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# Microfinance and HIV/AIDS NOTE 2

## Microfinance and HIV/AIDS: Strategic Partnerships

*Strategic partnerships between MFIs and other service providers such as AIDS service organization (ASOs), banks or insurance companies extend the MFI's primary financial service platform to provide HIV/AIDS related health and social services, stimulate client behavior change and provide financial services that help vulnerable clients protect and accumulate assets. Partnerships are an excellent way for both partners to better serve a vulnerable population group while maintaining a focus on their core areas of competency.*

March, 2008

This publication was produced for review by the U.S. Agency for International Development. It was prepared by Colleen Green of DAI.

U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

In recent years, microfinance institutions (MFIs) have begun engaging in a variety of strategic partnerships to expand their service provision to new and existing clients. These partnerships have allowed MFIs to:

- Provide services that they are otherwise not legally allowed to offer (such as savings, insurance and money transfers);
- Outsource specific services that they did not have the capacity to provide;
- Improve their competitive position by taking advantage of new market opportunities to serve clients in different ways or by filling an existing service gap in the market (money transfers or insurance); and
- Tap into new sources of financing by linking in to the formal financial sector

In the context of the growing AIDS pandemic, strategic partnerships between MFIs and other service providers such as AIDS service organization (ASOs), banks or insurance companies are no different except that the partnerships are intended to extend the MFI's primary financial service platform to support HIV/AIDS related health and social services, stimulate client behavior change and provide financial services that help vulnerable clients protect and accumulate assets. Partnerships are an excellent way for both partners to better serve a vulnerable population group while maintaining a focus on their core areas of competency. While not all microfinance organizations should or will seek out partnerships, partnerships can be an excellent way for MFIs to:

- Provide HIV/AIDS information and services to clients and staff that they may not be receiving from another source;
- Provide financial services that the MFI is not legally able to or does not have the capacity for but which help clients accumulate or protect assets for use for emergencies or life cycle events;

- Improve efficiency and efficacy of MFI by drawing on the partner's expertise, thereby reducing cost, mistakes and the need to reinvent the wheel;
- Better manage the financial risks that could be associated with AIDS affected clients defaulting on loans due to death; and
- Allow the MFI to assist its own staff while not breaching the individual's right to confidentiality and non-discrimination.

## THE RATIONALE FOR PARTNERSHIPS: SOCIAL INTERMEDIATION OR RISK MANAGEMENT?

The rationale behind the formation of partnerships is varied and is greatly influenced by the vision, values and orientation of the microfinance institution. Although MFIs by definition provide financial services, some MFIs offer other social services, recognizing that the formidable barriers faced by low income people block their ability to access mainstream financial services and improve their overall standard of living<sup>1</sup>.

<sup>1</sup> For more information on Minimalist or Integrated financial services, see microNOTE 1: *Achieving A Common Understanding: What AIDS Support Organizations and Microfinance Institutions Need to Know About Working with AIDS Prevalent Communities.*

### The Impact of Partnerships: Trending Positive

Although the impact of partnerships between microfinance institutions and other service providers on addressing the AIDS pandemic is not well documented, one recent partnership between FINCA Malawi and John's Hopkins University Bloomberg School of Public Health shows some promising trends. The partnership implemented a 16 month project in 2005 and 2006 to bring HIV and AIDS prevention messages to clients of FINCA's village bank network. The intent was to deliver information on how to remain HIV negative, reduce HIV-related stigma, and provide information on healthy living and supporting those that are infected. Among the positive outcomes identified by the program were that participation in the program resulted in:

- Greater retention of village bank members compared with village banks that did not participate in the program;
- Greater knowledge about HIV/AIDS transmission and prevention;
- Fewer stigmatizing beliefs that HIV/AIDS was caused by immoral behavior;
- Improvements in self efficacy to reduce the number of sexual partners and use condoms;
- Greater rates of HIV testing; and
- Increased discussions about condom use with partners.

Village banks appear to be an ideal means for distributing health information to people vulnerable to HIV/AIDS because they provide a safe forum for discussion.

