

Topic: The impact of HIV/AIDS on the public sector in Southern Africa.

Abstract:

The aim is to examine and contribute to an improved understanding of the consequences of HIV/AIDS on the government finance and public services in Southern Africa.

HIV/AIDS poses a serious challenge to economic development. Increasing mortality and morbidity reduce the living standard directly and have repercussions that affect all areas of the economy. Companies face productivity losses and increasing costs of medical and death related benefits. Individuals and household face the risk as social insurance mechanisms are eroded

The HIV/AIDS epidemic affects all areas of the public sector, through its adverse impact on public servants, revenue and on other categories of expenditure. In countries highly affected by the HIV/AIDS epidemic, government's capacities for providing public services are diminished by increasing mortality and a reduction in domestic revenue. The demand for government services, most notably in the health sector expands. Through its demographic and economic effects, the HIV/AIDS epidemic poses a large challenge to the financial management of the national social protection systems. For example, increased mortality owing to HIV/AIDS may reduce the number of contributors to pension schemes, while the number of surviving dependents entitled to benefits increases. In countries with high HIV prevalence, social grants account for a large proportion of general health of expenditure and probably a greater proportion related to HIV/AIDS.

H53 Government expenditure and welfare programs.

1. The background of HIV/AIDS in Southern Africa

1.1 Introduction

It is now 20 years since the first cases of acquired immune deficiency syndrome (AIDS) were discovered in sub-Saharan Africa. At the beginning of the third decade of the global pandemic, AIDS has reversed gains in life expectancy and improvements in child mortality in many countries. The mortality among the population age 15-49 has increased many fold, even in the countries with the modest epidemic. AIDS was found to be the leading cause of mortality among adults in 2001 in Southern Africa (UN, 2002:7). According to estimates by United Nations program on AIDS (UNAIDS), as of the end of 2003, over 20 Millions people had died of AIDS while 38 Millions people are estimated to be living with the disease, The overwhelming majority of whom over 90 percent are in developing countries where the disease is already reduced life expectancy. HIV/AIDS exacts a heavy toll on surviving family members, especially children, and may exacerbate poverty and inequality because most people who developed AIDS are adults in the prime of life (www.worldBank.org). .

Sub-Saharan Africa is by far the worst affected region in the world affected by AIDS (de la Gorgendiere, 2005:2). Despite being home of just over 10 percent of the world's population, it has two-thirds of the HIV positive people. UNAIDS (2004) about 7.5

percent of adults in the region were HIV-positive at the end of 2003, compared with a global prevalence rate of 1.1 percent and a prevalence rate of 0.4 percent for the world excluding Sub-Saharan Africa. Table 1.1 summarizes the latest available estimate from the UNAIDS of the numbers of people living with HIV-AIDS and AIDS-related deaths in selected regions and for specific countries. In Sub-Saharan Africa the increase in mortality due to AIDS already have a significant demographic event, affecting negatively on the earlier progress in key human development indicators such as infant mortality and life expectancy. The mortality and morbidity associated with AIDS is different from any other types of sickness and diseases. That is because whereas most diseases prey largely on the young, the old or the weak the way in which HIV is contacted and spread makes young adults, especially young women the most vulnerable.

Table1: Key Demographic Indicators of the HIV/AIDS Epidemic by Developing and Selected Countries End 2003 (Thousands of persons except where stated otherwise).

Region & Country	Children	Adults	HIV prevalence among adults (percent)	AIDS deaths among adults and children
Global Total	37800	35700	1.1	2,900
Sub-Saharan Africa	25000	23100	7.5	2,200
Botswana	350	330	37.3	33
Ivory cost	570	530	7.0	47
Ethiopia	1500	1400	4.4	120
Kenya	1200	1100	6.7	150
Malawi	900	810	14.2	84
Mozambique	1300	1200	12.3	110
Namibia	210	200	21.3	16
Nigeria	3600	3300	5.4	310
Rwanda	250	230	5.1	22
South Africa	5300	5100	21.5	370
Tanzania	1600	1500	8.8	160
Uganda	530	450	4.1	78
Zambia	920	830	16.5	89
Zimbabwe	1800	1600	24.6	170
Asia	6500	6300	0.6	460
Combobia	170	170	2.6	15
Thailand	570	560	1.5	58
Vietnam	220	200	0.4	9
Latin America	1600	1600	0.6	84
Brazil	660	650	0.7	15
Guyana	660	650	2.5	1
Caribbean	430	410	2.3	35
Haiti	280	260	5.6	24
Eastern Europe	1300	1300	0.6	49

