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RESPONDING TO HIV/AIDS WITHIN MFIS IN MOZAMBIQUE

LESSONS LEARNED FROM AN ACTION RESEARCH PROJECT

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This publication was produced for review by the United States Agency for International Development. It was prepared by Frances Bundred of ECI*Africa* Consulting (Pty) Ltd., and Jared Penner and Pauline Achola of Mennonite Economic Development Associates (MEDA).

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LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AMAP	Accelerated Microenterprise Advancement Project
ASCA	Accumulating Savings and Credit Associations
ASO	AIDS service organization
BOM	Banco Oportunidad de Moçambique
CIDA	Canadian International Development Agency
CMN	Caixa das Mulheres de Nampula
ECI	ECI*Africa* Consulting (Pty) Ltd.
FGD	focus group discussions
FSKG	Financial Services Knowledge Generation
HAI	Health Alliance International
HAMED	HIV/AIDS and Microenterprise Development
HIV	Human Immunodeficiency Virus
IMAGE	Intervention with Microfinance for HIV/AIDS and Gender Equity
MEDA	Mennonite Economic Development Associates
MFI	microfinance institution
MIS	management information system
MMF	Mozambique Microfinance Facility
NGO	nongovernmental organization
PCR	Poupanças e Creditos Rotativo
SEEP	Small Enterprise Education and Promotion Network
SEF	Small Enterprise Foundation
SMFE	Swazi Microfinance Enterprise
USAID	United States Agency for International Development
WV	World Vision

EXECUTIVE SUMMARY

As Sub-Saharan Africa continues to deal with the many challenges caused by the AIDS epidemic, governments and development organizations are seeking innovative ways to reduce the spread of new infections while mitigating the numerous social and economic effects of the disease on local communities. Over the last five years, microfinance has gained recognition as an effective tool in the fight against HIV/AIDS by providing AIDS-affected, low-income households opportunities to continue living healthy, productive lives through access to sustainable, appropriate financial services.

In turn, microfinance institutions (MFIs) operating in areas of high HIV prevalence have also recognized the potential impacts of HIV/AIDS on their institutions: infected clients may lose their productivity and ability to operate their businesses as their health declines, rendering them unable to repay their loans and both infected and affected clients are more likely to miss meetings, skip payments as financial pressure increases, and divert funds to emergencies such as medical care and funerals, among other things. Institutions have also felt the impact of HIV/AIDS internally, through loss of staff members and productivity.

This action research project provided HIV/AIDS technical assistance to four MFIs operating in areas of high HIV prevalence in Mozambique. Over eight months, the MFIs received training on how to mitigate the impacts of HIV/AIDS on their institutions, the equivalent of 10 days of technical assistance from professional microfinance consultants, and a limited amount of funding for the activities and services carried out under their HIV/AIDS Action Plans. The four institutions were diverse, with a wide range of institutional and client sizes, geographic locations, and lending methodologies.

Some of the key lessons learned from this project include:

- To mitigate potential long-term influences on their institutional performance, clients, and staff, MFIs operating in areas of high prevalence should consider HIV/AIDS in their strategic planning and immediately implement some basic mitigation activities.
- Due to their limited capacities, some MFIs may require short-term technical assistance and funding to implement AIDS mitigation strategies. This project showed that MFIs can accomplish sustainable results with minimal external support when channeled into well-designed mitigation activities.
- MFIs should seek to establish strategic partnerships with AIDS service organizations (ASOs), government agencies, and other MFIs with mutually compatible goals and objectives. Such partnerships enable institutions to focus on their areas of expertise while allowing their clients to benefit from a complement of financial, social, and health services that help them deal with the effects of AIDS.
- Donor and government funding is primarily funneled through programmatic channels that often focus only on the health and social aspects of HIV/AIDS mitigation. A more holistic approach to addressing HIV/AIDS mitigation will clear the way for more collaborative partnerships and

funding that will enable institutions, including MFIs, to address the social, health, and economic impacts of HIV/AIDS on affected communities.

It is our hope that these lessons will benefit the wider microfinance community by providing guidance for the design and implementation of mitigation activities.

INTRODUCTION

BACKGROUND

At the start of the new millennium, microfinance professionals found themselves struggling to respond to economic problems that were exacerbated by the Acquired Immune Deficiency Syndrome (AIDS) epidemic. The microfinance community sought to find ways in which clients, often those living at or below the poverty line and who are most affected by Human Immunodeficiency Virus (HIV)/AIDS, could cope with the economic and health crises. They also needed to minimize their own financial risks of operating in areas with high HIV/AIDS prevalence. The community recognized that by addressing HIV/AIDS, microfinance institutions (MFIs) had the potential to assist three sets of beneficiaries: their own staff, clients, and the families of clients and staff.

The use of microfinance as a mitigation strategy against the devastating impacts of HIV/AIDS has developed significantly over the past few years, attracting attention from the donor community as well as those working within and alongside the microfinance industry in countries heavily affected by the HIV/AIDS pandemic. There is now much literature on this subject, as well as training materials on responses ranging from financial risk mitigation for MFIs to social and health interventions for clients and HIV/AIDS workplace strategies. While a full review of the literature on this subject would supersede the boundaries of this report, a few key resources are provided in Annex 1.

Development organizations and microfinance programs have responded in different ways to HIV/AIDS on microfinance based on their missions, values, and abilities to do so. Two organizations, DAI and Mennonite Economic Development Associates (MEDA) have contributed to this response with a primary focus on institutional-level solutions.

Implementing Partners and Agencies

In 2005, the Canadian International Development Agency (**CIDA**) donated funds to create the HIV/AIDS Mainstreaming Responsive Fund to provide rapid support to the immediate needs of partners and communities working to address HIV/AIDS issues. The Responsive Fund supported the technical assistance project described in this report. USAID co-funded this project through the Accelerated Microenterprise Advancement Program (AMAP) Financial Services Knowledge Generation (FSKG) project .

In 2001, CIDA and the Government of Mozambique signed a cooperative agreement to support the microfinance sector in that country. They chose **MEDA**, a consulting firm with more than 50 years of experience in sustainable economic development strategies who works in 27 countries worldwide, to implement this project and established the Mozambique Microfinance Facility (**MMF**). MMF's objective was to contribute to the reduction of poverty in urban and rural areas by strengthening microfinance intermediaries in the country.

By 2005, HIV/AIDS had become an important issue for MMF to address within the microfinance sector in the country. This new aspect of MMF's mission led to the partnership with DAI and ECI*Africa* Consulting (ECI), whereby a training workshop and technical assistance was to select MFIs.

DAI, a global consulting firm that provides social and economic development solutions to business, government, and civil society in developing and transitioning countries, has been a leader in the profitable expansion of financial services to new client groups, and the economic mitigation of HIV/AIDS.

ECI, an African economic development consultancy based in South Africa, possesses an interest in addressing HIV/AIDS in the economic context and has been advancing thinking in this domain for seven years through its work with micro, small, and medium-sized enterprises and MFIs.

The U.S. Agency for International Development (USAID) sought to promote approaches more oriented toward the bottom line, in line with its development philosophy. In 2000, DAI, with USAID funding, developed a training course[1] to help MFIs consider the bottom line and institutional implications of HIV/AIDS. Designed for MFI managers and board members, the *Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change* course focuses on MFIs in countries with medium- to high-HIV prevalence rates (4.4 to 21.5 percent).

DAI piloted the course in Harare, Zimbabwe, in October 2001. Although the course was publicly available on the internet for several years, few institutions, networks, or donors used the materials. This limited use was partly attributable to limited internet access, slow connection speeds, and limited marketing of the product in many target countries. In August 2004 and September 2005, however, under the USAID-funded AMAP-FSKG project, DAI and ECI rolled out the course in Ethiopia, South Africa, Kenya, Rwanda, and Mozambique using trained, Africa-based microfinance practitioners.

