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Economic Impact of COVID-19 on PEPFAR Countries

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Issue Brief

Key Facts

- The toll the COVID-19 pandemic has exacted on the global economy has been significant, with the International Monetary Fund (IMF) estimating that median global GDP dropped by 3.9% from 2019 to 2020, making it the worst economic downturn since the Great Depression. While the global economy was estimated to have recovered in 2021, recovery has been uneven and disparities in vaccine access and coverage could threaten improvement in much of the world.
- Among other priorities, the White House's U.S. COVID-19 Global Response and Recovery Framework seeks to bolster the economies of countries that have suffered due to the pandemic. This will be especially important in countries where the U.S. has major investments in other health areas, such as PEPFAR, the U.S. global HIV program. The economic impacts of COVID-19 on the HIV response could be as consequential as the direct health impacts, and as such, may significantly affect U.S. efforts in these countries. To inform such efforts, we examined the current and projected economic impact of COVID-19 in 53 PEPFAR countries.
- Overall, we find that in the majority of PEPFAR countries, GDP fell in 2020, the year the pandemic emerged, compared to 2019. In 11 countries, the contraction was greater than 10%. While PEPFAR countries experienced less of a median GDP drop than the global economy overall in 2020 (1.9% compared to 3.9%), they generally fared worse than their economic and regional peers.
- While the global economy was estimated to have recovered in 2021, this was not the case in PEPFAR countries. While almost all PEPFAR countries were estimated to have experienced some GDP growth in 2021, the projected growth, at least through 2024, remains below pre-pandemic projections (10-13% below). By contrast, the current projections of global GDP exceed the pre-pandemic projections. In addition, the challenges facing the global economy are likely to continue, particularly in low and middle-income countries, as the strong rebound in 2021 is expected to decelerate in 2022.

- Finally, there is significant uncertainty facing economic recovery in PEPFAR countries, which will be highly dependent on the future course of the COVID-19 pandemic, economic relief efforts, and vaccine roll-out. Currently, in 30 of the 53 PEPFAR countries, less than a third of the population has received at least one vaccine dose and only 10 are on track to meet global COVID-19 vaccine targets this year.

Introduction

The toll the COVID-19 pandemic has exacted on the global economy has been significant, with the International Monetary Fund (IMF) estimating that global median GDP dropped by 3.9% from 2019 to 2020, making it the worst downturn since the Great Depression (<https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>). Last year, in 2021, as countries started to reopen and vaccines became available, the global economy was estimated to grow, though still below pre-pandemic projections, and recovery has been uneven across countries and regions. In addition, the IMF has warned (<https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>) that vaccine access is the economic recovery “fault line”, as some countries look to resume normal activity and others continue to face new waves of infections and rising deaths. Indeed, vaccine coverage (<https://www.kff.org/interactive/kff-global-covid-19-vaccine-coverage-tool-current-and-projected-coverage/>) in low-income countries is well below all others and, at current rates, many are unlikely to reach global vaccine targets.

The White House U.S. COVID-19 Global Response and Recovery Framework (<https://www.whitehouse.gov/wp-content/uploads/2021/07/U.S.-COVID-19-Global-Response-and-Recovery-Framework.pdf>) includes an objective to “bolster economies and other critical systems under stress due to COVID-19 to prevent backsliding and enable recovery.” This will be especially important in countries where the U.S. has major investments in other health areas, such as PEPFAR, the U.S. global HIV/AIDS program. Because HIV is also an infectious disease, but one without a vaccine or cure, the economic impacts of COVID-19 on the HIV response could be as consequential as and exacerbate the direct health impacts.

This brief examines the current and projected economic impact of COVID-19 in PEPFAR countries. We used data from the International Monetary Fund’s (IMF) World Economic Outlook (WEO),¹ on GDP and GDP growth projections² for 53 countries³ that were required by PEPFAR to submit a Country Operational Plan or Regional Operational Plan (COP/ROP) in FY 2020.⁴ We also compared the IMF’s WEO pre-pandemic and current data projections to better understand the estimated economic impact. Pre-pandemic projections were taken from the October 2019 WEO database, and current data projections were taken from the October 2021 WEO database. The appendix contains WEO 2019-2021 GDP growth data, as of October 2021 for all 53 PEPFAR countries as well as the world median aggregate.

Key Findings

Economic Impact of COVID-19 in 2020

Almost all PEPFAR countries experienced GDP contractions in 2020 compared to 2019, and many fared worse than their economic and regional peers. Still, as a group, PEPFAR countries experienced less of a contraction than the global economy in 2020.

- 32 of the 53 PEPFAR countries (60%) were estimated to have experienced contractions in GDP in 2020. In 11 countries, the contraction was greater than 10%. Of the top five countries with the largest estimated contractions, three were in Sub-Saharan Africa (Angola, Zambia, and Namibia); the other 2 (Brazil and Panama) were in the Western Hemisphere. The contractions ranged from -0.04% (Nicaragua) to -30.9% (Angola) (see Figure 1).
- 21 PEPFAR countries experienced positive GDP growth in 2020 (see Figure 1), although in 11 of these countries, growth was lower than in 2019 (see [Appendix 1](https://www.kff.org/report-section/economic-impact-of-covid-19-on-pepfar-countries-appendix) (<https://www.kff.org/report-section/economic-impact-of-covid-19-on-pepfar-countries-appendix>)).
- Compared to the global economy, PEPFAR countries as a group experienced less of a contraction in 2020 (1.9% median drop in PEPFAR countries compared to a 3.9% median drop globally) (see Figure 1), though compared to their economic and regional peers, PEPFAR countries generally lagged behind non-PEPFAR countries (see Figure 2).