Source: UNAIDS (2004)

As a result, in countries with high HIV prevalence, the socio-economic consequences of high mortality among adults can be far reaching, devastating household, family communities and eroding formal and informal mechanisms of social support (Epstein, 2005:2). In Botswana, Lesotho, Namibia, South Africa, Swaziland and Zimbabwe it is estimated that at least one in five adults is living with HIV. In many cities of Sub-Saharan Africa, HIV prevalence among sex workers approached 50 percent from the mid-1980's to early 1990's, and in several seroprevalence among sex workers ranged from 50 percent to over 80 percent. UNAIDS estimates that about 57 percent of adults living with HIV in Sub-Saharan Africa are women and that new infections among women are increasing, especially among adolescent... Women, especially young women have multiple vulnerabilities to HIV transmissions due to: biological, cultural, social and economical factors. The economic dependency on men, cultural preference for high fertility, lack of power to negotiate safe sex practices, and lack of access to information and health care all combined to make it difficult and undesirable for women to practice in safe sex negotiation (Epstein, 2005:2 and de la Gorgendiere, 2005:2). Many studies show that younger women from poor communities often resort from selling sex in effort to support their families or pay their school fees (www.AVERT.org).

2 The Demographic impact of HIV/AIDS in Southern Africa

Southern Africa is the region with the highest rates of HIV prevalence in the world. According to UNAIDS, the Joint United Nation Program on HIV/AIDS, 9.4 million, out of a total population of 97 million, were HIV infected in 1999. For the region, the adult HIV prevalence rate averages 19.1 percent; it ranges from 13.2 in Mozambique to 35.8 percent in Botswana (see table 2). This compares to an adult prevalence rate of 8.6 percent in for the whole Sub Saharan Africa. The scale of the epidemic in Southern Africa is particularly worrying given that this is the most developed part of Africa and it was hoped Southern Africa would be the continental powerhouse for economic development (www.brookings.edu)

Table 2: The Demographic Impact of HIV/AIDS in Southern Africa

COUNTRY	Total Population,1999	People living with HIV/AIDS,1999	Adult Prevalence RATE,1999	Estimated AIDS Deaths 1999	Life Expectancy at Birth,1998	Life Expectancy at birth No AIDS
Botswana	1,592	290	35.8	24,000	40.1	61.5
Lesotho	2,108	240	23.6	16,000	54.0	62.0
Malawi	10,674	800	16.0	70,000	36.6	51.1
Mozambique	19,222	1,200	13.2	98,000		
Namibia	1,689	160	19.5	18,000	41.5	65.3
South Africa	39,796	4,200	19.9	250,000	55.7	65.4
Swaziland	981	130	25.3	7,100	38.5	58.1
Zambia	8,974	870	20.0	99,000	37.1	56.2
Zimbabwe	11,509	1,500	25.1	160,000	39.2	64.9
Southern Africa	96,545	9,390	19.1	742,100		
Sub-Saharan Africa	596,272	24,500	8.6	2,200,000		
Global EX Saharan Africa	5,362,577	9,800	0.2	600,000		

Epstein. 2005

As a consequence, life expectancy at birth has fallen dramatically (see Table 2). By 1998, life expectancy at birth had fallen by 20 years or more for most of the above mentioned countries.

According to the UN in (Haacker, 2002:6) rates of the population growth have already decreased by between 0.6 percent and 1.5 percent by 2000 (Table 2). By 2010, rates are expected to decline by up to 3 percent for the worst affected countries, reflecting rising mortality, reduced fertility rates of HIV infected women, and declining birth rates. HIV/AIDS especially affects mortality

rates for the working population, and, due to mother to child transmission, child mortality (ages 1-14) also increases. For the age groups 15-49, Table 2 shows that, for the whole region, most deaths already are AIDS-related. By 2010, the IPC estimate that mortality rates will rise from between 2.4 and 0.4 percent in the absence of HIV/AIDS to between 2.4 and 5.0 percent by 2010. This would mean in this the 15-49 age group AIDS would account for 65 percent or more of all deaths.