Through funding from CIDA, MEDA has worked to create awareness of the effects of HIV/AIDS on the microfinance industry. Their activities have included a successful seminar on HIV/AIDS and microfinance in Dar-es-Salaam, Tanzania; research and published reports on HIV/AIDS and microfinance; and a contribution to the Small Enterprise Education and Promotion (SEEP) Network's HIV/AIDS and Microenterprise Development (HAMED) working group.[2] In April 2005, MMF, a MEDA managed project that provides microfinance technical assistance to the industry in Mozambique, published a bulletin on HIV/AIDS and Microfinance (No. 4) that highlighted the scale of the HIV/AIDS epidemic in Mozambique and some of its effects on the microfinance industry and its clients.

MMF hosted the last course—jointly funded by USAID and CIDA—in the aforementioned Defining Options training series in Mozambique. The necessity for a strong local partner, its role as a microfinance technical service provider to the microfinance industry in Mozambique, and its interest in this subject made the MMF a suitable partner for this training. Eleven MFIs attended the training and gave positive feedback regarding the relevance of the training to their operations.

Despite the training's positive reviews, MFIs found it challenging to translate the training into actions within their organizations. Consequently, DAI, ECI, MEDA, and MMF jointly designed and implemented a technical assistance project to assist MFIs in planning and implementing selected activities in response to the impact of HIV/AIDS. MFIs in Mozambique were invited to submit proposals for technical assistance. The four MFIs that submitted proposals—Banco Oportunidade, Male Yeru, Ophavela, and Caixa de Mulheres de Nampula (CMN)—were selected to participate in the project. Assistance was limited to approximately $6,500 per institution for materials and other direct costs and between 5 and 10 days of technical advice from an experienced microfinance practitioner over a period of about six months.

[1] Developed by DAI through the USAID-funded Microenterprise Best Practices project.

2 MEDA's technical advisor and in-house HIV/AIDS expert, Pauline Achola, received an award for her contribution to member learning and dissemination on HIV/AIDS and microfinance issues through the HAMED working group at the 2005 SEEP Annual General Meeting in Washington, D.C.

This report describes the activities conducted through this technical assistance project and synthesizes lessons learned into recommendations for projects that plan to address the impacts of HIV/AIDS in the microfinance sector in future.

PROJECT SITE

The project was implemented in Mozambique in part because the country in the Southern Africa region that has been hit particularly hard by the HIV/AIDS pandemic, which has prompted some regional MFIs to develop strategic responses that seek to protect their institutions—as well as their clients and staff—from the ongoing financial, social, and health risks posed by HIV/AIDS. The Beira Corridor in Mozambique has some of the highest HIV prevalence rates in the region.

The microfinance industry in Mozambique, like others in this region, is aware of the rising HIV prevalence rates in the country and of the potential effects that HIV/AIDS could have on its institutions. However, unlike the microfinance sectors in South Africa and Uganda that have already felt the full impact of HIV/AIDS on its clients and institutions, the epidemic has not yet peaked in Mozambique and the impact on the general population is only beginning to be felt on a larger scale. This gives the industry in Mozambique an opportunity to take a proactive approach to mitigating the potential impacts of AIDS by implementing mitigation strategies in advance of a full-blown crisis.

PROJECT ACTIVITIES

The pre-technical assistance activities in Mozambique started with the training of 11 MFIs in September 2005. Table 1 presents a summary of the main activities related to the project that followed.

TABLE 1: PROJECT ACTIVITIES SUMMARY

Date	Activity
September 2005	Defining Options Training in Maputo with 11 MFIs
October 2005–February 2006	Design of technical assistance program by DAI, ECI, and MEDA and request for proposals from MFIs
March 2006	Selection of MFIs
April 2006	Inception workshop with MFIs to: • Finalize the MFI HIV/AIDS action plans; • Introduce the technical assistance providers to the MFI designees responsible for managing the technical assistance implementation; and • Summarize some of the principles of addressing HIV/AIDS in the microfinance sector (as per the Defining Options course).
May–November 2006	Various activities with the MFIs in line with their action plans.
November 2006	Final seminar to: • Synthesize lessons and recommendations from the program; • Share experience with and from three other MFIs from the Southern African region; and • Disseminate experiences to other stakeholders.

At the project's final learning event in November, representatives from three MFIs in Zimbabwe, South Africa, and Swaziland were invited to share their experiences. Each of these institutions took different, yet proactive responses to the challenges posed by HIV/AIDS on their staff and clientele. Their participation provided a useful look at responses taken by other Southern African MFIs in mitigating the varied impacts of HIV/AIDS on their institutions. The responses and experiences of these MFIs are described briefly in Annex 2.

MFI IMPLEMENTATION OF ACTION PLANS

This section presents the responses to HIV/AIDS that were undertaken by the four participating MFIs—Banco Opportunidade de Moçambique (BOM), Male Yeru, Ophavela, and Caixa das Mulheres de Nampula (CMN)—and describes the challenges they faced and some lessons learned.

BANCO OPORTUNIDADE DE MOÇAMBIQUE (BOM)

TABLE 2: BOM PARTNER PROFILE

MFI Name	Banco Oportunidade de Moçambique (BOM)
Geographic area of operation	Operations in four provinces in Mozambique: Manica (Chimoio, Gondola, Villa de Manica), Sofala (Beira, Dondo, Nhamatanda), Zambézia (Quelimane, Mocuba) and Maputo Province (Maputo City, Matola)
Number of clients	4,471 (December 2006)
Type of institution	Microfinance bank, regulated by the Central Bank of Mozambique
Lending methodology	Loan products with monthly reimbursements for solidarity groups (3 to 7 members), community trust banks (10 to 30 members), and individual clients. Savings and term deposits for individuals and associations. Obligatory credit life insurance products for all loans taken after February 2006.

DESCRIPTION OF RESPONSES TO HIV/AIDS

BOM has responded to the threat of HIV/AIDS by:

- Establishing a strategic partnership with an experienced HIV/AIDS service provider that could deliver quality HIV/AIDS training resources, and
- Launching an initial orientation for BOM staff on HIV/AIDS.

In addition to the activities that BOM was already conducting, BOM implemented the following with the technical or financial assistance available through this project:

- The design and delivery of an integrated training program for clients at all branches; and
- The design and submission of an impact study for the HIV/AIDS training held in Sofala, Manica, and Zambézia provinces.

BOM had already performed significant work related to HIV/AIDS before it joined this technical assistance project. It was primarily interested in receiving access to the financial assistance available from this project to offset the costs of their ongoing staff and client HIV/AIDS training offered through Health Alliance International (HAI). BOM was able to use the funds to pay for trainers and to send their staff out into the field to finalize partnership agreements. Training sessions will be

delivered over the course of a two-year term and have begun in the provinces of Manica, Sofala, and Zambézia.

The technical assistance team worked with BOM to design a survey instrument to measure the level of impact these training sessions were having on the HIV/AIDS knowledge and sexual behavior of the staff and clientele. The team conducted a first round of interviews out of BOM branches in Chimoio, Beira, and Quelimane in May, before any of the clients had received the HAI training. Enumerators from the National Institute of Statistics collected the data from the clients to avoid any conflict of interest during the survey process. The team conducted a second round of interviews only in Sofala and Manica in September after the clients had received at least one training session. (The Quelimane branch was behind schedule with their training and therefore could not be included in the survey at the time.) BOM staff, along with the technical assistance provider, processed and analyzed the results of the survey and presented a final report on the impact study to BOM staff at the end of October.

INTERVIEW FINDINGS

Methodology

This study was done though the use of quantitative research methods, using individual questionnaires for staff and clients into two phases. The team carried out Phase 1 before the clients received training, and Phase 2 was conducted after at least one training session. All the staff had received training prior to the commencement of Phase 1. Table 3 shows the distribution of the sample by provinces and type of interviewee.

