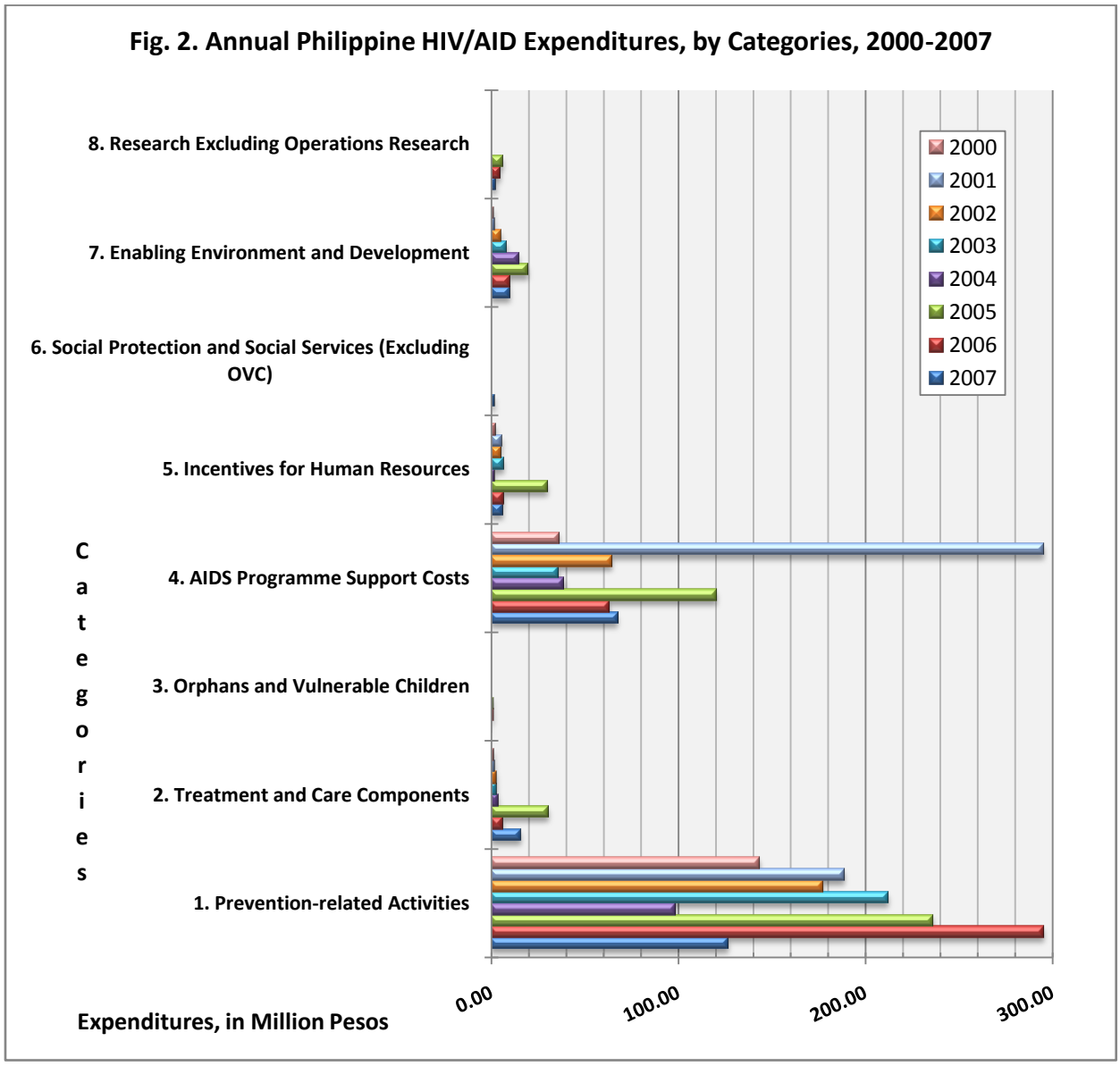
The actual extent by which the country is able to address the risks posed by HIV/AIDS, particularly by way of implementing the above mentioned strategies, can best be assessed by the amount of resources it is able to marshal and dedicate to these efforts. While admittedly imperfect, the data generated by the National Economic Development Authority (NEDA, specifically for the National AIDS Spending Assessment reports) provide a useful reference for gauging such earmarked resources as well as financial sources[2.3].

Further evaluation of the NEDA data shows that overall expenditures for HIV/AIDS efforts have been inconsistent in terms of fund sourcing, magnitude as well as actual allocation. Of late, there has also been a progressive decline in the levels of fund availability and disbursement. As seen in Figure 1, over an eight year period (2000-2007), there were two spending peaks – in 2001 and in 2005-2006. The 2007 total expenditure level, when assessed in real terms, is actually lower than the initial 2000 level.



