HP+ POLICY *Brief*
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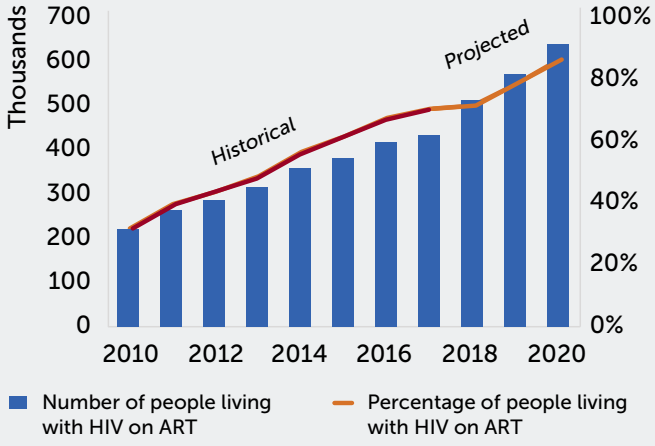
Ethiopia's Emerging HIV Financing Gap The Need for Increased Domestic Funding

Ethiopia's HIV Epidemic

Over the past two decades, Ethiopia has made impressive progress in controlling its HIV epidemic. Between 1994 and 2014, the annual number of new HIV infections declined by 90 percent (from an estimated 140,000 to 14,000) and the annual number of AIDS-related deaths declined by more than 80 percent between 2003 and 2016 (UNAIDS, 2018a). However, Ethiopia's HIV epidemic is far from over. As the number of people living with HIV on life-saving antiretroviral therapy (ART) continues to grow, so does the cost of the HIV response—already higher than ever before (Figure 1). There is also growing concern about the potential for a "second wave" of the epidemic, driven by the emergence of drug-resistant strains of HIV and a renewed increase in transmission rates. In 2015, the annual number of new HIV infections increased for the first time in more than 20 years and Ethiopia currently experiences an estimated 16,000 new HIV infections annually, compared to 14,000 in 2014 (UNAIDS, 2018a).

Ethiopia's Health Sector Transformation Plan establishes clear and ambitious HIV treatment and prevention targets for the country to reach by 2020, including achieving 90-90-90 targets set by the Joint United Nations Programme on HIV/AIDS (UNAIDS)—90 percent of people living with HIV know their status, 90 percent of those who know their status are on ART, and viral suppression is achieved for 90 percent of patients on treatment. Achieving these targets will require significant sustained investment in Ethiopia's HIV response.

Figure 1: Actual and Projected Number of ART Patients



Source: UNAIDS, 2018a; Global Fund, 2017a

The Current Funding Situation

The success of Ethiopia's HIV response has largely been driven by external funding from development partners, particularly the U.S. President's Emergency Pan for AIDS Relief (PEPFAR) and the Global Fund for AIDS, Tuberculosis and Malaria (Global Fund). Over the past 15 years, these two institutions have committed approximately US$4 billion to HIV programming in Ethiopia (PEPFAR, 2018a; Global Fund, 2018). However, external financing has declined steadily over the last decade (Figure 2). In 2008, PEPFAR and the Global Fund committed US$468 million for HIV-related treatment, care, prevention, and health systems strengthening. In 2017, their combined commitment was just US$197 million: $130 million from PEPFAR and $67 million from the Global Fund. Resources from the Global Fund are expected to remain relatively constant through 2020, while PEPFAR contributions, which fell to US$100 million in 2018, are expected to decline even further in the coming years (USAID/Ethiopia, 2018).

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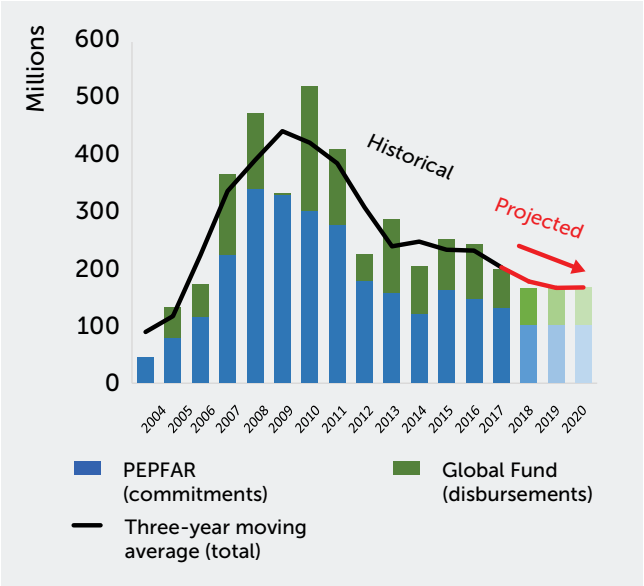
Figure 2: Global Fund and PEPFAR Funding for HIV