TABLE 3: SAMPLE DESCRIPTION – BOM

	Phase 1		Phase 2		Total	
	Clients	Staff	Clients	Staff	Clients	Staff
Sofala	84	11	89	0	**163**	**11**
Manica	96	10	40	0	**106**	**10**
Zambézia	63	18	0	0	**63**	**18**
Others	28	0	0	0	**28**	**0**
Not specified	5	0	0	0	**5**	**0**
Total	**276**	**39**	**129**	**0**	**405**	**39**

Findings

The Phase 1 surveys demonstrated that 25 percent of BOM clients, and 79 percent of BOM staff members had already received some form of HIV/AIDS training before the HAI sessions offered by BOM, mostly through local hospitals or Population Service International. Each of the respondents that had received previous training considered the HIV/AIDS education to be useful. The clients that had received previous training had a higher level of knowledge of HIV/AIDS coming into this impact assessment than the clients that had never received any formal training. This was reflected in the higher percentage of clients with previous training who could respond correctly to questions regarding the health impacts and symptoms of HIV/AIDS, the methods of HIV/AIDS contamination and prevention, and the proper treatment measures and strategies for living a healthy life with HIV/AIDS.

When asked specifically about certain aspects of sexual behavior during Phase 1, clients who had received previous training in HIV/AIDS reported making more frequent use of condoms and having fewer sexual partners. They also demonstrated a greater knowledge of where they could go for a voluntary HIV/AIDS test and where to receive counseling and support regarding their HIV/AIDS status. Forty-two percent of clients with previous training had been tested for AIDS before the start of the training sessions organized by BOM. These findings illustrate the benefits of formal training sessions on the level of HIV/AIDS knowledge among the sample population.

Because there was only a four-month interval between Phase 1 and Phase 2 of the impact study, and that the BOM clients had only begun their eight-part training program with HAI, it was difficult to make definitive conclusions about the impact of the training on participants' HIV/AIDS knowledge and sexual behavior. Furthermore, the Phase 2 surveys produced contradictory results. Statistics largely showed a *decrease* in the level of HIV/AIDS knowledge and safe sexual behavior among clients who had attended one or two HAI sessions. However, when these statistics were compared to the responses from the clients that had received more than two sessions, the results displayed an upturn in most categories of HIV/AIDS knowledge. This is an encouraging sign for the longer-term effects of the training sessions. The technical team attributed these confusing results to a number of causes including weak enumerators, possibly fabricated survey responses, and difficulty in locating eligible clients for follow-up interviews.

In regards to sexual behavior change among the clients, it is difficult to determine any significant impact of the training sessions in condom use, reduction in sexual partners, and attitudes toward HIV/AIDS testing. This difficulty can be attributed to the fact that clients had only begun the HAI training curriculum and that the impact study was carried out over a period of only four months. Sexual behavior change must be measured over a long-term period and it is the belief of BOM and the technical advisory team that greater impacts will likely be determined once clients have completed the full two-year training program. Nevertheless, when clients were asked whether the training had inspired them to think more about their sexual practices and the realities of HIV/AIDS, 84 percent answered "yes". Reducing the number of sexual partners and speaking more openly with friends and family about HIV/AIDS were the two most common changes indicated.

SUMMARY OF CHALLENGES AND LESSONS LEARNED

At this stage, it is still too early to get a full picture of the effectiveness of the HAI training sessions on BOM's clients. BOM will continue with the training sessions, introducing new topics and using new techniques to maintain client interest in the training process. It also will continue to administer client impact surveys to determine which areas of the training curriculum need to be adapted to better suit the particular needs and the demands of the client base.

With the experience gathered through this impact study, BOM now recognizes the importance of establishing an integrated monitoring system for future surveys, complete with a detailed calendar of activities and a clearly defined set of tasks and responsibilities for all parties involved. This will ensure a greater coordination of work schedules, the provision of sufficient work time in the field, more proficient data gathering and survey processing.

BOM believes strongly that as a MFI it has a specific role and a unique opportunity to contribute to the fight against the impact of HIV/AIDS. Through the development of financial products that work with clients to protect their investments, businesses, and health, BOM will continue to respond to the

specific needs of their clientele operating within an environment heavily affected by HIV/AIDS. BOM recognizes that establishing strategic partnerships—allowing each organization to focus on its own area of expertise, while enriching the other's clients with its knowledge and services—is the key to the success of their HIV/AIDS strategy.

MALE YERU

TABLE 4: PARTNER PROFILE – MALE YERU

MFI Name	Hluvuku-Male Yeru
Geographic area of operation	Operates exclusively in Maputo Province (Bela Vista, Catembe, Ponta D'Ouro, Boane)
Number of clients	1,958 clients (December 31, 2006)
Type of institution	Credit association for the social-economic development of the Matutuine district
Lending methodology	Individual loans with monthly reimbursements, credit life insurance on all new loans

DESCRIPTION OF RESPONSES TO HIV/AIDS

Male Yeru responded to the threat of HIV/AIDS by:

- Refining or developing new products to better serve an HIV/AIDS-affected market;
- Forming partnerships with HIV/AIDS support organizations as a way to address AIDS within their institution and client base;
- Monitoring financial ratios; and
- Designing a new human resources policy.

Male Yeru implemented the following with the technical or financial assistance available through this project:

- A client needs assessment for savings; and
- Training for staff and clients on HIV/AIDS.

Of the activities listed above, Male Yeru's greatest priority during this project was the design and delivery of a client needs assessment. This market research was done through a series of focus group discussions with Male Yeru clients in the communities of Catembe, Bela Vista, and Ponto D'Ouro. The technical assistance team supervised the collection and processing of the data and delivered a final report to the Male Yeru staff in Bela Vista in September. Findings show that Male Yeru clients are clearly interested in opening savings accounts in order to build up secure financial reserves for household living and emergency expenses. Now, Male Yeru is not legally allowed to take deposits or offer savings products. The institution is exploring cost effective options for partnering with commercial banks to extend savings services to the rural areas of Boane and Matatuíne districts.

Male Yeru also used some of the financial assistance available through this project to provide HIV/AIDS sensitization training to their clients and staff in various branches. They partnered

primarily with Médicos do Mundo to offer a series of theatrical and classroom style training that explained basic HIV/AIDS prevention and treatment information. They also provided incentives for their clients to attend these training sessions by offering t-shirts and hats as rewards, paid for by funding from this project and printed with the logos of the organizations and donors involved.

Male Yeru has also partnered with BOM to receive direction on the design of their human resource policy regarding HIV/AIDS in the workplace. Additionally, Médicos do Mundo has provided technical assistance on the draft version of their human resources policy.

INTERVIEW FINDINGS

Methodology

A qualitative research study was conducted through focus group discussions (FGD) to determine client needs. The sample selection took into account the location, type of loan received, and client's credit status (outstanding/delinquent). The FGDs were held in the branches of Catembe, Bela Vista, and Ponta D'Ouro. The Table 5 shows the number of FGDs and the number of participants listed by type of credit.

TABLE 5: SAMPLE DESCRIPTION – MALE YERU

	Number of sessions planned	Number of sessions completed	Number of participants
Farming and fishing	2	1	12
Business	6	2	18
Habitation	4	5	35
Services	2	1	6
Delinquent clients	4	1	10
Mixed clients	0	5	44
Total	**18**	**15**	**125**

Since the most of Male Yeru's clients are employed in Maputo City and/or are away from their residence/business places on a regular basis, it was difficult to conduct FGDs with a homogenous group of clients. Hence, some sessions had to be conducted with a mixed group.

Findings

At present, none of the commercial banks in Mozambique are operating in the locations where the FGDs were carried out. This makes it difficult for Male Yeru to offer legal savings products to their clients. Alternatively, Male Yeru clients may save at home, use traditional rotating savings schemes (Xitique), or travel to Maputo City to open and use a commercial bank account. Although Xitique is an option, it is only used by a few clients.

The majority of clients save for emergencies (such as illness, robbery, etc.) and to offset sudden decreases in their household income. The summer months (November through January) are generally the greatest in terms of savings capacity for clients because their businesses receive a boost from end-of-the-year celebrations and government employees receive their annual bonuses.

Many clients showed interest in a potential future Male Yeru savings product. They indicated that they have been waiting for this service for a long time and they trust the institution.