For more information about the pilot, contact Scott Graham at FINCA International. [sgraham@villagebanking.org](mailto:sgraham@villagebanking.org)

Source: Final Report "Life Savings Partnership Program", FINCA International

These MFIs operating following an integrated approach often provide additional non-financial services such as education, literacy/numeracy, financial literacy and health services. They see HIV/AIDS prevention education as their social responsibility, and are most likely to engage an ASO to provide it to clients and staff. These MFIs are also more likely to explore links with ASOs that provide voluntary counseling and testing (VCT), anti-retroviral therapies (ARTs) and those that work with orphans and vulnerable children (OVC).

By contrast, minimalist MFIs (those who adhere to a more strict approach to financial intermediation) are likely to focus on partnerships that expand their core services, such as partnerships with insurance providers or commercial banks

to provide savings services. They are concerned about the bottom-line implications of AIDS on their business, paying close attention to changes in financial performance and are more likely to engage an ASO to provide prevention education to staff as a means to protect their workforce (and thereby the MFI's investment in its staff). These MFIs are interested in partnerships in which the end result is reduced financial risk to the client and to the institution.

Both approaches justify the creation of solid partnerships.

## PRODUCTS AND SERVICES THAT RESULT FROM PARTNERSHIPS

There is no limit to the types of partnerships that MFIs and other

services providers can explore in addressing AIDS affected communities and staff. The below list illustrates some of the product and services innovations that have resulted from well thought out partnerships.

**Prevention Education, Nutrition Guidance/Peer Educator Training.** The most common partnership for MFIs interested in the impact of HIV/AIDS on vulnerable clients is with ASOs that provide prevention education, nutrition guidance and peer educator training to staff and clients. This partnership allows each organization to focus on its core competencies in an efficient manner. Under this arrangement, group lenders often take advantage of their existing structures using repayment meetings as a venue for the ASO to provide this prevention, behavior change, and nutrition information to clients. These education programs' objectives range from building awareness to encouraging healthy behavior and lifestyles to reducing the stigma associated with HIV/AIDS. In some instances, MFIs and ASOs use lending groups to identify strong leaders who can be trained to become peer educators and, in turn, teach others in the community about HIV/AIDS, motivating community members to practice healthy behaviors and reduce stigma.

**Voluntary Counseling and Testing.** A partnership between an MFI and an ASO that can provide voluntary counseling and testing for staff has shown to have a clear impact on behavior change. VCT programs have increased the adoption of safe sexual practices and the uptake of anti-retroviral therapies, care and support services among people who have tested positive. For microfinance staff, this means that HIV positive staff members can get access to critical services that allow them to adopt healthier lifestyles that may prolong their lives and livelihoods. Generally, these types of partnerships develop out of proactive planning on the part of management and supervisors that recognize the potential impact of HIV/AIDS on the workplace and are formed as part of a comprehensive workplace policy and program designed to protect staff.

In this partnership, the MFI sets up an agreement with an ASO, clinic or medical facility to provide services for staff who want to be tested for HIV. Although for many years some companies, including microfinance banks, undertook testing as a condition of employment, there has been considerable pressure to keep testing as a voluntary activity. Staff members are instead made aware of the services through training and active dissemination of the MFI's workplace program and policy. The most successful partnerships to provide VCT give staff members access to

#### Identifying Local AIDS Experts and Resources

One of the first steps in a [MFI's] response to HIV/AIDS is to identify local resources. What sources of information, technical expertise, services, educational materials, and supplies exist locally? What has been the experience of other companies? Who can help the [MFI] design and implement a program?