Source: Global Fund, 2017a, 2017c; PEPFAR, 2018a; USAID, 2018
Note: PEPFAR commitments exclude those for management and operations

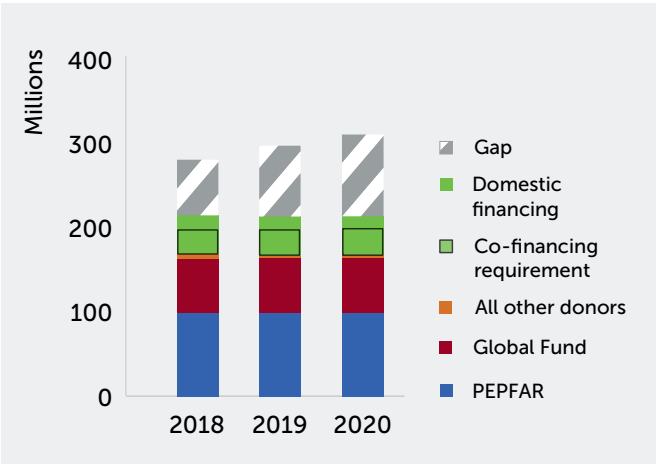
The government of Ethiopia has also made significant contributions to the HIV response, primarily to HIV prevention, care, and support, as well as to human resources, infrastructure, and other health systems costs. However, domestic funding has not increased to offset the sharp decline in external support. While the government of Ethiopia's HIV expenditures have consistently exceeded the Global Fund's co-financing requirements, domestic public HIV expenditure declined from US$54 million in 2012 to US$46 million in 2016 (FMOH, 2013; Global Fund, 2017b).

Impact of the Financing Gap on the HIV Response

Cuts to Priority Programs

Ethiopia already faces an HIV financing gap of US$66 million for 2018. This gap is expected to grow to US$97 million in 2020, driven by flat—and potentially declining—external financing and increasing numbers of people living with HIV on ART (Figure 3). Development partners are likely to safeguard treatment funding to ensure that current ART patients can remain on treatment. However, external financing for ART is unlikely to increase and even maintaining current treatment funding levels may be ambitious.

Figure 3: HIV Resource Need, Availability, and Gap for HIV National Strategic Plan



Data based on Global Fund, 2017a and USAID, 2018.

As PEPFAR shifts toward greater prioritization of treatment, significant financing gaps will open for HIV prevention, as well as for care and support for ART patients.[1] If PEPFAR maintains its 2017 level of funding for treatment (US$52 million), external funding for prevention, care, and support may decline by 50 percent or more between 2017 and 2020, severely hampering Ethiopia's ability to achieve the UNAIDS 90-90-90 and 95-95-95 targets. Recent increases in the annual number of new HIV cases highlight the importance of sustaining investment in prevention activities to avoid continued growth in the number of people living with HIV and in the need for testing and treatment.

As of 2016, only 67 percent of people living with HIV in Ethiopia knew their status, leaving the country far from achieving the first 90 target (90 percent of people living with HIV know their status). Reduced funding will make it more difficult to identify people living with HIV, particularly among groups that are hardest, and most costly, to reach. Diminished funding for care and support may make it more difficult to ensure treatment adherence and increase the number of patients lost-to-follow-up.

Maintaining viral suppression is vital to safeguard patients' health and prevent HIV transmission. With 86 percent of ART patients virally suppressed, Ethiopia is close to achieving the third 90 target (90 percent of patients on treatment achieve viral suppression). To reach this target, the country must maintain investments in care and support to ensure effective treatment. In combination with investment in prevention activities promoting HIV awareness and

[1] Care and support refer to a range of clinical, psychological, social, spiritual, and preventive services aimed at increasing retention in care, maximizing functional ability, and minimizing morbidity among people living with HIV (PEPFAR, 2018b).

preventative behaviors, effective treatment can reduce transmission rates.