SUMMARY OF CHALLENGES AND LESSONS LEARNED

Male Yeru noticed that despite introducing HIV/AIDS sensitization training and providing helpful financial services like credit insurance, clients were still incredibly reluctant to discuss issues related to HIV/AIDS. Male Yeru partnered with EMOSE, a local Mozambican insurance provider, to provide clients with the mandatory credit insurance on all new loans but reported that since the partnership had been formed no client had made a single insurance claim. Male Yeru has also observed that a funeral assistance program exists in Catembe, but that none of their clients has used the service or has even received information as to how the scheme works. Male Yeru staff believes that this is an indication of the fear that many clients possess about appealing help due to the stigma still attached to HIV/AIDS. Alternatively, this may be an indication that clients in these regions have yet to experience significant impacts of HIV/AIDS. Male Yeru believes that overcoming the stigma of HIV/AIDS and providing their clients with access to reliable prevention and treatment information remain their greatest challenges in confronting the impacts of HIV/AIDS within the communities in which they operate.

Male Yeru recognizes that there is a considerable demand for savings among their clientele and that a partnership with a local commercial bank will be the only way for them enable the provision of this service to their clients given their geographic location and institutional capacity. They also recognize that a long-term HIV/AIDS strategy will require the continual building and maintenance of effective partnerships with local HIV/AIDS service providers with expertise in the field of education and treatment.

In 2007, Male Yeru will continue their negotiations with commercial banks and insurance providers in Maputo City to expand their provision of savings and insurance products, particularly a funeral assistance package. They are also planning a series of client meetings and information brochures in order to provide clients with detailed explanations of the terms and conditions of the new financial products. Male Yeru feels that it is important to collaborate with other MFIs in Mozambique that are committed to responding proactively to the HIV/AIDS challenge in order to share ideas and best practices.

OPHAVELA

TABLE 6: PARTNER PROFILE – OPHAVELA

MFI Name	Ophavela
Geographical area of operation	Nampula province – districts of Malema, Ribáue, Lalaua, Murrupula Nampula, Muecate, Meconta, Monapo, Mogovolas, Moma, Angoche, Mongicual, and Nampula City
Number of clients	22,460 members (12,664 male and 9,796 female)
Type of institution	Nongovernmental organization (NGO) (socioeconomic development association) promoting the establishment and technical support of Accumulating Savings and Credit Associations (ASCAs)
Lending methodology	ASCA model (Rotating Savings and Credit Association or, in Portuguese, Poupanças e Creditos Rotativo – PCR) consisting of groups from 10 to 30 members in rural or peri-urban areas.

DESCRIPTION OF RESPONSES TO HIV/AIDS

Ophavela responded to the threat of HIV/AIDS by:

- Establishing a staff committee to design an internal HIV/AIDS human resource policy; and
- Reviewing the groups' policy manual to take into account situations arising from being affected by HIV/AIDS.

In addition to developing a human resources policy, Ophavela implemented the following with the technical or financial assistance available through this project:

- Initiated focus group discussions in the following districts: Meconta, Mogincual, Ribáue, and Lalaua. The objective was to understand the possible impacts of HIV/AIDS among the PCR groups and to determine how the group policies could be adapted to respond to the challenges.
- Compiled and analyzed a sample of the internal rules of the PCR groups. Again, the objective was to determine how flexible these policies could be and whether they could accommodate unique circumstances while keeping in line with the original PCR methodology.
- Proposed changes in the groups' internal rules in order to better fit their needs and clearly address HIV/AIDS issues. An HIV/AIDS strategy for the PCR groups was designed but was not implemented because it had not yet been adequately tested with management committees and community activists in the field.
- The formation of partnerships with HIV/AIDS support organizations as a way to address AIDS within the groups.

INTERVIEW FINDINGS

Methodology

The objective of the research undertaken by the technical assistance providers together with Ophavela's staff was to investigate the use of different products in groups variously affected by the pandemic, with a specific focus on the social fund, and to make recommendation to Ophavela on the policy manual that serves as a model for the groups to establish their own rules. The team established a list of coping strategies developed and used by groups already affected by HIV/AIDS that could be easily transposed to other groups, should the need occur.

Qualitative research was undertaken with 24 PCR groups in Lalana, Ribane, Meconta, and Mogincual. Care was taken to choose regions with different economic, ethnic, and religious profile. Two research methodologies were used[3]:

- Eighteen groups participated in focus group discussions; and
- Using a participatory rapid appraisal technique, the six remaining groups were asked to develop a matrix of unforeseen events during the past years and to comment on the way they coped with these events.

[3] These techniques have been popularized in the microfinance field by MicroSave.

The composition of the groups varied, with women-only groups being a majority. Table 7 shows group composition:

TABLE 7: OPHAVELA INTERVIEW GROUP COMPOSITION

Type of Group	Number of Groups
Women only	8
Men only	2
Mixed with majority women	2
Mixed with majority men	4
Unknown (not specified by focus group summary)	8

FINDINGS

Ophavela promotes a rotating credit and savings methodology. PCR groups usually have two savings pools: a social fund used to lend to group members for emergencies and a general fund for loans with interest charges for other purposes. PCR groups generally use the funds as:

- Mechanisms of savings: where the members of the PCR group make regular contributions in order to build reserves to meet financial challenges or for other determined objectives;
- Mechanisms of credit: where the members of the PCR group use the group savings in the form of credit for microenterprise development and for building assets; and
- Mechanisms of social insurance: the members of the PCR groups make regular deposits for emergency expenses such as medical care, funerals, education, and so on. This is generally the role of the social fund.

The social fund is a voluntary, charitable 'pot' that any member can borrow from and repay without interest. According to Ophavela's management, situations have arisen where:

- Some leaders discourage members from contributing to the social fund. Instead, they give priority to the general savings fund so that the money can be recycled with interest for the benefit of the members.
- With rising health costs (from HIV/AIDS and malaria, for example), groups are seeing more and more borrowing from the social fund. In some cases, the social funds have been depleted. Others have abused the social fund for causes that were not necessarily of a compassionate nature.

Only a few groups felt that they have been affected directly by HIV/AIDS or other fatal diseases. These groups have witnessed a death in which:

- A member died of AIDS (the members specified that they thought it was AIDS).
- A member's husband died.

In these cases, members helped with the ceremony. They contributed money and did not recover the amount that had been lent to the member.

Most groups said they had not felt any direct impact from HIV/AIDS, but all these groups were aware of the impact of AIDS on the wider community. Members mentioned some deaths which were or might have been related to AIDS. Malaria is also often a fatal disease.

The discussions did not indicate any denial about how dangerous the disease is. The symptoms and diseases associated with being HIV positive seem to be well known. Religion strongly influenced some Muslim groups on that topic. One group said, "HIV/AIDS does not affect our community because of strong moral principles" (fidelity within marriage). The same group also took a clear stance against the use of condoms.

There was a clear correlation between preferences for the social fund and groups that had been affected by HIV/AIDS or other diseases. Two groups mentioned that members died (one of HIV/AIDS, one not disclosed). In both cases, the social fund was used to contribute to funeral expenses. One group mentioned that the deceased had a loan and her daughter reimbursed it. The same group noted that "sometimes the social fund is not enough to cover for these circumstances (death, disease), then we use savings and don't charge interest." Two groups mentioned that their weekly contribution was not enough since emergency events have increased: "The group is considering increasing that amount to Mt 2,000" (less than a dollar). However, so far, the group's strategy has had members cover the balance by selling goods (chickens, peanuts) and giving earnings to the member in need. Other groups also supplement by donating more money.[4]

Circumstances of groups vary wildly, and the flexibility to adapt the rules to the specificities of each group is an extremely positive feature of the Ophavela methodology. This is demonstrated by the different ways groups contribute and use the social fund. Although some groups are not happy about having to contribute to a social fund, most place a high value in the services it provides to group members who have emergency needs.

The social fund is an important feature of the methodology that distinguishes Ophavela from other rotating schemes. It allows for a clear distinction between emergency needs and longer term financial planning and development. It also provides for a social solidarity framework whereby members contribute not only money but also time and moral support to families in need.

SUMMARY OF CHALLENGES AND LESSONS LEARNED

During the course of the intervention with Ophavela, the main challenges were:

- Identifying partners that can work well alongside the Ophavela program as it operates in remote areas of the province with a diverse range of PCR groups. These groups vary in terms of gender, age, income, literacy level, values, religion, and economic activity. Potential partners have to cover all geographical areas while adapting their message to the various socio-demographics that make up the PCR groups.
- More specifically, some groups possess strong cultural and religious values that make it difficult to discuss HIV/AIDS among the members, let alone implement an extensive HIV/AIDS strategy.