- Talk to a colleague
- Ask local health and social services authorities
- Talk to several non-governmental organizations (NGOs) that deal with HIV/AIDS, youth, women's or health issues
- Check the newspaper and listen to the radio or television for stories that mention groups involved in HIV/AIDS
- Consult national AIDS control programs

Source: Reprinted from *Workplace HIV/AIDS Programs: An Action Guide for Managers*, Family Health International, 2002

VCT services confidentially (e.g., without the knowledge of the employer) and at no cost. Best intentions alone have not always allowed for success. One microfinance bank in East Africa was unsuccessful in getting employees to access VCT. This lack of success may be attributed to the fact that staff members were not convinced that the VCT was confidential and that staff members may not have been made adequately aware of VCT as a service. In this example, the bank needed to spend more time addressing its internal policies around confidentiality and the staff members' perception of the confidentiality of the VCT.

**Workplace Programs.** Given the complexity of HIV/AIDS issues, an MFI is well advised to form a partnership with an ASO

that can help the MFI address its own staff and workplace issues. More than a decade and a half of experience of addressing HIV/AIDS workplace issues has

shown that comprehensive policies and prevention and care programs are effective and can reduce risks in the workplace and promote a healthier workplace environment. ASOs are best placed to help MFIs develop:

- A company policy that offers a framework for consistent practices within the organization, sets standards for behavior, informs all employees of what assistance is provided, and how and when to get it, provides guidance to managers and supervisors, and assures compliance with local and national laws;
- A workplace prevention program that builds greater knowledge and awareness of HIV/AIDS among all levels of staff; and
- A workplace environment that promotes awareness, tolerance and inclusion of co-workers and clients affected by the AIDS pandemic.

ASOs are best equipped to provide strategic guidance to MFIs on a comprehensive policy. They possess experience gained from working with other companies on what works and what does not. They are aware of other available resources that may help reduce costs, such as cost sharing programs with the

local or national government, trade associations, trade unions, and public health services, and they may be able to further link the MFI with donor supported organizations whose mission may be complimentary to that of the MFI. ASOs will also have experience working with a range of different sized companies and will be able to help smaller MFIs tailor their programs to meet their limited financial and human resources.

### **Mobile Doctors, Healthcare Providers and Pharmaceutical Providers.**

Partnerships between mobile doctors and other healthcare providers are among a number of innovations taking place to address the health shocks that the poor face. The Microfinance and Health Protection (MAHP) initiative launched by Freedom from Hunger (FFH) with support from the Bill and Melinda Gates Foundation is one initiative that is trying to develop a number of interesting health partnerships for microfinance institutions. Three MFIs affiliated with FFH are working through the MAHP to link their clients to healthcare providers and pharmaceuticals, although not specifically to address HIV/AIDS or the opportunistic infections that accompany the disease. That said, microfinance and HIV/AIDS professionals could learn much from the partnerships and model new programs after them. For example, the MFI CRECER in Bolivia has linked with mobile doctors which provide health education as well

as preventative and diagnostic services to clients in rural areas. In the Philippines, the MFI CARD is creating linkages with healthcare providers to increase affordable access to primary care and is exploring a franchise network for the distribution of affordable essential drugs. Both of these examples show how the MFI's service platform can be extended to address affordable healthcare. The project which started in 2006 will examine through a series of longitudinal studies the impact of these innovations on client versus those of microfinance alone.

**Insurance.** Although arguably most important for AIDS-affected clients and households, partnerships between MFIs and licensed commercial insurance companies that offer health, life, credit life and funeral insurance are not developed solely with HIV/AIDS in mind. Instead, MFI managers recognize that insurance can reduce the impact of idiosyncratic risks such death or illness that are faced by clients and may also minimize the spillover effects to group cohesion for organizations engaged in group lending<sup>2</sup>. For more than a decade, the partnership model has been a preferred way to address the provision of microinsurance to vulnerable clients, because it

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<sup>2</sup> For more information about partnerships between MFIs and commercial insurers, see Microinsurance Note 3, Partnerships: Microfinance Institutions and Commercial Insurers published by USAID, January 2007.

takes into account the fact that most MFIs do not have the capacity or legal ability to self insure and microinsurance can provide significant protection to clients with little additional risk to the MFI.