Considering the averages of the annual expenditures for the major spending categories as set by NEDA, the largest share went to Prevention-Related Activities (62%). A little over a quarter of the overall expenses were for Program Support Costs (27%). Treatment and Care Components was a far fourth, accounting for an average of just 2.6 % of the annual AIDS spending (after Enabling Environment and Development expenses, at 3.3%). As may be gleaned from Figure 2, which shows the annual total spending per category, Program Support expenditures eclipsed those for Prevention Activities in 2001. The 2001 spike in Program Costs may be attributed to a one-time

infusion from JICA of P219 million for the upgrading of DOH laboratories, aside from the other less sizeable inputs from other international sources.



The JICA funding exemplifies the very substantial role that international institutions play in the financing of the various HIV/AIDS activities. Aside from reductions that occurred in 2003-2004, such external agencies have been, in aggregate terms, the near consistent main financing sources (Figure 3). Bilateral agencies have been the main conduit of such international funds, except for 2004. By 2005, the various United Nations agencies and particularly the Global Fund became important financing sources – though, again, the total contributions of these international bodies have been on the decline of late (Figure 4).

Fig. 3. Philippine HIV/AIDS Annual Financing, by Main Sources, 2000 - 2007

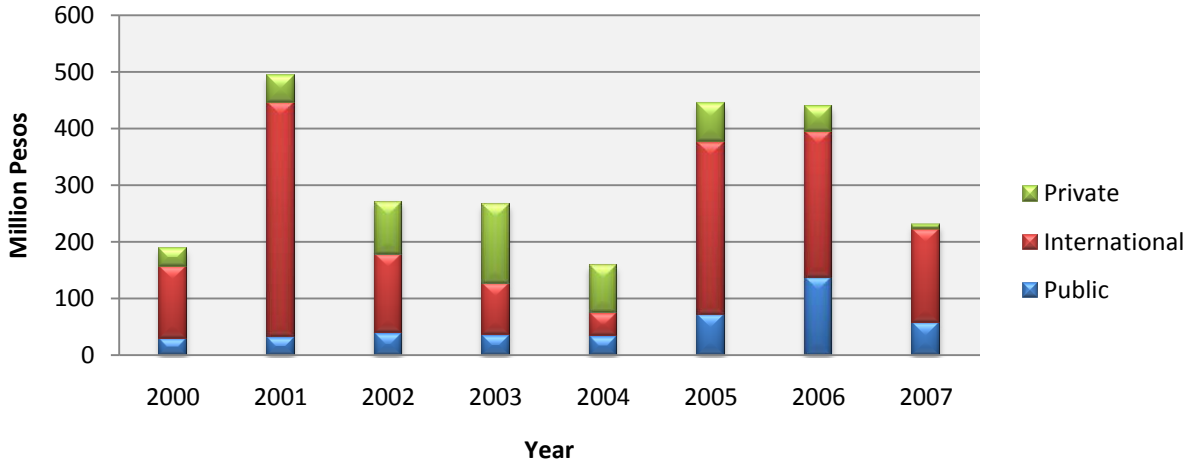


Fig. 4. Annual Philippine Internationally-sourced HIV/AIDS Financing, 2000 - 2007