[4] The authors recognize that one poor household subsidizing another may point to an inherent weakness in the ROSCA methodology. It is not clear, however, from our interaction with Ophavela how the institution plans to respond to this challenge.

The main lessons learned were:

- The impact of HIV/AIDS and other diseases differs from group to group. In the groups that have been directly affected, the importance of the social fund is high and there is more focus on catering for emergencies. In less affected groups, there is more emphasis on using savings and credit to develop small enterprises or test new business ideas, build household assets, and contribute to education and community events (festivals and son on). However, these groups know that, should circumstances change, the rules governing their PCR could be adapted to face new challenges.
- All groups need sensitization, and cultural aspects such as the gender of the facilitator vis-à-vis the gender orientation of the group must be taken into consideration.
- It is also crucial to find innovative approaches to encourage open discussions and raise awareness in communities where religious values could be an obstacle.
- It is important to raise the group's awareness around the problem of HIV/AIDS through the gradual introduction of HIV/AIDS material in several sensitization sessions.
- Groups must consider the question of stigma among clients affected by the disease and how sensitization can change attitude.
- Ophavela valued sharing experiences on mitigating the impact of HIV/AIDS with other MFIs and realized that the pandemic could have a considerable impact on its institutional sustainability and profitability. Ophavela recognized the need to monitor its clients' HIV/AIDS situations and take HIV/AIDS into account at an early stage.

CAIXA DAS MULHERES DE NAMPULA (CMN)

TABLE 8: PARTNER PROFILE – CMN

MFI Name	Caixa das Mulheres de Nampula (CMN)
Geographic area of operation	Nampula City
Number of clients	2,700 members
Type of institution	CMN is a savings and credit association in the process of transforming into an official credit and savings cooperative
Lending methodology	credit and savings, individual loans

DESCRIPTION OF RESPONSES TO HIV/AIDS

To respond to the threat of HIV/AIDS, CMN implemented the following with the technical or financial assistance available through this project:

- Provided HIV/AIDS training to CMN staff and members through a local service provider;
- Raised the awareness of staff and members on dangers related to HIV/AIDS;
- Provided staff with the knowledge to better address issues of HIV/AIDS with its members;
- Defined and analyzed ratios that could be used to monitor the impact of the pandemic on the institution;

- Measured the possible impact of HIV/AIDS on CMN's portfolio;
- Undertook a client satisfaction survey; and
- Tried to determine whether there was a need to change products because of the actual impact of HIV/AIDS.

RESEARCH FINDINGS OF THE CLIENT SATISFACTION SURVEY

Methodology

Although qualitative research methods are often used to measure client satisfaction, CMN opted for a quantitative research study due to capacity constraints. (Focus group discussions require highly trained and experienced moderators, while quantitative questionnaires can be administered by less skilled enumerators). In Nampula City, the National Statistics Institute trained enumerators for census/household surveys and these enumerators were contracted for this research. The sample consisted of 71 CMN clients, all of whom are women.

Findings

Based on the results of the survey, it appears as though some CMN clients are being affected by poor health, which is leading to changing financial needs. This includes the depletion of savings, the inability to save large amounts of cash, and increased requests for more flexible loan terms and emergency loans. The burden of orphan care on these households is also a strong theme throughout the client base that was interviewed.

The following are recommendations that can be considered by CMN based on this satisfaction survey:

- **Market research and product modification/development.** In general, it appears as though clients are happy with the savings facilities provided by CMN. However, the credit facilities require some investigation. There is an expressed need for emergency loans for nonbusiness purposes and for more flexibility with loan repayment and terms during times of need. These needs (and CMN's capacity to answer to these needs) must be better understood to make sensible modifications to the existing loan policies and potentially to provide additional loan products.
- **Partnerships.** CMN clients have strong social needs and are beginning to demand that they be met by CMN. For example, clients have requested that CMN begin providing food, clothing, counseling, and childcare for needy clients. While these would certainly assist CMN clients, it is not the role of CMN to provide these goods and services. CMN should investigate partnerships with NGOs and ASOs to determine whether any local charities can provide some assistance and whether there are any services for counseling and care in Nampula that can be accessed by CMN clients.

SUMMARY OF CHALLENGES AND LESSONS LEARNED

CMN's main challenges follow:

- Initially, CMN did not have the necessary cash flow to advance payment to the service provider for training. Although CMN values sensitization actions, their lack of financial resources might create difficulties in continuing with HIV/AIDS interventions. This lack of financial resources is an

important consideration for smaller MFIs and microfinance programs when negotiating partnerships with ASOs.

- CMN needs continual technical assistance for monitoring the impact of HIV/AIDS on their portfolio. This would require a more accurate and automated management information system (MIS) that could be used to collect detailed social and economic information on their clientele.

Lessons learned include:

- Support from both the board and membership is a key for the success of the HIV/AIDS program. After the board received an explanation on the importance of the integration between HIV/AIDS and microfinance, they were much more willing to support CMN's HIV/AIDS initiatives.
- CMN needs a good MIS to be able to monitor the impact of HIV/AIDS on their financial performance. Although ratio analysis did not demonstrate any impact of HIV/AIDS during 2006, anecdotal evidence suggests that AIDS does have an impact on CMN's clients and their families. Therefore, possible impact on the institution needs to be monitored on a regular basis.

ASSESSING PROJECT IMPACT

METHODOLOGY

To obtain comparative pre- and post-project information from the MFIs, two qualitative surveys were administered to the MFIs: one before and one after the intervention. The surveys sought information on a number of topics, including the adoption and implementation of HIV/AIDS mitigation activities, the cost-benefits of responding to HIV/AIDS, and the dissemination of experiences and lessons learned for the wider microfinance industry.

The baseline study inquired about existing institutional strategies for HIV/AIDS, challenges that they had encountered with the implementation of AIDS mitigation activities, if any, and what role they saw their institutions playing in the national efforts to fight HIV/AIDS.

The end-of-project survey followed up on the baseline questions. Responses were compared to see how the participating MFIs had evolved in their thinking about HIV/AIDS and microfinance, including in working with clients and staff members on the issue within their institutions. The results of the end-of-project survey were presented to the MFI participants and the technical assistance team at the learning seminar in November 2006.

While the results sought to illustrate the practical impact that the intervention had on the participating institutions, more importantly, they demonstrated the significant impact that even a short-term, tightly focused intervention with a small amount of funding can have on the institution and its clients. One of the most common responses that the project received when they questioned MFIs about their lack of proactive HIV/AIDS mitigation strategies was that “the institution did not have enough funding.” Many institutions believe that they need substantial amounts of funding and personnel time in order to implement AIDS mitigation strategies. The responses from the participating institutions demonstrate the wide and sustainable impact of this nine-month project. These include a change of attitude among field and management-level staff and board members about the need to take the impacts of HIV/AIDS more seriously, more appreciation for the value of non-microfinance partnerships in addressing the impacts of HIV/AIDS in their communities, and the ability to implement small institutional-level strategies at minimal cost that can have an impact on their institutional stability in the long term.

FINDINGS

BASELINE RESULTS

MFI Rationale for Participation

The initial baseline survey results gave the technical assistance team insight into the motivations of the participants for joining the project as well as their various challenges in addressing the issue of HIV/AIDS openly within their institutions. The participating MFIs all agreed that HIV/AIDS was a priority that should be addressed because it presents a long-term threat to their institutional sustainability. Participants gave further reasons for a formal response to HIV/AIDS, ranging from not

having enough loan loss insurance to increased costs from higher client turnover due to decreased client savings and abuse of the social fund within PCR groups.