The two most common insurance products offered in high prevalence environments through this partnership model are credit life and funeral insurance. Credit life protects both the borrower's family and the financial institution in the event that the borrower dies and defaults on a loan; it pays out the loan balance. Funeral insurance pays out a benefit to the families or other beneficiaries of the micro borrowers and their family members in the event that the borrower dies. Partnerships often begin with these simpler products and then evolve to provide more sophisticated products like life and health insurance.

Major international insurance companies like AIG, Allianz, and Zurich as well as national insurers like State Insurance Company of Ghana and Madison Insurance Zambia Limited have been extremely successful in accessing the low income market through partnerships with MFIs<sup>3</sup>, even in high

prevalence countries. More interesting is the fact that over time, a number of life insurance providers have also changed approaches with respect to HIV/AIDS. For example, both AIG Uganda and Madison in Zambia began providing life insurance with explicit exclusion clauses for HIV/AIDS in their policy documents. However, the negative publicity of this clause had an impact on the volumes of policies that were being sold. Because AIDS is rarely if never listed as the cause of death and the marketing had such a negative impact, both insurers decided to drop the clause, which ultimately had no significant impact on their bottom line.

**The Micro Insurance Agency** is wholly owned subsidiary of Opportunity International. Launched in 2005, MIA provides a range of affordable insurance tailored to the needs of the poor with a specific interest in improving the service side to clients. MIA's products include credit life, term life, funeral, Livestock, property, weather index and health insurance. Its focus on the back office systems has meant that MIA has been able to reduce claims payment times to less than a week (where traditional insurers can take up to six months), has implemented cashless systems for health insurance claims and has interceded on behalf of clients in life insurance claims identifying other acceptable forms of verification where death certificates can not be provided. MIA is expanding its footprint rapidly due to funding from the Bill and Melinda Gates Foundation, having wholly owned subsidiaries in Uganda, Ghana and the Philippines, working in seven additional countries and planning for subsidiaries in two other countries in 2008.

More recently a newer market entrant, the Micro Insurance Agency has offered a new model for partnerships in insurance. Its partnership model is unique in that it partners with MFIs from any network (among other organizations), which provide

the front office services of sales and marketing to clients, but also with global insurers who manage the risk. It focuses on the back office systems and processes that include product development, training for front office staff, product marketing and claims processing.

Despite the gains for clients in accessing insurance through an MFI, challenges still remain and are critical to thinking about partnerships. First, MFIs have historically been ineffective at educating clients on the benefits of different insurance products. From a client perspective, insurance is an intangible product that can only be accessed due to an insurable event (illness in the case of health insurance, death in the case of life insurance). Moreover, MFIs only offer insurance to active borrowers so clients tend to see insurance as a tax that they need to pay in order to get access to the loans. Second, MFIs have also not been effective in negotiating with insurers to provide products that are valued by clients in terms of cover and affordability. In some instances, MFIs have not passed on price reductions to their clients. As a result, poorer, more vulnerable clients are often unable to pay monthly premiums of a few dollars and thus, are priced out of access. Finally, in the area of health insurance, MFIs have not shown a great interest in health insurance beyond allowing health insurance agents to market their products to clients without significant commitment

<sup>3</sup> The experience of Madison Insurance in providing insurance to MFI clients through the partner-agent model is documented in the CGAP Working Group on Microinsurance Good and Bad Practice case study completed in May 2005. Additionally, there are case studies on AIG's programs in Uganda and India.

from the MFI to selling policies<sup>4</sup>. Successful (although infrequent) partnerships around health insurance have involved the MFI setting up a special savings vehicle to assist clients in paying the premiums, keeping it simple and efficient to use for the low income market and claims payments directly to the provider rather than as a client reimbursement so as to promote earlier treatment (and thus lower cost) since the patient does not need to find money before seeking treatment and also to control fraud<sup>5</sup>.

**Savings.** Study after study has shown that savings products are equally if not more important to vulnerable and poor people than loans. Yet, many poor people do not have access to safe and liquid savings products. Liquid savings allows one to meet future obligations like school fee payments, land purchases, and payments for important life cycle events (marriage, child birth, and death) as well as smooth consumption for every day events and emergency-related expenses such as those created by the AIDS pandemic. Differing needs require different products, including demand deposits, contractual savings and time deposits, as well as product variations that include elements of all three of these products,

such as a youth savings product which a youth is allowed to tap into when reaching age 18 but provides stable, long term funds for the MFI.