Table 2 the demographic impact of HIV/AIDS in Southern Africa

	Mortality: Ages:15-49 2000		Mortality: Ages:15-49 2010		Dependency ratio 2000		Dependency ratio, 2010		AIDS orphans: ages: 0-14 2010
	Total %	Due to AIDS %	Total %	Due to AIDS %	With AIDS	Without AIDS %	With AIDS %	Without AIDS %	Percentage of total population
Botswana	2.7	2.5	5.0	4.9%	103.6	101.1	94.0	89.8	7.2
Lesotho	1.2	0.8	3.0	2.7	106.5	106.7	100.9	96.8	3.4
Malawi	2.0	1.5	2.4	2.0	116.	115	95.0	95.8	3.7
Mozambique	2.0	1.3	3.3	2.8	110.15	108.9	99.3	97.4	4.4
Namibia	2.1	1.8	3.7	3.5	112.1	110.5	104.6	103.3	6.6
South Africa	1.3	1.0	3.3	3.0	85.6	84.4	81.8	75.6	4.4
Swaziland	2.0	1.5	401	3.7	117.9	116.8	112.6	111.4	6.8
Zambia	2.4	1.9	2.4	2.1	121.5	120.8	106.7	108.4	4.6
Zimbabwe	2.9	2.7	4.1	3.9	96.6	94.4	78.6	79.5	5.9

Source (Haacker, 2002:6)

In South Africa the epidemic is expected to reduced average life expectancy from 56.5 in 1988 to 40 years in 2010 (UN, 2002:7) The South African projected mortality for 2003 was 420 000, while the recorded mortality for the same year was 650 000. This means that there were more than 200 000 more deaths due to Aids and HIV (Sunday Times, 2003:18).

One important indicator for the effect of HIV/AIDS on per capita income is the dependency ratio, defined as the ratio between the young age 0-14 plus the old age 50+ populations and the working age population. Dependency ratios increase initially, as most death occurs between ages 15 and 49. However, birth rates decline due to lower fertility of HIV infected women and as a result of increased prevention efforts. Thus, in the later stages of the epidemic, dependency ratios may fall (see Table 2). Another important indicator for the social and economic consequences of HIV/AIDS is the number of orphans. Owing to high mortality rates among young adults, the numbers of orphans are increasing at an alarming rate. It is estimated that by the year 2010 7.2 percent of total population in Botswana will be AIDS orphans, while in Lesotho, South Africa, and Swaziland the number will be 3.4, 4.4 and 6.8 respectively. This figure shows that HIV/AIDS has been destroying the middle section and productive part of population such as parents, workers, managers and teachers (du Plessis, 2003:4). Caring for orphans is one of the greatest challenges facing Southern Africa. In South Africa the greatest burden of AIDS orphans who had lost one or both parents is in KwaZulu-Natal and Gauteng. In these two provinces the level of child mortality is high. In KwaZulu-Natal AIDS orphans constitute half of the total orphans in the province (du Plessis, 2003:4).

HIV/AIDS is a serious challenge to economic development. Increasing mortality and morbidity reduce the living standard directly and have repercussions that affect all areas of the economy. Individual and household face increasing risks both directly through the

risk of infection, and indirectly as social insurance mechanisms are eroded. Companies face productivity losses and increasing costs of medical and death-related benefits. The HIV/AIDS epidemic affects all areas of public sector through its adverse impact on public servants, on public revenue, and on certain categories of expenditure. Through its demographic and economic effects, the HIV/AIDS epidemic poses a huge challenge to the financial management of national social protection systems. For example, increase mortality owing to HIV may reduce the number of contributors reaching retirement age, while the number of surviving dependents entitled to benefits increases. For most countries with high HIV prevalence, external grants account for a large proportion of general health expenditure and probably an even greater proportion of expenditure related to HIV/AIDS. The losses in life expectancy in the worst-affected countries are reversing all the health and gains achieved over the past century. HIV/AIDS is the biggest factor contributing to decrease in healthy life expectancy in Southern Africa (EIU Viewswire, 2005:10), 2000),

3. The impact of HIV/AIDS on the Public Sector

The HIV/AIDS epidemic affects all areas of the public sector through its adverse impact on; public services, public revenue and certain categories of government expenditure. In countries afflicted by HIV/AIDS epidemics, government's capacities are diminished by increasing mortality, while domestic revenue slow down, even as the demand for certain government services, most notably in the health sector, expand. The costs of public services increased for all areas of government because of medical and death-related benefit and other costs related to increase attrition. For example; age composition of government employees changed as many more die young and many fewer reach retirement age. The health sector stand out as the HIV/AIDS epidemic results in an increased demand for health services, whereas the available personnel is also effected by the epidemic. For example the share of hospital bed occupied by patients who are HIV positive exceeds 50 percent in most Southern African countries. In order just to maintain the numbers of doctors and nurses, training would have to increase by 25 to 40 percent (Haacker, 2002:70).