While the participants could not present physical evidence of the impacts of HIV/AIDS on their staff and clientele, they believed that there are informal or proxy indicators that illustrate the effects of HIV/AIDS on the communities in which they serve. For example, although no groups reported a significant increase in loan delinquency or group disintegration, two commonly accepted indicators of HIV/AIDS impact on an MFI, they did report that there were increases in the following areas: client absenteeism at group meetings, the number of widowed clients, the number of orphans being cared for in client households, the diversion of funds away from investment in business, and incidents of client and other household member illness. BOM, which operates in the provinces of Sofala, Manica, and Maputo, each with high HIV/AIDS prevalence rates, estimates that 75 percent of their clients are directly affected by the disease.[5]

The baseline survey illustrated that, while certainly an important social issue to consider, HIV/AIDS was not a top priority for MFIs struggling through the day-to-day operations of running sustainable microfinance practices in Mozambique. Top priorities indicated by the MFIs included trying to obtain legal status as a microbank or credit cooperative, finding appropriate microinsurance providers, expanding into new districts, attracting new clients, and developing new microfinance products to meet emerging market demands. However, HIV/AIDS is becoming a greater issue for the boards and management teams of the participating MFIs, largely because of requests from clients and staff for greater access to information/material regarding HIV/AIDS as well as from pressure from international NGOs, donor programs, and practitioners such as Opportunity International, DAI, and MEDA. All participants indicated that HIV/AIDS was occasionally discussed at group meetings and in one-on-one sessions with clients. However, this would only occur at the clients' initiative, as the conversation would not be forced on the client by the credit officers.

Operational Challenges in HIV/AIDS Response

The baseline survey also shed some light on the challenges that the MFIs had encountered in their efforts to design and implement their HIV/AIDS strategies before the start of this technical assistance project. These challenges included a lack of funding for new programming initiatives, the inability of staff members to take on new responsibilities, difficulty in locating effective programming partners, difficulty in effectively gathering social statistics on clients that could be used as proxy indicators of HIV/AIDS impact, and a general lack of direction on how to proceed with the resources acquired through the initial Defining Options training in September 2005.

POST-PROJECT RESULTS

Building Client Relationship

After completing this nine-month project, survey results showed that participants were still confronting many of the above-mentioned challenges, particularly staff fatigue and locating and working efficiently with external partners. Other challenges related to social and cultural barriers to the discussion of HIV/AIDS among clients and MFI staff remained as well. The participants noted

[5] "Directly affected" is defined here as a client that is not necessary HIV+ but is living with family members who are infected or taking care of orphans from parents who have died from HIV/AIDS.

that some of their clients felt uncomfortable with open discussions about sex or were offended by some of the graphic language of the ASO trainers. MFIs had to learn how to approach the topic of HIV/AIDS, particularly discussions related to sexuality and sexual health, within predominantly Muslim, male-dominated groups. The MFIs all recognize the social stigma still surrounds HIV/AIDS, preventing many clients and staff from openly sharing their understanding of the disease, discussing sexual behavior topics, or undergoing voluntary HIV/AIDS testing. However, all the MFIs reported that the project provided numerous benefits to their institutions in the form of access to practical information related to HIV/AIDS, skills for relating to staff and clients within a HIV/AIDS context, and tools to generate client data from surveys designed to capture HIV/AIDS related information.

Developing an HIV/AIDS Strategy

The MFIs confirmed the necessity of having an HIV/AIDS strategy in place, complete with workplace policies protecting the rights of institutional staff. They acknowledged the importance of active participation and input from staff and clients in the design and implementation of new HIV/AIDS initiatives. They felt that their institution's HIV/AIDS mitigation initiatives would only be successful if new policies, products, and activities reflected the financial and social needs of their staff and clientele. The MFIs also stated that it was crucial to have an HIV/AIDS program coordinator or a task force in place to ensure that HIV/AIDS issues and activities continue to be addressed and carried out within a reasonable framework.

Technical Assistance

The end-of-project survey asked MFIs to evaluate the quality of the technical assistance provided through this project. Participants were generally appreciative of the assistance given for conducting research surveys and understanding the various dimensions of HIV/AIDS programming. They did express some disappointment with the short timeframe of the project and the minimal amount of time budgeted for technical assistance alongside the MFI staff in the field. They felt that the project underestimated the amount of on-site work required to achieve the goals in the MFI action plans. The participants felt that the technical assistance could have been improved through an extension of the project timeframe by at least six months, allowing for more time to be invested in on-site enumerator training and further discussion about HIV/AIDS strategy with client groups and staff committees.

Preconditions for Successful Implementation

The survey asked participants what they believed, after their project experience, were the three most important things that an MFI needed to have in place before they could effectively implement any HIV/AIDS mitigation activities. The three most common responses were 1) a strategic and detailed plan of action, clearly defining the tasks and responsibilities of all parties involved and an activity calendar to ensure that all activities are carried out according to schedule; 2) committed and reliable programming partnerships with organizations that share similar goals and objectives; and 3) sufficient financial resources that can support HIV/AIDS programming activities without jeopardizing other aspects of the MFI's operations. Other responses included strong human resources and the understanding of beneficiary needs through continual consultation with staff and clients

Strategic Partnerships

When asked how their opinions on HIV/AIDS and microfinance had changed throughout the project, the MFIs, for the most part, responded that they had become even more convinced of the linkages

between the two areas. They felt that MFIs had the unique opportunity to reduce the impacts of HIV/AIDS through the development of financial products that work with clients to protect their investments, businesses, and health. They also saw the role that a partnership with HIV/AIDS service providers could play by creating mechanisms for HIV/AIDS-affected households to remain financially sustainable while receiving HIV/AIDS awareness in a language and style that they can understand.

Regarding the role of international donors, NGOs, and governments in this process, the participants responded that there was an obvious need for financial and technical assistance in the initial set-up of HIV/AIDS action plans for MFIs, but that the process ultimately has to be financially and operationally sustainable. These actors should see the connection between HIV/AIDS and microfinance as a unique development strategy with wide reaching impacts and work alongside existing networks of MFIs and ASOs to improve the opportunities for joint initiatives.

LESSONS LEARNED FOR APPLICATION IN FUTURE MICROFINANCE AND HIV/AIDS PROGRAMS

In conducting this program, the MFIs, technical assistance consultants, and other team members faced various challenges and learned important lessons. This section details some of the lessons learned and makes recommendations for future program design.

MAINSTREAMING TECHNICAL ASSISTANCE FOR HIV/AIDS MITIGATION

Many MFIs recognize that HIV/AIDS has some sort of impact on their institution, whether through their clients or among staff. However, measuring this impact is difficult.

Given the indirect and long-term nature of the impact of HIV/AIDS and the fact that it affects so many facets of the MFIs' business, it is essential to mainstream or integrate HIV/AIDS mitigation into the broader operations of the MFI. For example, 'know your client' was a common theme throughout this program. Many technical assistance activities with the four MFIs focused on understanding their client demands and needs in more detail. Well-managed MFIs should already be conducting this activity. Similarly, an MIS, and the associated performance monitoring made possible by a good MIS, are important for all MFIs. Applying an HIV/AIDS lens to performance monitoring and collecting a few additional variables allows for a greater understanding of the real impact of HIV/AIDS on the MFI and better planning of mitigation activities.

RECOMMENDATION

HIV/AIDS mitigation activities must take into consideration the existing capacities of MFIs and should be designed to include capacity building in the identified relevant areas (such as the ability to conduct market research, product development, performance monitoring, and risk management). HIV/AIDS can be addressed in training courses that are provided to MFIs through sector-wide microfinance development programs. For example, technical assistance providers can integrate HIV/AIDS issues into standard training modules on issues such as human resource management, credit officer training, internal risk management, and so on. As a future activity, this type of mainstreaming into existing programs (as with MicroSave's training toolkits) would be fruitful.

STRATEGIC PARTNERSHIPS AND STAKEHOLDER RELATIONSHIPS

Using strategic partnerships is one of the core ideas that can be drawn from this project and is central to addressing HIV/AIDS within the microfinance sector. These partnerships include relations with

government and ASOs, coordination with other MFIs, and specialized partners such as insurance companies. Lessons from Mozambique in terms of all these relationships are highlighted here.