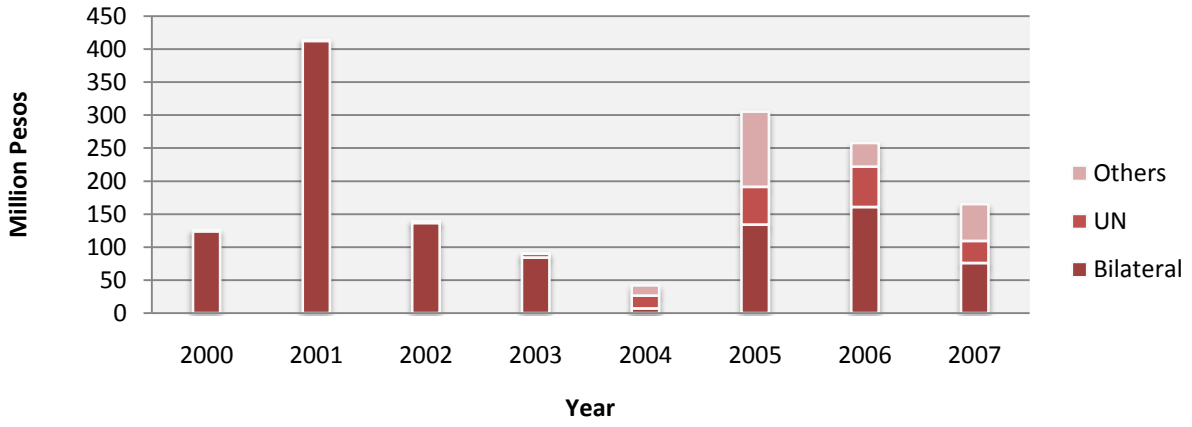
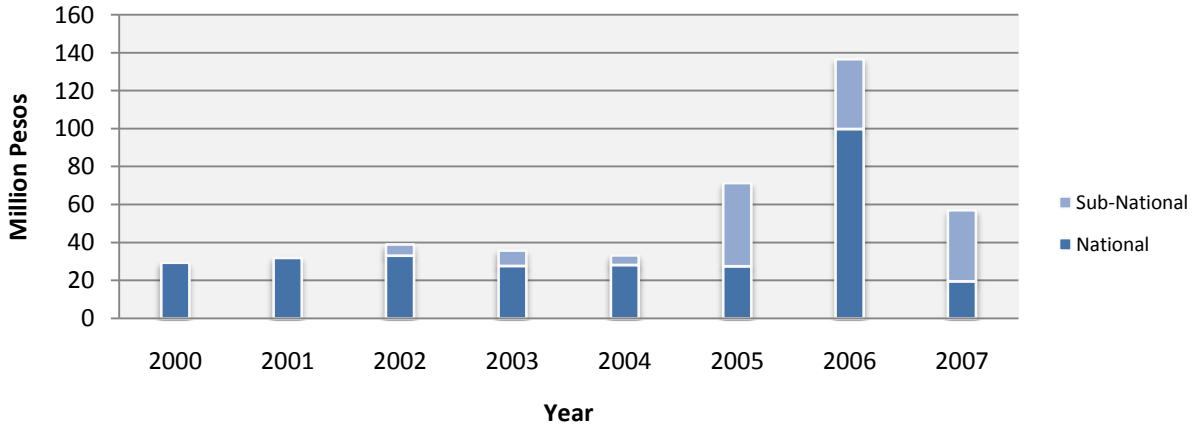
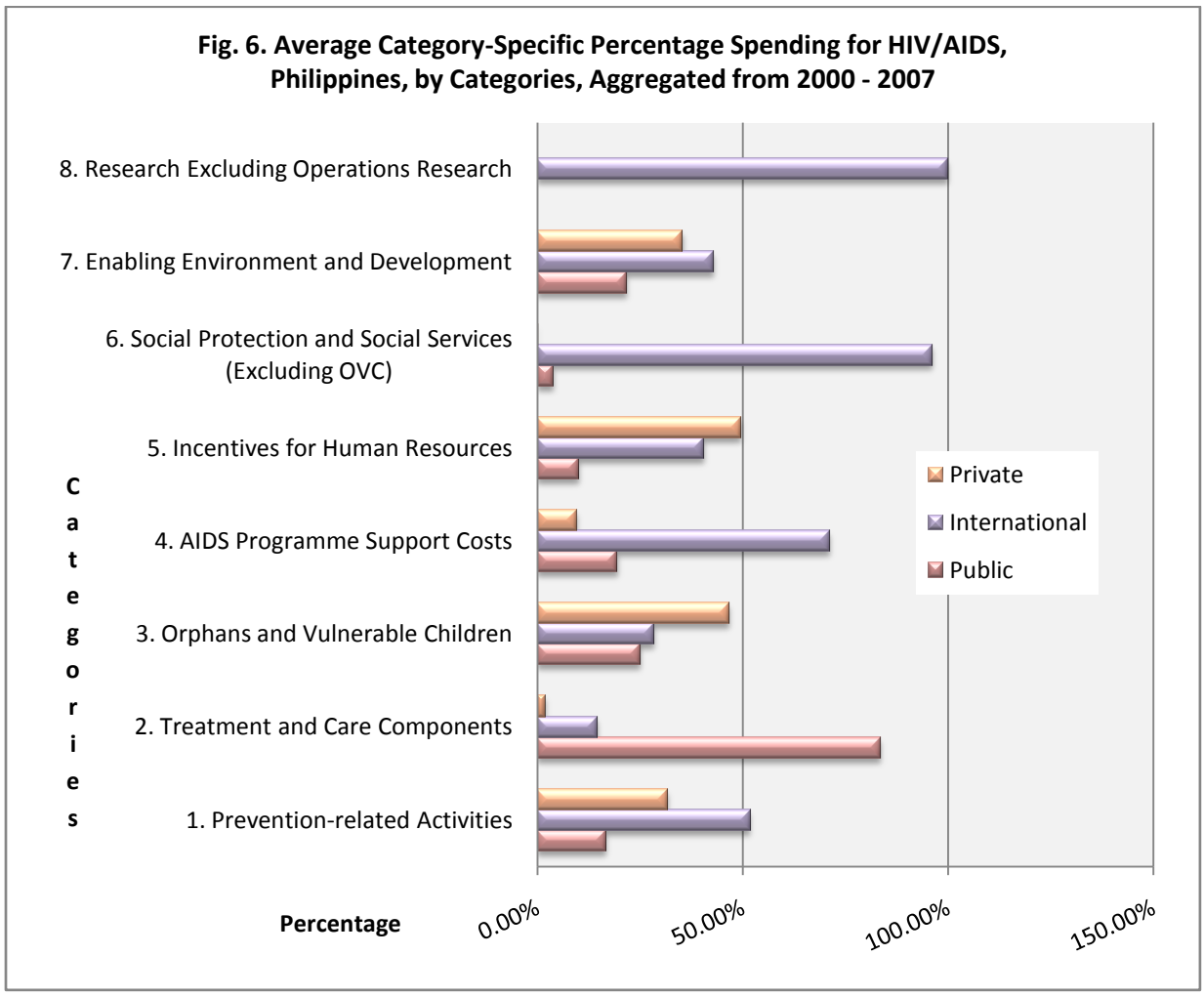