To date, there are no known partnerships between unregulated MFIs and commercial banks to offer voluntary savings specifically for the AIDS-affected<sup>6</sup>. However, a number of MFIs are partnering with commercial banks as a regular course of business and are thereby serving AIDS-affected households. Most partnerships focus on providing the basic demand and time deposit products, including passbook and regular savings accounts, current accounts, and fixed term deposits. However, given the myriad of products and product variations that regulated MFIs are providing, the possibilities are endless, and the creation of new products for youth and elderly care givers could prove invaluable, particularly to orphans and vulnerable children left behind by AIDS. That said, a few lessons on savings partnerships should apply:

- Products should be simple. Many people, especially those living in rural communities in sub-Saharan Africa, are not used to formal financial institutions, such as banks and need to

learn to trust them through the gradual uptake of products. It is thus easier to start a client in a simple product such as passbook savings before signing her up for a sophisticated contractual savings deposit.

- Small minimum balances are necessary to allow even the poorest to participate.
- Highly liquid accounts do not necessarily mean that savers will make frequent withdrawals, but the accessibility is highly valued by clients.
- Savings has its limitation. It is a good product to help clients address re-occurring, smaller health expenses, but is not appropriate to address catastrophic or long term, hospitalization related health expenses; Ideally, the latter is covered by insurance.
- Allowing account holders to name the beneficiary in the event of death allows surviving families to get access to the money more quickly.

## THE STRUCTURES FOR MFI PARTNERSHIPS

Products and services for AIDS-affected clients and staff members are provided through a variety of different structures that run the gamut from open-ended partnerships that operate on an ongoing basis to partnerships that are time-

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<sup>4</sup> McCord, Michael and Syliva Osinde. Lessons from Health Care Financing Programmes in East Africa. Micro Insurance Centre Briefing Note #5.

<sup>5</sup> Note: the next planned microNOTE in this series will specifically address microinsurance in high prevalence AIDS countries.

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<sup>6</sup> In most countries, unregulated NGO MFIs are not legally able to offer voluntary savings services. Instead, they may require mandatory savings as part of the requirement to obtain a loan. These MFIs are not legally allowed to onlend these savings fund.

bound by a contract. On the informal end of the spectrum are those partnerships that are based on information sharing and referrals, while the formal end includes partnerships that were developed based upon the two partners' mutual self interest and shared cost.