In South Africa for example government has massively increase the budget for HIV/AIDS strategies to fight the disease. The plan has four priority areas, which are preventing further HIV infections, providing treatment, care and support for those infected and affected by HIV and researching on AIDS vaccine and conducting other research and monitoring all people affected by the diseases. The amount of R350 million budget for spending by the Department of Health, Social Development and Education for 2001/2002 financial year has been increased to R1 billion to 2002/2003 and increased to R1.8 billion for 2004/2005 (Department of Health 2005b). In Botswana , the government prioritized prevention strategies has led to the provision of more public resources of HIV/AIDS programmes as well as providing support to improve the implementation, monitoring and evaluating HIV/AIDS (UN 2000:5)

4. Impact of HIV/AIDS on Government Employees and Personnel Costs

The impact of HIV/AIDS on public sector labour is closely related to its effect on the labour market as a whole. According to Moran (2004:8) the HIV epidemic has become a major threat to employment objectives and labour market efficiency in all sectors. The loss of workers and workdays due to AIDS-related illness or the demands of caring can result in significant decline in productivity, loss of earning and attrition in skilled and experience. HIV/AIDS also change the age and gender distribution of children and the elderly facing economic uncertainty. The most obvious effect of HIV/AIDS on the labour force from which the public sector draws its employees is that of the impact of HIV/AIDS on the number of people of working age (Moran, 2004:8 and HSRC, 2004:2).

According to Bollinger and Stover (1999:8) AIDS deaths lead directly to a reduction in the number of workers available. These deaths due to AIDS occur to workers in their most productive years. As younger, less experienced workers replace these experience workers, worker productivity is reduced. Shortages of workers lead to higher wages, which leads to higher domestic production costs. Higher production costs lead to a loss of international competitiveness which can cause foreign exchange shortages. In 1999, 80 percent of newly infected people in Southern Africa were aged 20 to 49. Therefore, the effect of HIV/AIDS on the labour force is more severe than on the population as a whole. Moran, estimated that in the 29 Southern African countries, the number of male and female labour force participants will be 12 percent and 10 percent smaller respectively by 2020 than in the absence of HIV/AIDS (Moran, 2002:8).

In the highest HIV prevalence rates countries such as Botswana, Kenya, Malawi, Zimbabwe, Mozambique, Namibia and South Africa, the projected cuts on the labour force participation are higher at 19 percent for men and 18 percent for women. According to Business Report February, (2005:12) South is losing an estimated R12 billion a year due to absenteeism and between R1.8 and 2.2 billion of that can be attributed to the effects of HIV/AIDS. The absenteeism rate for people living with HIV/AIDS was three times higher than that of people not infected with the virus. People with HIV/AIDS were absent 32 days a year on average. The HIV/AIDS epidemic affects all level and functions of government as an increasing number of government employees fall ill and die. Beyond the disruptions public services associated with increased attrition rates, HIV/AIDS also affects the composition of government employees in various dimensions and the level of human capital available to the government. Also, because government employees generally enjoy some form of retirement death-related, and medical benefits, the government's personnel costs increase due to AIDS.

5 The impact of HIV/AIDS on Personal Costs

HIV/AIDS related personnel costs for the general civil services can broadly be categorized in terms of absenteeism, sick leave, medical benefits, death related benefits and other additional costs of replacing staff lost due to HIV/AIDS, most notably training costs. As the health status of those infected deteriorates, and as the need to care for the sick relatives increases, HIV/AIDS results in an increase in absenteeism. When public servants become too sick to work, they can usually request sick leave at full or reduced pay for a specified period. HIV/AIDS also has implication for the costs of training

because government employees who have fallen sick or die need to be replaced. Depending on the employee's job category, these costs may range from small amount for basic on-the-job training to very substantial investments involving several years training. The training costs may appear in the government budget. If the public servants lost due to HIV/AIDS are not replaced by similarly qualified staff, the primary costs will be a decline in the quality of the civil service. High mortality and morbidity affect public services through higher attrition and absenteeism of government employees affected by HIV/AIDS. More broadly, HIV/AIDS also results in higher absenteeism among those not infected for example, as these workers are obliged to care for sick family members and to attend funerals. The government employees can not be replaced easily and that an increase in the attrition rate may be causing serious disruptions to the effective government units (Haacker, 2005:218).