Fig. 5. Annual Philippine Public Sector HIV/AIDS Financing, 2000 - 2007



The recent international financing shortfalls have been offset by an increase in public sector spending, both from national and local sources (Figure 5). The latter, however, was not sustained – contributing to the mentioned 2007 decline which equated to real values lower than those for 2000.



The eight year average spending allocation (in percentage terms) of the main financial sources is shown in Fig. 6. Expenditures for Treatment activities are predominantly publicly financed. In relative terms, international agencies are the main financing sources for Research, Social Services and Program Support. To a lesser extent, international institutions are the lead financial sources for Enabling Environment as well as Prevention-Related activities. Human Resource Incentives as well as Services for Orphans and Vulnerable Children are chiefly, though not predominantly, covered by private financing. All these described trends, needless to say, may overlook the considerable variations in actual annual financing sourcing and allocation amounts.

INPUTS TO POLICY FRAMEWORK

The evident decline in HIV/AIDS financing in the country have occurred at a time when, on an international scale, such funds continue to rise to unprecedented scales (Figure 7)[5]. While it may be granted that the bulk of such financing has gone to areas or countries with critical HIV/AIDS situations, this nonetheless means that there is no absolute decline in available international financing to account for the local waning of such financing sources locally.

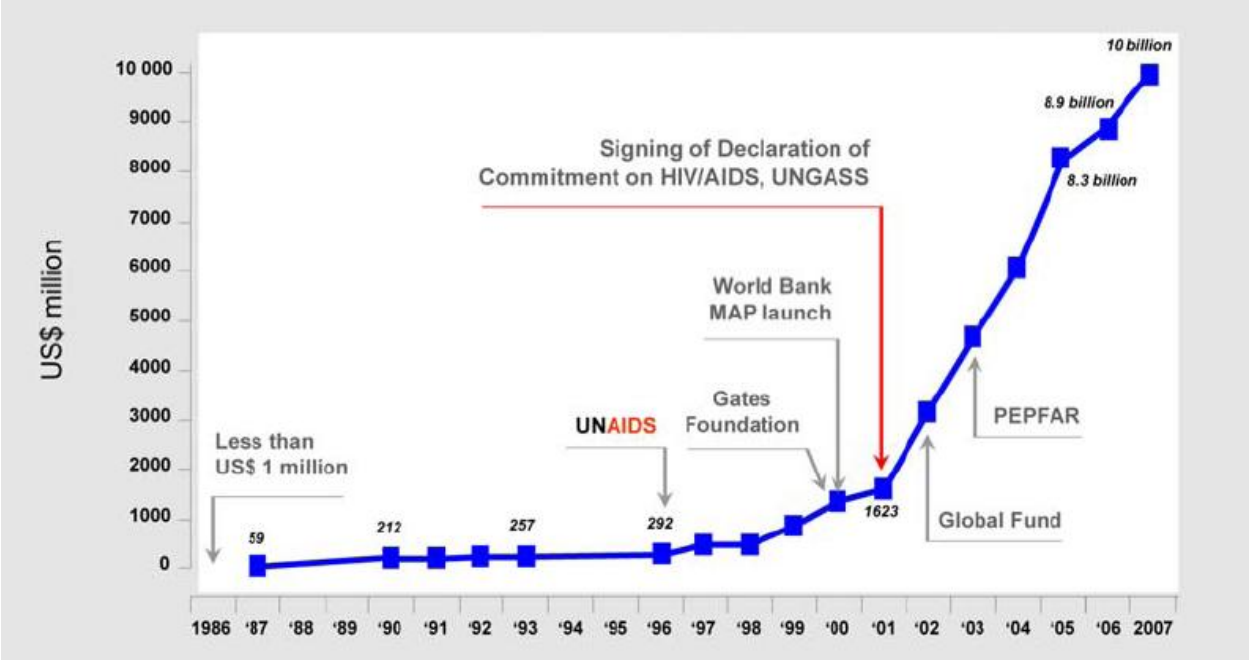


Fig. 7. Total annual resources available for AIDS, 1986 - 2007[5]

It also bears pointing out that not all HIV/AIDS prevention and control measures are equally cost-effective. While it may be difficult to ascertain the actual differential impact of a program, given the resources that it requires and the various contexts in which these are utilized, some programs can certainly be more valuable than others. For instance, a recent report provides a useful paradigm for showing such differential effectiveness (Figure 8)[6]. Due consideration of such differential influences of various programs is certainly appropriate if resources are to be utilized in the most efficient manner.

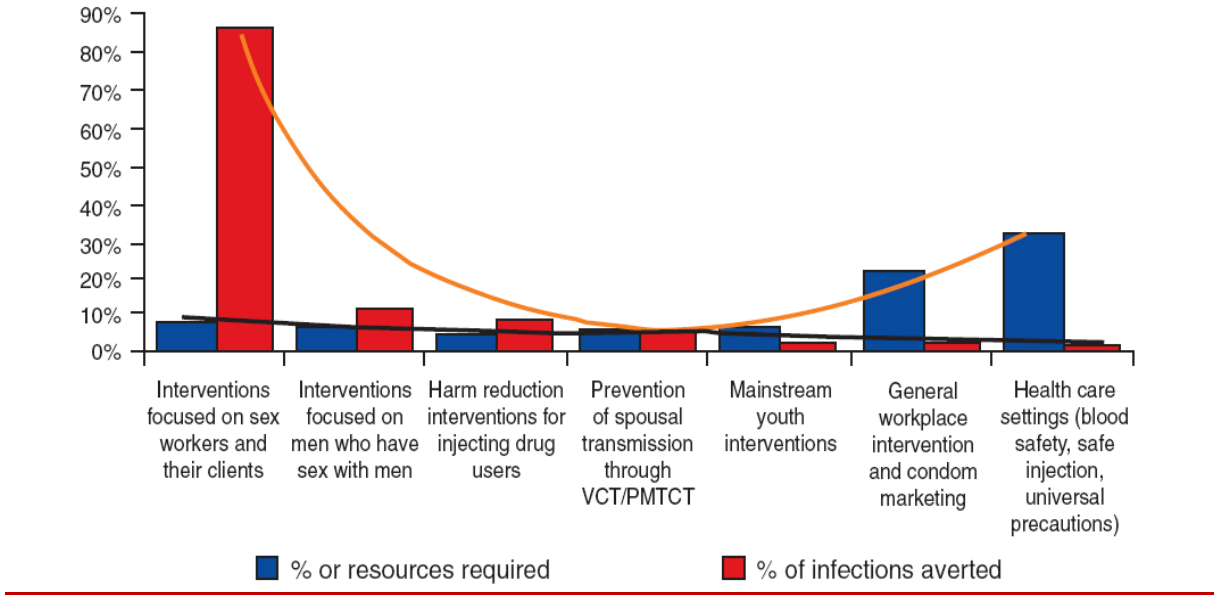


Fig. 8. Comparison of prevention interventions, according to distribution of resources and percentage of new infections averted, 2007–2020[6]

Finally, it may be mentioned that there have been attempts to integrate and make more systematic country-level HIV/AIDS activities, including those related to financing. UNAIDS has recently produced an instrument which may be particularly useful for developing countries. The Country Harmonization and Alignment Tool (CHAT) provides a practical means for countries to specifically assess and improve upon HIV/AIDS collaborative efforts[7]. The framework for the financial area is reproduced in Table 1.

