

The Macro-Economic and Sectoral Impacts of
HIV and AIDS
in India

A CGE Analysis

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सत्यमेव जयते

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Foreword

The study on the Socio-Economic Impact of HIV and AIDS which was conducted in the six high-prevalence states of India, is an important initiative to assess the impact of HIV and AIDS on households and make projections at the macro and sectoral level. The National AIDS Control Organisation (NACO) commissioned this study to address the need for concrete evidence on the social and economic consequences of HIV and AIDS in India.

A unique feature of this study is the scale of the research. It is noteworthy for its detailed analysis of the phenomenon of stigma and discrimination and of the impact of HIV and AIDS on households, on people living with HIV and AIDS (PLWHA) and their family members.

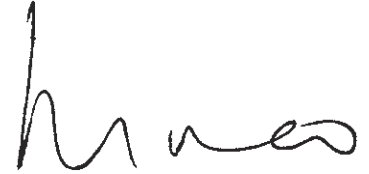
There are many issues of concern highlighted in this study. The additional financial burden imposed on households with PLWHA is forcing them further into poverty. An important indicator is the reduction in the aggregate income of the PLWHA households surveyed by around nine percent. This has a devastating impact considering that most of the sample households were from the low income group.

There are various factors that bring about a fall in income levels. One reason for lower income levels is the higher prevalence of HIV and AIDS among working people. Also, on an average, the per capita medical expenses of HIV households were four times higher than those of the non-HIV households. To meet this expense, almost 43 percent of the households had either borrowed or sold assets. As a result of lower savings and expenditure, dependants in the households such as children, spouses, caregivers and the elderly were also affected. For example, in Andhra Pradesh the number of children from HIV households who had to absent themselves from school due to their parents' illness was four times higher as compared to non-HIV households.

The study is timely for NACO and State AIDS Control Societies (SACS), particularly now as we are finalising the National AIDS Programme Phase III (NACP III) and the state level Programme Implementation Plans (PIPs). I have no doubt that the study will be invaluable in guiding us on the road ahead. The States AIDS Control Societies (SACS), district and block level officers will also be able to tap state and district level findings to advocate for better decentralised cooperation.

The macro-model prepared in this study suggests that the long-term impact of HIV and AIDS is likely to be severe, on both aggregate and per capita GDP. NACO will use these findings to mobilise actors such as the private sector, media and non-health government ministries and to add momentum to ongoing efforts. Clearly HIV is not just a health issue and its impact has both social and economic ramifications. To overcome the challenges posed by HIV and AIDS we must ensure greater synergy between the efforts of several sectors as well as urgent action.

I would like to congratulate the National Council of Applied Economic Research (NCAER), the United Nations Development Programme (UNDP), PLWHA networks, state level bodies, SACS and Voluntary Counselling and Testing Centre (VCTC) counsellors for their excellent contribution to the study.

A handwritten signature in black ink, appearing to read 'K. Sujatha Rao', is positioned above the typed name.

(K. Sujatha Rao)
Additional Secretary and Director-General
National AIDS Control Organisation (NACO)



Message

The multi-dimensional nature of vulnerabilities that result from HIV and AIDS are at first glance difficult to comprehend and measure. At the global level, research is increasingly focusing on the relationship between HIV and AIDS and other socio-economic issues.

In India, the impact of HIV and AIDS is not very visible due to the low prevalence rate and large population size. In such a scenario, it is even more important to document both human and economic dimensions of HIV and AIDS. Research studies conducted till date in India have measured the impact of HIV and AIDS on stigma and discrimination and income but their limitations lie in their small sample size. It was therefore, thought necessary to conduct this study on a more comprehensive scale.

The study brings out the negative impact HIV is likely to have over the next decade on economic growth and livelihoods of people, particularly the poor, if current trends are not heeded. A case in point is the study finding that highlights that Persons Living with HIV and AIDS who have minimum social security, such as unskilled wage labourers, are even more at risk. This was substantiated by the sectoral study which revealed that HIV and AIDS hit those sectors harder that use unskilled labour intensively. Work in several African countries has highlighted that high-prevalence rate of HIV infection can lead to a reduction of the Gross Domestic Product. Not surprisingly, when such a trend sets in, it is the poor that are most affected.

The pervasiveness of stigma and discrimination is another cause for concern, making a strong case for mainstreaming HIV in the work of non-health sectors. In Maharashtra, for example, 56 percent of those surveyed had not disclosed their status in the community and 79 percent had not disclosed their status to the employer.

In the case of women, the discrimination was much higher than against men. These findings clearly underline the urgent need for women-centric components within the HIV and AIDS programmes. This reiterates UNDP's position that a stronger focus on women is necessary to empower them and make them less vulnerable to HIV and AIDS.

UNDP is happy to have supported NACO in this study and hopes that the findings will be useful to strengthen evidence based planning for a more comprehensive response to HIV and AIDS in India. We hope this study will contribute to enhancing our collective understanding of the impact of HIV and AIDS beyond the health sector. Finally, I would like to congratulate the research team at NCAER under the leadership of Dr. Suman Bery for making this study possible.

A handwritten signature in black ink, appearing to read 'Maxine Olson'.

Maxine Olson
Resident Representative
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Suman K. Bery
Director - General

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Message

The first AIDS case in India was detected in 1986 and since then the HIV epidemic has emerged as a serious public health problem in India. As in 2005, an estimated 5.206 million persons were living with HIV and till 31 July 2005, 1,11,608 AIDS cases have been reported in the country. HIV and AIDS are more than a health problem and its impact reaches far beyond the health sector with severe economic and social consequences. HIV and AIDS affect the individual, the family and the community at the micro-level and the various sectors of the economy at the macro-level.

While the companion report focuses on the socio-economic impact of HIV and AIDS on the affected individuals and their households in the six HIV high prevalence states of India, this report is concerned with the economy-wide and sectoral impacts of HIV and AIDS in India.

The study is based on a five-sector computable general equilibrium model of the Indian economy. In assessing the macro-economic and sectoral impacts of HIV and AIDS in India through the sophisticated methodology of computable general equilibrium modelling, this study is the first of its kind. Further, in part II of the study, an extended 28-sector CGE model of the Indian economy is used to enable a more detailed analysis of the sectoral impact of the HIV epidemic – particularly the impact of AIDS on the Indian industry.

The study takes into account the various modes of transmission of the adverse impact of HIV and AIDS on the national economy. All major effects of HIV and AIDS – decline in total factor productivity resulting from the increased mortality and morbidity, change in the skill composition of the labour force due to unequal incidence of AIDS among different grades of labour, fall in

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