GOVERNMENT

HIV/AIDS mitigation projects must consider the capacity and role of government. Ultimately, ASOs and MFIs will not be able to address all aspects of the HIV/AIDS pandemic alone; government will need to play a role. This role may vary depending on the government's capacity to provide treatment, care, and other services. Where possible and appropriate, partnerships should take advantage of available government services and funds. Depending on the scope of the project, capacity building of related government agencies could be considered. At a minimum, representatives of government should be invited to project events, workshops, or seminars so that they are aware of activities underway within the microfinance sector that address HIV/AIDS and to develop relationships among the MFIs, ASOs, and government.

ASOs

It is essential that MFIs establish strategic partnerships with ASOs that have compatible goals and objectives. This will ensure that the MFI does not become overloaded with new responsibilities in implementing its HIV/AIDS action plan. The participating MFIs encountered challenges in identifying suitable ASOs for the various planned activities, locating qualified local partners in more rural districts, and establishing the terms of partnership.

Projects addressing HIV/AIDS mitigation in MFIs should consider more proactive facilitation of this partnership to make the most of available funding. This could include providing technical assistance to the ASO as well as the MFI, making for a more balanced relationship. Developing a common understanding on the activities, shared values, and quality delivery of the respective services by the MFI and the ASO are important to this relationship. Technical assistance to both parties would enable them to understand their roles, strengths and weaknesses, and respective modes of operation better. This greater level of understanding between the partners should ultimately lead to the ability of ASOs to provided tailored, suitable services to the MFI.

Should this level of engagement with the ASO not be feasible, a few strong ASOs should be identified and invited to all project events. Where possible, working examples of successful partnerships should be shared and understood by MFIs entering into similar partnerships. Although this was attempted in Mozambique, a more focused effort to engage with ASOs is required.

INSURANCE COMPANIES

In Mozambique, there is a high demand for products and services such as savings and micro-insurance, specifically life insurance and health insurance. In many instances, the MFI does not have the institutional capacity to deliver the requested services: insurance can be very complex and savings may be difficult due to legal restrictions. These demands for additional financial services reiterate the necessity for strong strategic partners with the necessary expertise.

Insurance, in particular, is specialized and MFIs should typically avoid providing it directly. There are several key elements required to manage insurance (underwriting) risk including fraud control,

technical expertise, re-insurance, liquidity management, asset liability matching, and cell captive insurance.[6] Future programs engaging in this area should develop relationships with potential insurance partners and involve the insurance community in appropriate forums. This will facilitate linkages with MFIs and provide an opportunity for the parties to learn more about each other's operations. Future programs would benefit from incorporating information on the fundamental principles of insurance, the risks of providing self-insurance, the various types of insurance products, and so on.

COORDINATION WITHIN THE MICROFINANCE SECTOR

Coordination among MFIs can add great value to skills development programs in the microfinance industry – particularly in terms of ongoing activities after the initial provision of technical assistance is over. In Mozambique, strong coordination was provided by MMF. In other countries, industry associations may be a means of addressing HIV/AIDS in a coordinated manner. Coordinating actions could result in accessing shared services from ASOs, achieving scale as an industry, and therefore having greater power to access funding and to lobby around issues related to HIV/AIDS.

RECOMMENDATIONS

According to AfriCap's *Partners and Action: Financial Institutions and Health and HIV/AIDS Risk Management* handbook (available from www.africapfund.com/riskmanagement), partnerships can be risky if not properly explored for synergy and established according to certain ground rules. The guidebook provides detailed suggestions on considerations to take during the formation of different types of partnerships (for savings, education, insurance, or health services) and how they should be managed. As an example, Table 9 lists some considerations for selecting and concluding partnerships.

TABLE 9: CONSIDERATIONS WHEN SELECTING AND CONCLUDING PARTNERSHIPS

Common objective	What are the mission and strategy of the organizations? Is there a common interest and common goal? Are these taken into account by both parties? Is the potential partner willing to address the issues posed by the HIV/AIDS epidemic and other health risks? Is the partnership mutually beneficial and can you convince the potential partner of those benefits?
Financial stability	How stable is the organization? What is its financial performance over the past three years? In case the partner is depending on donor subsidies, how constant is their access to donor money? Are its contracts long-term?
Experience and track record	What is the competence and track record of the organization for their particular role? What is partner's experience in working with clients with similar characteristics as clients of this financial institution?
Flexibility	If the organization has not yet worked with clients similar to those of MFIs, is it interested to serve this group of clients? Is it open to learn about the MFIs market and flexible to adjust their products/services to the needs of the clients of the MFI?
Partner capacity	Which clients does the organization reach? What are the client characteristics for relevant products the organization offers at the moment? What is the quality of the services the partner organization delivers? Can it show effectiveness? What is its capacity, that is, is it able to serve all MFI's clients (in the long term)?
Strategic position	What is the partner's market share and who are its main competitors in the MFI's area?

[6] AfriCap Fund, *Partners in Action: Financial Institutions and Health and HIV/AIDS Risk Management,* 2006.

Reputation	What is the reputation of the potential partner? How is it perceived in the market? How is it perceived by your staff?
Building trust	For a partnership to be successful, there must be a basic level of trust. This requires deliberate efforts to ensure that partner organizations get to know and understand one another.
Modus operandi	Is there a consistent approach to the partnership between the MFI and the potential partner? Is there a common understanding on how to reach the goal set out? Is the potential partner committed to make the partnership successful? Are roles and responsibilities, communication channels, and performance measures of the MFI and partner well defined in a memorandum of understanding or other document? Are dispute resolution procedures well defined?
Monitoring and evaluation	Is there agreement on continuous monitoring of performance and communication to further improve the quality of the services delivered? This may include monitoring of: • Agreed performance indicators; • Division of responsibilities; • Staff evaluation of partner roles and performance; and • Client satisfaction surveys on acceptance and use.
Initial work	Is the service to be pilot tested to ensure effective and efficient communication and delivery of services, before scaling up operational interventions?

Source: Partners and Action: Financial Institutions and Health and HIV/AIDS Risk Management, Chapter 5.

The Defining Options course material can be adjusted to include a section on how to select service providers and form strategic partnerships. This could draw from the AfriCap handbook.

In general, HIV/AIDS and microfinance initiatives need to engage with and include a broad range of stakeholders at different levels. Throughout any initiative of this nature, bridging the knowledge gap between these stakeholders requires focused attention and should lead to sustainable programming beyond the scope of the donor initiative.

The formation of integrated working groups at local levels is also beneficial, especially in countries where communication and travel are challenging and costly. Parties including government, MFIs, donors, and ASOs could create a forum for sharing experiences, reaching solutions, and coordinating their efforts in addressing HIV/AIDS in the microfinance sector.

PROJECT DESIGN

Many of the challenges faced by the four MFIs in this program were related to the timing and duration of the activities, available resources, and procedures on the project (such as reimbursement). The rules and constraints imposed by donors often put further strain on the already tight cash flow typical of small MFIs.

In general, MFIs experienced pressure in terms of the duration of the assignment and the limited number of days with the technical assistance consultants. This resulted in research studies that were too rushed and technical assistance tasks that were not fully completed. While this is often a challenge on assignments, it may have been exacerbated in this project because this is a new technical area for the management teams of these organizations—change needed to be brought about and partnerships with service providers needed to be established. All of these aspects are processes that take time.

Future programs should have a strong focus on project planning and communication, particularly when project timeframes are short. Specifically, the program should establish an activity calendar and

a monitoring program with all parties (the MFI, technical assistance, and participants) to ensure clarity on timeframes and division of project responsibilities. The greater the number of stakeholders involved, the more important this type of project management.

RECOMMENDATIONS

In terms of project design, future projects should be more sensitive to the time and resource constraints of participating MFIs and consequently plan activities and timeframes in detail. This will lead to a smoother process.

DONOR FUNDING

Donor funding and programming tend to operate in silos (stovepipes). For instance, funding for primary health care does not always include programmatic elements that include economic growth. Addressing AIDS in microfinance tends to fall between these two areas as a crosscutting issue.

RECOMMENDATION

Program areas within and between donor agencies need to communicate with one another in order to develop programs that mitigate both the health and economic impacts of HIV/AIDS. It is the responsibility of this and other integrated programs to share lessons and successes of this approach with donors.