Categories	Areas for national partners	Areas for international partners
Finances	5. Extent to which domestic/ national partners receive a fair portion of the national AIDS budget	5. Extent to which international partners have indicative multi-year commitments (i.e. more than three years) for the national AIDS response
	6. Extent of integration by national partners in decision-making and reporting about allocation of financial resources	6. Extent to which international partners support pooled funding arrangements for the national AIDS response

Table 1. CHAT assessment of country HIV/AIDS financing[7]

PROPOSED STRATEGIC DIRECTIONS

From the earlier evaluation of contemporary HIV/AIDS financing patterns in the country, it is apparent that there have been considerable deviations in the funding streams as well as significant declines in more recent years. An assortment of programs and activities, as categorized by NEDA defined spending categories, are funded by a variety of financing sources. While not evident in the aggregate data presented, a cursory inspection of the NEDA financing matrices (from which the provided figures were based, and contained in the Annex) shows how variable and complex such arrangements have been. For instance, international sources may support different local NGOs or government agencies, if not particular programs or activities, on a yearly basis. There are also wide annual variations in the amounts of financial commitments per funding agency. Additionally, the actual financing sources may not have been clearly identified, particularly in the earlier NEDA reports. Internationally-sourced funds may require either local counterparts or may be loans, which can therefore lead to an under-estimation of the medium- and long-term national and local financing outlays[8]. It goes without saying that not all the HIV/AIDS-related programs and financing in the country have been comprehensively included.

The obvious difficulty with such patchy arrangements is the inability to ensure sustainability of financing, if not the operations, of any individual program or spending category. Understandably though, some programs may have inherently variable financing arrangements (e.g., huge start-up costs, then lower regular operational expenses). Unfortunately, there does not seem to be an existing blueprint for the over-all desired levels of financing, even on aggregate levels, with which to compare existing resource flow patterns.

Aside from questions of sustainability, the other pressing concern is that of priority-setting. While it helps that the country's HIV/AIDS key strategic areas have been defined, this has not been fully translated to resource and operational standards. For instance, while both treatment and

prevention activities are highlighted among the strategic areas, actual resource priorities for the individual programs remain to be set. The average of the expenditures for the various prevention activities, on a percentage basis, is shown in Table 2 for 2000 – 2005 aggregates and Table 3 for 2006 – 2007. Interestingly, preventive measures for highly vulnerable groups, an identified strategic prevention area, accounted for just 8% of the 2000-2005 figures. By 2006-2007, these had reached nearly 30% of the total prevention expenditures. While there has been a realignment of expenditures for the benefit of vulnerable groups, the greater proportion is still directed to the population at large.

Table 2. Ranking of Philippine HIV/AIDS Prevention-related Activities, by Decreasing Percentage of Aggregated Annual Expenditures, 2000-2005