Higher transmission rates will lead to more cases of HIV and additional testing and treatment costs. The government of Ethiopia would be wise to invest domestic resources now to protect the substantial progress it has made and push onward to reach 90-90-90 goals, rather than risk taking a step backward in the epidemic response. Allowing a resurgence of the epidemic will lead to greater costs, both financial costs and lives lost, in the long run.

Country Experiences

Other countries offer experiences that the government of Ethiopia can learn from. Botswana was one of the first sub-Saharan African countries to face reductions in external financing. Between 2009 and 2015, PEPFAR funding for Botswana fell from more than US$90 million to less than US$30 million (PEPFAR, 2018a). Over the same period, the number of new HIV infections occurring in Botswana each year increased for the first time in more than a decade, from 13,000 to 15,000 and the number of people living with HIV increased by an estimated 16 percent, from 310,000 to 360,000 (UNAIDS, 2018b). The government of Botswana responded by increasing its funding for HIV from US$186.8 million in 2009/10 to $253.5 million in 2011/12 (PEPFAR, 2017). Increases in domestic funding have helped Botswana regain lost ground in HIV epidemic control and by 2017, the annual number of new HIV infections had fallen to 14,000 (UNAIDS, 2018b).

Recently, countries in Eastern Europe and Central Asia have experienced a surge in HIV cases, due in part to declining external funding for and low domestic investment in responding to HIV. Since losing Global Fund eligibility in 2014, the number of new HIV cases occurring in Macedonia each year has increased by nearly one-third (Open Society Foundations Public Health Program, 2017; UNAIDS, 2018c). Key populations—among whom new infections throughout the region have been concentrated—have been most significantly impacted by cuts in external support. Maintaining focus on these populations is critical to prevent a resurgence of the HIV epidemic (Open Society Foundations Public Health Program, 2017).

Reductions in donor financing have occurred primarily in upper-middle-income countries in southern Africa, Eastern Europe, and Central Asia. Ethiopia is among the first of low-income countries experiencing substantial and sustained reductions in external funding for HIV. As external funding continues to diminish, the government of Ethiopia must focus on how to meet its HIV funding needs and what programs and interventions to prioritize, given its limited public resources.

Where to Invest

Ethiopia faces not only the prospect of further cuts to external financing for HIV, but also increasing program costs. Treatment will be the most immediate and significant cost driver. Between 2017 and 2020, Ethiopia aims to put an additional 207,000 people on ART—a nearly 50 percent increase—resulting in additional annual costs of US$12.8 million for the purchase of antiretroviral drugs (ARVs), not including additional supply chain and service delivery costs (based on cost estimates from a recent study by Harvard University [Berman et al., 2016]). While development partners may maintain current funding levels for ARVs, there is little chance that this funding will increase. Therefore, Ethiopia will need to mobilize funding from domestic sources to cover growing treatment costs. Between 2018 and 2020, reaching ART targets will require US$27 million in domestic funding. In addition, substantial domestic investment will be needed to maintain other key programs that are likely to experience sharp reductions in donor financing. Testing, case identification, and prevention are the programs in need of the largest additional domestic investment (Figure 4).

Figure 4: Priority Programs for Domestic Investment (2018–2020)

Given projected external HIV financing, Ethiopia will need to mobilize:

US$27 million to purchase ARVs to reach treatment targets

US$48 million to procure test kits and maintain current levels of support for case identification

US$32 million to maintain prevention programs

Source: PEPFAR, 2018a; Global Fund, 2017c

Conclusion

Now more than ever, it is critical that Ethiopia step up to take ownership of its HIV response and demonstrate its commitment to eliminating HIV by investing in key programs. Ethiopia has made tremendous progress in responding to the HIV epidemic and is close to achieving the UNAIDS 90-90-90 targets. However, declining donor financing and stagnant domestic allocations for HIV threaten to stall—or even reverse—this progress. A continued increase in the number of new HIV infections threatens to spark a resurgence of the epidemic and to increase the long-term cost of the HIV response. Investing domestic resources in HIV programs now will save lives and money and put Ethiopia on track to fulfill the commitments outlined in its Health Sector Transformation Plan.

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