6 The impact of HIV/AIDS on Social Expenditure

The categories of social expenditure most directly affected by HIV/AIDS are public health expenditure such as social insurance, spending targeted at orphans including income support and subsidies for school fees, and various forms of income support for other affected persons. Public health expenditure plays an important role in mitigating the economic burden of disease on the affected households in countries where health insurance coverage is low. HIV/AIDS affects the number of poor households, so that social expenditure targeted at the poor, such as destitution allowances or any form of means-tested grants, is likely to rise (Haacker, 2005:238). In order to reduce the burden from the poor in South Africa, families affected by the epidemic are being helped with foster care grants assistance to child-headed household, food parcels and other interventions. The government has increased its budget for home-based and community based care for people suffering with AIDS from R94.5 million in fiscal year 2002/2003 to R138 million in 2004/2005 (Department of Health, 2005b).

The effect of AIDS in South Africa also threatens to destabilize security in parts of Africa and possibly elsewhere too. According to Sign (2004:3) between 17 and 22 percent of South Africa's defense force is HIV positive, the refusal by South African government to deploy HIV-positive troops to UN peacekeeping missions will likely become increasingly unsustainable. The effect of AIDS-related natural attrition, combined with an increase in rates of infection with HIV among South African troop in the year ahead, can be expected to reduce the number of South African peacekeeping missions in troubled African regions. The downscaling of South African peacekeeping operations because of these factors could threaten peace and stability in regions where South African troops currently serve, or could be called to serve (Sign, 2004:3)

7. The Impact of HIV/AIDS on the Health Sector

The health sector implements a wide range of HIV and AIDS activities including prevention campaigns and treatment (Ndovu, 2005:1). The impact of the HIV/AIDS on the health sector and the challenges countries face in implementing their response to the epidemic depend on the scale of the epidemic, and also on the available health resources

relative to the scale of the epidemic. HIV/AIDS affect the health sector in two ways. First AIDS increases the number of people seeking services in the public sector. Secondly health care for AIDS patients is more expensive than for most other conditions (Bollinger and Stove, 1999:8). The government is therefore face trade-offs along at least three dimensions. Which are treating aids versus preventing HIV infection, treating aids versus treating other illnesses, and spending for health versus spending for other objectives.

The demands for care expand, while the supply of medical skills and healthcare staff decrease. With more people falling sick, the increased workload meant healthcare workers would suffer from burnout, leading to higher absenteeism and low staff moral. Moreover the burden of HIV/AIDS placed on the healthcare system would reduce the quality of care, making it difficult to offer a full range of service (www.plusnews.org). The public health sector usually responded to the growing burden of care and overcrowded hospital wards by rationing care services, with patients being discharged early to make hospital beds available (www.IRINews.org). In principal, health expenditure can be financed from government general revenue, public social insurance, external grants, or private insurance or directly by the individuals or households affected. The share of public expenditure in total health expenditure varies considerably across African countries. For example in South Africa about 40 percent of adult medical in-patients at King-Edward VII Hospital were admitted with HIV-related condition in 1997, the percentage of HIV-related admission in Gauteng in 1997 varied between 26 percent and 70 percent in 1996. The Chris Hani Baragwanath Hospital in Soweto reported that about 30 percent of children under 6 years were HIV positive in 1996 (Bollinger and Stover, 1999:8). Virtually all public health expenditure is financed by either taxation or external resources.