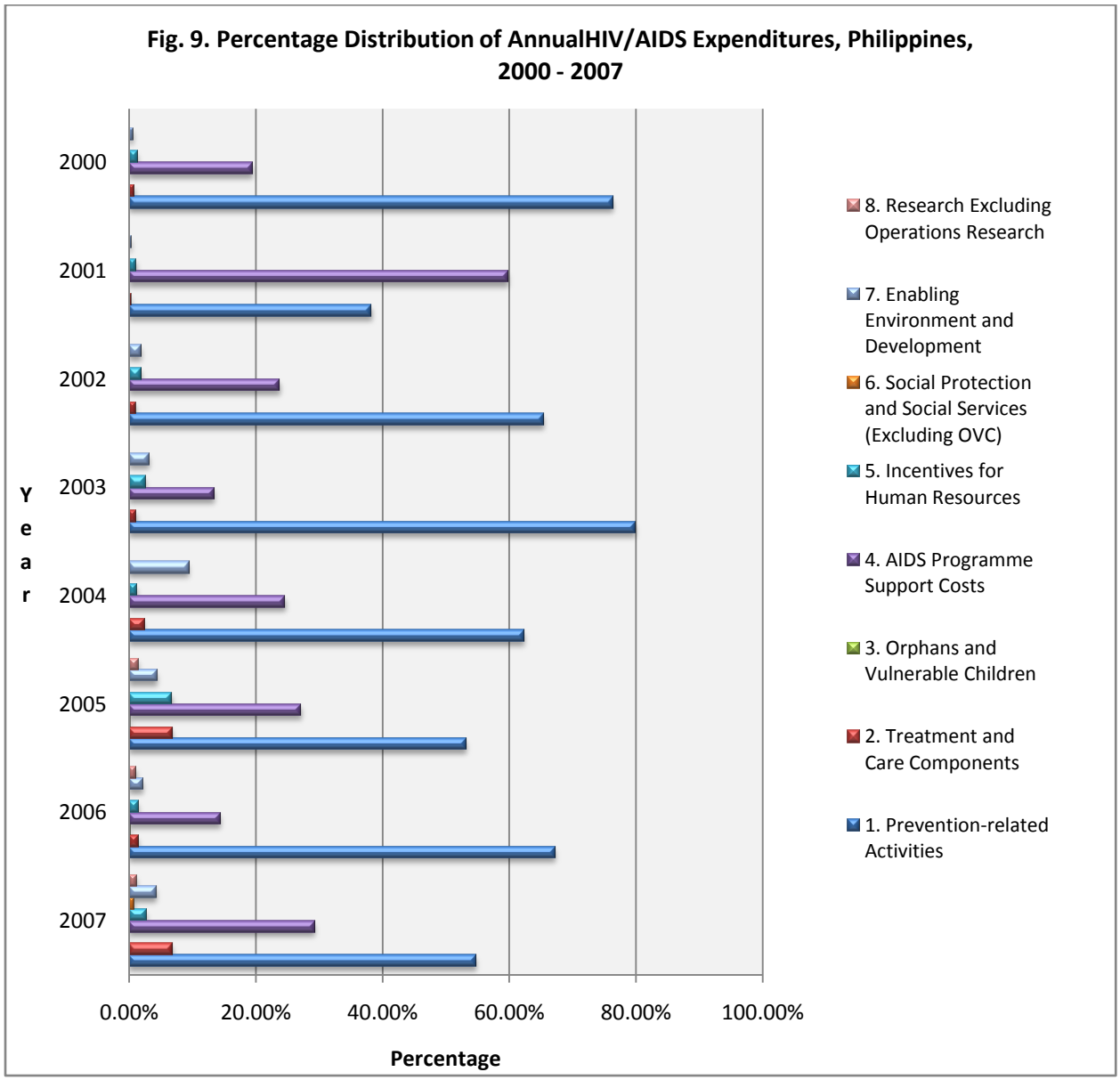
Prevention-related Activities	Average Percentage (Decreasing)
Mass Media	37.09%
Condom Social Marketing	22.65%
Improving Management of STIs	14.04%
Youth Out of School	4.21%
Programs for sex workers and their clients	**3.69%**
Public and Commercial Sector Condom Provision	2.67%
Youth In School	1.92%
Programs for MSM	**1.50%**
Harm Reduction Programs for IDUs	**1.50%**
Program for Vulnerable and Special Populations	**1.27%**
Blood Safety	0.95%
Voluntary Counseling and Testing	0.75%
Community Mobilization	0.45%
Prevention programs for PLHA	0.44%
Others	0.28%
Workplace Activities	0.01%
Safe Medical Injections	0.01%
Post-Exposure Prophylaxis (Health Setting, Rape)	0.00%
Female Condom	0.00%
Microbicides	0.00%
Prevention of Mother-to-Child Transmission	0.00%
Male Circumcision	0.00%
Universal Precautions	0.00%

Table 3. Ranking of Philippine HIV/AIDS Prevention-related Activities, by Decreasing Percentage of Aggregated Annual Expenditures, 2006-2007

Prevention-related Activities	Average Percentage (Decreasing)
Mass Media	50.90%
Programs for sex workers and their clients	**15.66%**
Improving Management of STIs	10.60%
Programs for MSM	**5.03%**
Harm Reduction Programs for IDUs	**4.54%**
Program for Vulnerable and Special Populations	**3.40%**
Youth In School	2.18%
Voluntary Counseling and Testing	1.72%
Community Mobilization	1.60%
Condom Social Marketing	1.52%
Prevention of Mother-to-Child Transmission	0.84%
Prevention programs for PLHA	0.73%
Public and Commercial Sector Condom Provision	0.57%
Youth Out of School	0.30%
Workplace Activities	0.29%
Post-Exposure Prophylaxis (Health Setting, Rape)	0.12%
Safe Medical Injections	0.00%
Female Condom	0.00%
Microbicides	0.00%
Blood Safety	0.00%
Male Circumcision	0.00%
Universal Precautions	0.00%
Others	0.00%

The funding of strategic prevention areas also needs to be looked into relative to the overall targeted expenditures. The Indicative Resource Requirements, as set forth by the 4th AIDS Medium Term Plan, delineates 20 – 25 % of total annual expenditures to such defined prevention areas [4]. The recent 30% allocation for the identified strategic prevention areas, given the 60% overall share of prevention activities may mean that the required amounts have been met (Figure 9). But these are but in relative terms, and these occurred in the recent years when the absolute levels of financing were on the decline. Likewise, there has been no explicit spending documentation for preventive services for OFWs.

Thus, there is a pressing need to not only increase the availability of resources but to also provide more efficient and effective ways of allocating these. It goes without saying that reforming the financing mechanisms for local HIV/AIDS programs will be a key step in this regard.