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Economic Impact in 2021 and Beyond

While almost all PEPFAR countries were estimated to see GDP grow in 2021, growth remains below pre-pandemic projections, in contrast to the global economy overall which is estimated to have fully recovered. In addition, there is future uncertainty.

- Almost all PEPFAR countries (49 countries or 92%) were estimated to have experienced some economic recovery in 2021, with higher GDP growth compared to 2020 (see Figure 3). Of the top five with the largest estimated GDP growth in 2021, two were in the Western Hemisphere (Haiti and Guyana); the other three were in Sub-Saharan Africa (Lesotho, South Africa, and Angola). GDP growth ranged from 0.06% (Rwanda) to 39% (Haiti) (see Figure 4). On the other hand, negative growth, or contractions, occurred for Ethiopia, Myanmar, and South Sudan.
- Still, projected GDP of the 53 PEPFAR countries, as a group, is expected to remain below pre-pandemic projections, at least through 2024 (at 10-13% lower than the pre-pandemic outlook) (see Figure 5), as it does for 34 of the 53 countries.
- By contrast, global GDP⁵ is not only estimated to have returned to its pre-pandemic projections in 2021, it is projected to exceed these as of 2022 and beyond. This largely reflects the strong and rebounding economies in high-income countries which have greater access to vaccines and a larger share of their populations vaccinated.⁶ And even though LMICs⁷ as a group are still projected to see lower GDP growth than their pre-pandemic projections (2-4% lower through 2024), they are anticipated to outperform PEPFAR countries over this period (see Figure 5). In addition, following the strong rebound in 2021, global economic growth is likely to decelerate putting further pressures on the recovery in low and middle-income countries.⁸
- Future recovery in PEPFAR countries is uncertain and highly dependent on the future course of the COVID-19 pandemic, economic relief efforts, and, ultimately, vaccine roll-out. Currently, in 30 of the 53 PEPFAR countries, less than a third of the population has received at least one vaccine dose and only 10 PEPFAR countries (18%) are on target to reach the WHO goal of 70% vaccine coverage by mid-2022 (see Figure 6).⁹

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Looking Ahead

It is clear that COVID-19 has set back economic progress worldwide and in PEPFAR countries. While PEPFAR countries, most of which are LMICs, did not appear to be as hard hit economically in the first year of the pandemic compared to the global economy, their current economic outlook is worse and recovery is slower compared to pre-pandemic estimates. This reflects several factors

(<https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>), including the challenges faced by many low-income countries, compared to high-income counterparts, in providing fiscal relief to address the domestic effects of COVID-19 as well as the variation in the severity of pandemic-related disruptions and now, vaccine access. Moreover, this situation is unstable. Several PEPFAR countries are experiencing a significant increase in COVID-19 cases due to the emergence of the Omicron variant, and most are on the other side of the “vaccine fault line”, not expected to obtain significant vaccine access until well into this next year or beyond. The ongoing effects of COVID-19 and the fluidity of the global environment make it difficult to predict what the ultimate impact will be on PEPFAR countries’ economies and their HIV responses in the future. Recent PEPFAR data also show that economic problems are worse in countries with high HIV prevalence.¹⁰ This combination of factors may have particular implications for the U.S. role in supporting the HIV response, including the extent to which the U.S. seeks to provide broader economic relief or additional health funding to PEPFAR countries and/or focus additional efforts on their vaccine roll-out, some of which has already been piloted in select PEPFAR countries.¹¹

Appendix

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Endnotes

Issue Brief

1. International Monetary Fund (IMF), World Economic Outlook, October 2021.

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2. GDP growth represents annual percentage change calculated using current prices in U.S. dollars.

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3. While 55 countries are included in the COP FY20 Guidance, activities in two of these countries – Barbados and Suriname—were discontinued over the past several years; as such, these countries are not included in the analysis.

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4. PEPFAR, PEPFAR 2020 Country Operational Plan Guidance for all PEPFAR Countries.

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5. Global estimate includes data for 196 countries and territories.

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6. KFF, KFF Global COVID-19 Vaccine Coverage Tool: Current and Projected Coverage, Accessed December 13, 2021.

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7. LMICs estimate includes data for 81 low- and lower-middle-income countries and territories.

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8. World Bank, Global Growth to Slow through 2023, Adding to Risk of ‘Hard Landing’ in Developing Economies, January 2022.

[← Return to text](#)

9. KFF, KFF Global COVID-19 Vaccine Coverage Tool: Current and Projected Coverage, Accessed December 13, 2021.

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10. PEPFAR, PEPFAR 2022 Country Operational Plan Draft Guidance for all PEPFAR-Supported Countries.

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11. Global AIDS Policy Partnership (GAPP), The Power of PEPFAR event slides, December 7, 2021, accessed: https://www.youtube.com/watch?app=desktop&v=Ywlcxk6FqHs&ab_channel=GlobalAIDSPolicyPartnership (https://www.youtube.com/watch?app=desktop&v=Ywlcxk6FqHs&ab_channel=GlobalAIDSPolicyPartnership).

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