METHODS USED IN MITIGATION ACTIVITIES

The choice of activities related to HIV/AIDS that can be conducted in MFIs is very broad, ranging from introducing new products, to more sensitive human resources policies, to HIV/AIDS awareness communication for staff and clients. Each of these activities is a specialized area that has been explored in detail through careful research.

RECOMMENDATION

Careful selection of the research method used in each of these instances must be considered. Qualitative research tended to generate more in-depth and valuable information than quantitative research. This is due to the nature of the subjects being researched—which tend to be emotional and personal. For similar reasons, the MFI should also carefully select the correct method for communications on HIV/AIDS awareness. Extensive work has been carried out on communication methods that lead to greater behavior change among the target group. Many MFIs mentioned the apparent success of theater and similar activities by ASOs as a means of communication.

ANNEX 1: RESOURCES ON MICROFINANCE AND HIV/AIDS

1) The SEEP Network's *HIV/AIDS and Microenterprise Development Annotated Bibliography*.[7] This document comprises more than 50 references that provide a current overview of the important sources of information available on the internet regarding the integration of HIV/AIDS and microfinance development initiatives.

2) The training manual *HIV/AIDS and Microfinance: Defining Options for Strategic and Operational Change*[8] provides an excellent resource for MFIs interested in exploring the impacts of HIV/AIDS on their institution and designing strategies that can help ameliorate the negative impacts of the disease on their clients and staff. The exercises are designed for workshop-type settings that are best led by trained microfinance facilitators and local HIV/AIDS specialists.

3) The companion guide to the above training manual, *Microfinance and HIV/AIDS: Tools for Making Institutional Changes around HIV/AIDS* provides practical suggestions and recommendations to MFIs who want to implement any activities suggested in the training manual.

4) The AfriCap Fund guidebook *Partners and Action: Financial Institutions and Health, HIV/AIDS and Risk Management*[9] provides another solid resource for academics, microfinance facilitators, and microfinance operators. It outlines the major HIV/AIDS and health risks for MFIs while providing guidelines for the application of appropriate risk controls as well as effective partner management.

[7] http://www.seepnetwork.org/content/article/detail/3127.

[8] http://www.microlinks.org/ev_en.php?ID=7469_201&ID2=DO_TOPIC.

[9] http://www.africapfund.com/riskmanagement.

ANNEX 2: REVIEW OF MICROFINANCE RESPONSES IN SOUTHERN AFRICA

ZIMBABWE – ZAMBUKO TRUST LTD.

Zambuko is a member of the Opportunity International Network, which has taken a proactive approach to addressing HIV/AIDS within its network of member institutions. Because of this connection, Zambuko received a great deal of technical support to undertake innovative responses to the effects of HIV/AIDS. These initiatives included workplace interventions such as a change in human resource policy, protecting all staff members from discrimination based on their HIV/AIDS status. They also organized staff sensitization training and the dissemination of HIV/AIDS prevention and treatment information at all Zambuko branches through the country.

Zambuko uses the Trust Bank Methodology, which involves organizing clients into groups of 15 or more in which, in addition to discussing financial matters and receiving small business loans, clients are able to discuss pertinent social issues and receive counseling and support from their peers in the community. Zambuko was able to capitalize on this methodology by introducing discussions related to HIV/AIDS using the manual "Facing HIV/AIDS Together."

Through partnerships with other HIV/AIDS NGOs, Zambuko was also able to establish the Hope Humana program, which provided microfinance loans to rural-based, HIV positive clients involved in agricultural development. Through this program, Zambuko introduced the "Family-Based Approach," which encourages all members of the family to participate in the family business rather than just the HIV-infected client. This approach ensured that there was always a family member to continue the business in the event of illness or death of the client. Zambuko also piloted a youth microfinance initiative that combined HIV/AIDS education with business skills development and microenterprise loans for teenage girls. Unfortunately, the success of this program was quite low as participants were not carefully selected and few had any desire to start a business.

Zambuko discovered that encouraging economic empowerment and self-sufficiency within communities heavily affected by HIV/AIDS improved the self-esteem of the clientele, which led to more proactive relationships with medical professionals and healthier diets. Zambuko recognized that workplace interventions for HIV/AIDS meant high short-term costs for institutions, but would provide long lasting benefits to the staff and clients. At the same time, Zambuko's experience with the Hope Humana program demonstrated the negative impacts on a client base when a program has to be terminated suddenly due to lack of funding. Such social interventions should not be undertaken if the MFI cannot ensure the program's long-term financial sustainability. The abysmal performance of Zambuko's youth microfinance initiative also provided lessons learned: it demonstrated how integral client screening and a mentorship/probationary period are to managing the risk of providing social and financial services to HIV/AIDS-affected youth.

SOUTH AFRICA – SMALL ENTERPRISE FOUNDATION (SEF)

SEF is a Grameen-style microfinance initiative operating in the Limpopo province in northeastern South Africa. It has nearly 25,000 clients (mainly women) that have formed loan groups of five. Each group meets once every two weeks to make payments on outstanding loans, receive a new line of credit, or discuss important financial matters. In 2001, SEF began a program called the Intervention with Microfinance for HIV/AIDS and Gender Equity (IMAGE) with the University of Witwatersrand. The goal of this program was to develop and evaluate an intervention for HIV prevention, gender-based violence, and AIDS mitigation to engage underlying structural factors such as poverty alleviation, health education, and community mobilization.

The first phase of the project involved 10 sessions, conducted at biweekly group meetings, with women clients. These sessions, called Sisters for Life, covered a variety of health and social topics such as gender norms, domestic violence, human sexuality, HIV/AIDS, communication skills, conflict resolution, community solidarity, and leadership. SEF hoped that the lessons and skills learned in these training sessions would enhance their clients' quality of life by making them more informed of the risks of HIV/AIDS, more confident in their domestic relations, and more open to share their questions or experiences with their peers in the community—all leading to greater success in the family business.

The second phase of the project focused on a select number of clients that had excelled in the Sisters for Life program. These clients were given an additional week of training to take the lessons learned from the original training program and begin to engage the men and youth in their communities. These "Natural Leaders" were selected not only because of their superior performance in the training sessions, but also because of their high standing as elders in the community, enabling them to convey the important training information more easily than others would.

The final phase of the project involved a comparative impact assessment between the IMAGE groups and non-IMAGE groups in order to assess whether the program had led to any demonstrable benefits, such as reductions in domestic violence and HIV/AIDS prevalence, improvements in economic well-being, or changes in sexual behavior. The study showed that IMAGE had a positive impact on loan performance and increased the clientele's social, economic, and health benefits. The study also concluded, however, that the wider impacts on HIV/AIDS prevalence were not able to be determined given the relatively short timeframe of the project.

SWAZILAND – SWAZI MICROFINANCE ENTERPRISE (SMFE - WORLD VISION)

SMFE operates alongside World Vision (WV) in Swaziland. Together, the two institutions have introduced a microfinance product targeted at HIV/AIDS-infected or -affected clients in rural areas. This product, called a "Transitional Loan," is intended to benefit HIV/AIDS-affected clients, enabling them to continue to develop their businesses while setting aside savings to be used to offset medical and other financial emergencies. Transitional Loans have more favorable terms and lower administrative costs than regular SMFE loans and are disbursed to loan groups of 5 to 20 HIV/AIDS-infected or -affected clients.

SMFE credit officers work together with HIV facilitators from WV's Area Development Projects to identify existing or potential clients that are affected by HIV/AIDS. In addition to receiving the Transitional Loans, clients also receive basic HIV/AIDS and business skills development training from the SMFE and WV facilitators. Unfortunately, because WV facilitators were involved in the

identification of the HIV/AIDS-affected families, many of the clients misunderstood the purpose of the loans and thought that they were receiving grants from WV. As a result, SMFE had difficulty collecting loan payments at the beginning of the program. To remedy this problem, SMFE invested a great deal of time to explain the purpose and terms of the Transitional Loans to the clientele and monitored their microenterprises to ensure higher rates of repayment.