RECOMMENDATIONS FOR STRATEGIC DIRECTIONS AND FINANCING

From the foregoing discussion, it is clear that initiatives have to be undertaken to enhance the financing backbone of the HIV/AIDS efforts and thereby also improve the related prevention and control mechanisms. Towards this end, several crucial areas need to be addressed.

Quantified Resource Allotment

While the strategic areas so designated in the most recent Medium Term plans serves as a schema for the prioritization of activities, these fall short of providing a practical roadmap for implementation. In terms of financing, a better costing assessment for the priority areas needs to be provided. The 4th Medium Term Plan contains an Indicative Resource Requirement section, which lists the estimated expenses needed for each strategic area [4]. The amounts, however, were arrived at using apparently iterative processes. As such costs may be both geographically and temporally variable, then simulation models (which may take into account such variables as the sizes of vulnerable populations, prevalence rates, and other demographic characteristics) will have to be generated to provide more accurate and relevant estimates. Localities may then be stratified by risk gradients (e.g., graduated "risk zones"), which can help guide resource requirement and allocation.

Institutional Profiling and Matching

Qualitative profiles of both financing and implementing agencies, be they public, private, or international, can be made available possibly by way of a central registry. This may help facilitate the flow of funds, by providing at least the basic information required by the counterpart institutions. For instance, a ready inventory of the financing characteristics of international organizations (e.g., funding cycle, period of obligation, disbursement rate, program specific or basket, primary recipient, conditional limitations, etc.[5]) can greatly ease the identification of financing gaps for the dependent programs. An open profiling system can also encourage a transparent, competitive, and possibly efficient matching of the relevant institutions.

Agency Benchmarking

For implementing or provider institutions, financial support will have to be tied up to preset benchmarks. The latter are preferably performance or outcomes- based (including financial management aspects). Understandably, these may be difficult to develop, given the heterogeneity of activities and agencies. Nonetheless, very basic requirements may be set for particular program categories. With time, such criteria may evolve into sector-wide standardized benchmarks. Compliance among agencies, particularly NGOs, may best be encouraged rather than mandated. Certainly, benchmark compliance can become valuable adjuncts to the profiling system – providing further incentives for agencies to voluntarily conform to the set standards.

Programmed Public Financing Commitments

The public sector in particular will have to identify the critical areas of implementation, possibly in line with the designated strategic HIV/AIDS prevention and control programs and activities. These may then be specified as "must provide" areas with earmarked government funding provisions. The specific level if not agency of government that will have to make this financial commitment will also have to be stipulated. The funding stream may be so designed as to ensure the attainment of even financial autonomy in these areas within specified periods of time. An option that may be exercised is the establishment of an HIV/AIDS endowment fund. While Cruzado has proposed a national fund, and outlined in detail the financing mechanisms for such, even local government units can possibly undertake such a scheme [9]. It goes without saying that by choosing to pour more financial resources in these selected programs, other areas may be expected to receive less government support. The adoption of this selective system, however, may not only ensure the adequacy of resources in strategic areas, but also prevent overlaps and thereby possibly redirect previously redundant non-public funds to other less essential areas.

INPUTS TO IMPLEMENTATION GUIDE (PNAC)

The cited crucial areas can only be effectively addressed if there is a correspondingly strong political commitment to their realization. In the current state of affairs, the Philippine National AIDS Council is the national body that is in the best position to possibly meet this obligation. Unfortunately, the PNAC seems to be saddled with difficulties of its own, including financial limitations[7]. PNAC will thus need to be revitalized and acquire the will, capacity, and capabilities to not only address its current difficulties but also to adopt if not implement the proposed policy options.

As the most basic requirement, PNAC will have to retool itself to also become an effective financial clearinghouse. This will not entail its having to become a financial institution, much less a regulatory one. Nonetheless, by adopting means – such as setting incentives and disincentives (e.g., "accreditation" awards only for institutions that comply with financing benchmarks or provide publicly accessible profiling information), provision of financing contract blueprints, drawing up of standardized performance scorecards, etc. – it may yet become an efficient facilitator of effective financing for HIV/AIDS programs. Similarly, it will have to be better involved in being able to align and possibly redirect public financing in particular to its own identified strategic result areas.

Finally, PNAC will also need to extend its influence ironically to beyond the confines of HIV/AIDS. For, in the end, even a truly successful HIV/AIDS effort can only do so much if the rest of the health sector lags behind. In this light, scaling up of even just the financing initiatives need not be limited to HIV/AIDS, but can certainly be extended to other, if not larger, health concerns.

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