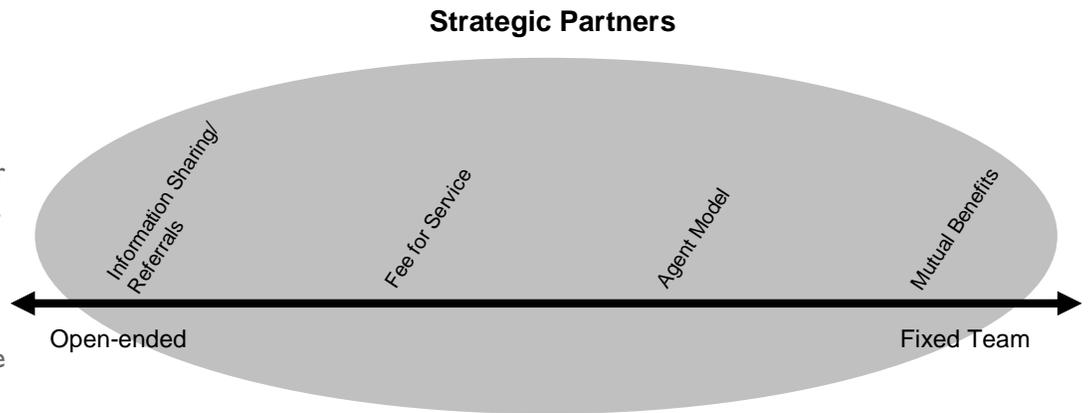
**Information Sharing and Referrals:**

In this partnership example, the MFI or ASO provides information about the other to clients at group meetings or seminars or distributes literature. This loose type of alliance allows clients of one organization to become familiar with the other but on informal terms. One unique example of this type of partnership is of a local MFI in Uganda that pays the one time membership fee to the AIDS Support Organization (TASO) for clients who are HIV positive. The ASO in turn provides counseling and support services to clients and family members living with HIV/AIDS. The MFI sees this as not only a good will gesture for clients, but a way to encourage them to obtain the support and care they need.

**Fee for Service.** In this partnership, the MFI generally provides a fee to service providers for services rendered. There are many examples of successful partnerships that fall into this category. For example, in 2002 the National Microfinance Bank (NMB) of Tanzania contracted the African Medical Research and Education Foundation (AMREF) to conduct a knowledge survey of the

bank's staff, provide prevention education to staff members and families, train peer educators who would provide ongoing education to staff, family and the community following the completion of the internal training program, and assist the

**Mutual Benefit Partnerships.** In this arrangement, the partners agree to share the costs (and benefits) associated with the partnership because each is obtaining what it needs to meet its own objectives. An example of this



bank in developing its own work place policy. This contract was done on a one-time basis with the option of adding additional services at the end of the contract period.

**Partner/Agent model.** In this partnership model, the MFI operates as the agent or intermediary to get a specific product, such as insurance, that it cannot provide, into the hands of its clients. To use the insurance example, the MFI acts as the delivery channel, marketing, selling and servicing the product on behalf of the licensed insurance company while the insurer provides the actuarial, financial and claims processing expertise. Many MFIs in high prevalence countries in sub-Saharan Africa are offering insurance products on behalf of international and national licensed insurance brokers.

type of partnership is in Mozambique with the partnership of Banco Oportunidad Moçambique (BOM) and Health Alliance International (HAI). BOM was interested in the awareness and prevention education that HAI could provide to clients. HAI's interest was in identifying vulnerable target groups with whom it could share prevention messages as part of its PEPFAR-funded project.

**DEFINING PARTNERSHIP OBJECTIVE: A CHECKLIST FOR GETTING STARTED**

Before embarking on a partnership, a microfinance institution needs to carefully consider its mission and ensure that the appropriate and complementary partner is

## BASIC CHECKLIST FOR GETTING STARTED

### Partnership Objectives

- What does MFI expect to achieve through partnership?
- Are there common goals and objectives?
- Is the partner willing to address the issues posed by the HIV/AIDS pandemic and other health risks?
- What products and services would be deployed through the partnership?

### Partner Capacity

- Is the potential partner a stable organization?
- What is the reputation of the potential partner?
- Does the partner organization have the capacity to deliver the products and services delivered?
- Does the partner organization understand the MFI's vision of the partnership?
- Does the MFI have the current staff capacity to manage a partner relationship successfully?
- Will the partnership be exclusive? Can the organization engage in similar partnerships with competitors?
- In case the partner is depending on donor subsidies, how constant is their access to donor money?
- Has the partner worked with clients similar to those of the MFI? Is it interested in serving this group of clients?

### Operational Considerations

- Which staff members will manage the relationship on either side of the partnership?
- What costs may be associated with the partnership and how will they be financed?
- Is there sufficient buy in from key staff who will be engaged in the activity?
- Experience and capacity of partners to undertake partnership (financial stability, human resource capacity, track record for providing similar services)
- What is the expected duration of the partnership? Should it be tested first on pilot basis in limited area before expanding?

### Evaluating Success

- How will success of the partnership be evaluated? How often?
- Who will be responsible for evaluating this partnership?

For additional information on insurance partnerships, see Partners and Action: Financial Institutions and Health, HIV/AIDS and Risk Management.  
<http://www.microfinancerisk.org/pages/default.asp>

selected. The following checklist provides basic questions meant to address the appropriateness of the potential partner. The checklist is most relevant for those MFIs pursuing longer term partnerships.