8. The impact of HIV/AIDS on Education

The public education sector is one of the focal points of a broad policy response to HIV/AIDS, primarily reflecting the role of education in prevention. According to Haacker (2005:232) education contributes to HIV/AIDS prevention in two major ways. First, education in general facilitates access to information, thus contributing to HIV prevention, while also raising health standard and improving living conditions. By reducing girls' economic dependency, education can also reduce their vulnerability to HIV/AIDS. Second, public education is an important channel for delivering HIV prevention efforts to young people, promoting lower-risk sexual behaviour, and thus avoiding HIV infections. The role of public education in HIV prevention therefore/also reinforces the need to ensure access to education for children affected by HIV/AIDS.

The HIV/AIDS affects the education sector in at least three ways. Firstly, the supply of experienced teachers will be reduced by AIDS-related illness and death. Secondly, children may keep out of school if they are needed at home to care for sick family member or to work in the fields in the rural areas. Thirdly, children may drop out of school if their families cannot afford school fees due to reduced household income as a result of an AIDS death (Bollinger and Stover, 1999:9). The HIV/AIDS epidemic

affects the education sector in various ways: While the number of teacher falls owing to increased mortality, the number of pupils' declines owing to declining birth rates and increased child mortality. There is also a risk that access to education will be deteriorates. An increasing proportion of school-age children will be orphans, and might not be able to afford to continue with their education. An increased absenteeism among teachers and a lager number of vacancies in teacher positions due to HIV/AIDS would imply that a constant pupil-teacher ratio would actually signify a decline in the quality of education.

Table 3. The impact of HIV/AIDS on the Education

Countries	Pupil-Teacher ratios 1996		Total number of pupils (000)		Required Teachers Training (total)		Training to replace AIDS victim		AIDS death, % of total trainings	
	Primary	Secondary	2000	2010	2000	2010	2000	2010	2000	2010
Botswana	25	17	452	437	1.380	1.569	543	1.231	39.4	78.5
Lesotho	47	24	471	502	646	802	92	371	14.2	46.2
Malawi	59	45	3.295	3.398	3.729	3.376	1.013	1.523	27.2	45.1
Mozambique	58	33	1.769	1.901	2.287	2.466	447	1.218	19.5	49.4
Namibia	32	21	509	522	1.398	1.298	618	800	44.2	61.6
South Africa	36	29	11.421	9.160	17.337	13.118	9.045	10.273	52.2	78.3
Swaziland	34	19	290	333	767	975	149	527	19.4	54.0
Zambia	29	n.a	1.643	1.911	3.078	3.359	1.017	1.272	33.0	37.9
Zimbabwe	39	27	3.269	2.669	5.448	4.368	2.960	3.610	54.3	82.6

Haacker.2002:14

Table 3 shows that in 2000, between 14 and 54 percent of teachers that need to be trained in the respective countries would replace AIDS victims. This indicates that for countries like Botswana, Namibia, South Africa and Zimbabwe, the required number of new teachers has increased by between 65 and 119 percent by 2000. The rate of newly trained teachers replacing AIDS victims would rise between 38 and 83 percent by 2010. At the same time, the number of pupils is due to declining birth rates and partly due to AIDS (Hacker, 2002:14).

The World Bank projected a fall in the primary school age population by 2010 to be 24 percent in Zimbabwe, 20 percent in Zambia, 14 percent in Kenya and 12, percent in Uganda. The losses of teachers due to HIV/AIDS between 2000 and 2010 for the same countries are estimated annually at 2.1 percent, 1.7 percent 1.4 percent and 0.5 percent which cumulatively very substantial loses (Worldbank, 2000:5). Thus, to protect access to education in general and to mitigate the impact of HIV/AIDS on the life prospects of orphans governments face three challenges. First, governments need to minimize the disruptions to education caused by increased absenteeism and mortality. Second, they need to ensure that a sufficient number of teachers are trained to compensate for increased attrition. Third, they need to set up support mechanism such as subsidies to school fees, to offset orphans' disadvantages in access to education. (Haacker, 2005:236)

9. The impact of HIV/AIDS on the government's Pension Schemes

Pension schemes encompass, many different institutional arrangements, some operated directly by the government, and other operating independently but with some government

oversight and a government guarantee, explicit or implicit, of the pension fund's obligations (Haacker, 2005:238). The cost of HIV/AIDS may accrue either to the government, through increased contributions to the pension fund from general revenue, or to government employees, through increased contributions or reduced benefit. In addition to old-age pensions and survivor benefits, defined-benefit schemes typically provide disability benefits, funeral grants, to other death-related lump-sum benefits. Outlays and these benefits are strongly affected by HIV/AIDS, because they rise essentially proportionally with HIV prevalence or mortality.

10. Government Revenue and the financing of Health Expenditure

HIV/AIDS affects domestic government revenue through its adverse effects on the macro economy and thus the tax base. Fiscal policy needs to take these changes into account, both in terms of the medium-term fiscal framework and in the context of resources mobilization in the fight against HIV/AIDS. In the countries with severe HIV epidemic GDP growth slow down, leaving GDP substantially lower than what might have been expected before the epidemic escalates. As a consequence, growth in the domestic tax base, and thus in domestic government revenue, also decreases, complicating the government's efforts to cope with the increased demand that the epidemic places on its services. The government resources are diverted from public services such as road, telecommunications and education because of the government is bearing the direct costs of HIV/AIDS (www. Brooking.edu). As the present discounted value of tax revenue declines, it also becomes more difficult to service a given level of tax revenue declines; it also becomes more difficult to service a given level of public debts.

According to Haacker (2005:241) the components of domestic revenue most likely to be adversely affected by HIV/AIDS are income taxes and import duties. Corporate income tax revenue declines as increased expenses for training, medical and death-related benefits, and lower employee productivity raises personnel costs for a given level of output, to the extent the companies can pass on the costs to their employee by cutting benefits or salaries for example, this will result all else equal, in a decline in personal income tax revenue. Import duties decline to the extent that the increased demand for health services cause imported medical products which tend to have reduced or even zero tariff rates, to crowd out other imports on which full duties are paid.

11. The impact of HIV/AIDS on the efficiency of public services

HIV/AIDS increases the number of government employees taking early retirement for medical reasons or dying in service. Increased attrition rates and absenteeism for medical reasons or to attend funeral causes disruptions to work process and thus affect the efficiency of public services. In the public sector these losses are most likely to result in a decline in almost all government employees are permanent employee, and the positions of those falling ill cannot be filled before they either die or retire. The responsibilities of an ill employee are typically taken on by someone else in an acting capacity or shared between colleagues in the same unit. Second, staff allocations are typically driven by a

centralized annual budget process, and so there is little flexibility to hire additional staff to cover bottlenecks in particular units, especially on a temporary basis.

Once a government employee dies or retires, the position cannot be filled instantaneously. Many government jobs, in particular senior positions, need to be advertised, the applications screened, and candidates interviewed. The government agency then selects one or more candidates and makes offers, which may be rejected or may have to be negotiated. Once a candidate accepts an offer, the appointment needs to be confirmed, the entire process can therefore take several months or more to complete.

12. Conclusion

HIV/AIDS poses a serious challenge to Economic Development in most Southern Africa countries. AIDS affect all areas of public sector through its impact on public revenue, public serves, and increase in public expenditure. Sub-Saharan Africa is by far the most HIV/AIDS affected region in the whole world. The increase in adult and child mortality on this region affect negatively on the earlier progress on the human development indicators such as reduction in child and adult mortality and increase in life expectancy. HIV/AIDS differs from other diseases because it attached the working population, therefore it put a heavy burden on economic growth and development. The increasing mortality and morbidity b reduce the standard of living directly as it increases the dependency burden on the working population.

The most direct social expenditures affecting by HIA/AIDS are public health and education. AIDS affect health sector in two ways: It increases the number of people seeking services in the sector, while it also reduces the number of providing the services due to AIDS related illness and death. In most of Southern African countries, almost all public health expenditure is financed through government revenue (taxes). About 80 percent of sick people in Southern Africa relay on public health centers as there are too poor to afford the most expensive private sector. Care and support strategies which comprise of home-based care increases the expenditure on health sector even further.

HIV/AIDS affects education in three ways: Firstly, HIV reduces the supply of teachers, due to AIDS-related illness and death. Secondly HIV/AIDS decrease the number of pupils attending school as the get ill or die due to HIV- relate diseases or when children are taking care of sick family member or children cannot afford school fees due to reduction in income as a result of an AIDS related death.

The impact of HIV/AIDS on the public sector labour is closely related to its effects on the labour market as a whole. The lost of workers and/or workdays due to AIDS-related illness results in a significant decline in productivity, loss of skills and thus economic growth. The effect of AIDS also threatens to destabilize security as majority of Peacekeeping force are HIV positive in South Africa.

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