## PARTNERSHIP AGREEMENTS: WHAT THEY SHOULD CONTAIN

While well-developed partnership agreements are not a guarantee of success, they do set the foundation for a strong partnership by defining the boundaries of the relationship between the two partners. The agreement should:

- Define the roles and responsibilities of each partners in the agreement;
- Protect each organization's proprietary information and human resources from inappropriate use or solicitation;
- Define the cost inputs on both sides;
- Limit the MFI's financial liabilities if acting as an agent (e.g., in partnerships

with insurance providers); and

- Set a fixed term and/or establish the conditions that will prompt the termination of the agreement.
- Establish a process for problem solving and the resolution of conflicts
- Set confidentiality standards with which all parties can be comfortable

### *Elements of the Agreement*

#### **A. Introductory Provisions**

Contractual agreements often contain two types of introductory provisions: recitals which are at the beginning of agreements and usually start with "whereas," and definitions which can appear throughout the agreement, but which are identified by the use of quotation marks and parenthetical marks. Recitals describe the agreement, the parties and the activities or transactions to be undertaken by the partnership. In some cases the recitals will establish whether the partnership is exclusive or not. Definitions insure consistency in the use of terms and avoid repetition of wordy or complex terms. Definitions can be extremely important for MFIs and ASOs who fundamentally speak different languages even when referring to the same client group.

## **B. Financial Terms (applies to partnerships with commercial banks and insurance providers)**

In partnerships with commercial banks and insurance providers, the financial terms of the partnership need to be well laid out and negotiated. Key elements can include: 1) the terms under which risks associated with the portfolio are allocated or shared between the MFI and the other financial service provider; and 2) the terms under which revenue is shared.

Risk sharing arrangements described in the agreements are highly tailored to the particular activity of the partnership. Risk sharing arrangements often answer questions of how to allocate risk between the two partners, define the maximum exposure of each partner and thereby the potential losses, and who assumes the first loss position if at all.

By contrast, revenue sharing arrangements that are included in agreements between MFIs and insurance providers reflect how much revenue each partner will receive from their joint activity. In the case of insurance, revenue sharing arrangements vary depending on the volume of business undertaken and the complexity of activities undertaken by the MFI.

## **C. Covenants**

Covenants represent each party's future obligation to meet its duties and obligations under

the partnership. Covenants can be affirmative (that is, promises to perform certain activities) or negative (that is, promises to refrain from undertaking certain activities). Often partnership agreements will provide covenants that are not mutual but are tailored to the specific activities that each partner will take on.

## **D. Termination/Expiration Provisions**

Not all partnership agreements have a fixed termination or expiration date. However, the right to terminate the partnership is generally a mutual right enjoyed by both parties to an agreement. Typically, either partner has the right to terminate the agreement if the partner is unhappy with the performance of responsibilities of the other party. Partnership agreements should provide guidance and direction for how the duties and obligations of the two partners under the agreement should be unwound.

## **E. Budget**

Many partnership agreements need to be accompanied by a budget that includes detailed cost estimates for each partner. This budget should include the time of key staff at different levels (including in branches and in headquarters), any fixed assets or supplies that need to be purchased to undertake the partnerships, any expected adjustments to the MIS, and the variable costs for marketing and promotion.

No partnership should be viewed as static. Partnership agreements must be reviewed and re-evaluated on a regular basis. Organizations must expect shifts in priorities, vision and power. Institutions that resist these changes – rather than accommodate them – will watch their partnerships fall apart.

## **COMMON PITFALLS TO AVOID**

Partnership management begins with an MFI defining what it needs and hopes to obtain from potential partners. However, problems and failures can occur. The key pitfalls that befall partnerships between MFIs and other service providers in high prevalence environments are:

- **Poor alignment with MFI's services.** The partner organization's mission, vision and operating style did not mesh with that of the MFI. Sometimes the poor understanding of the cultural differences between the organizations leads to this misalignment.
- **Lack of training/communication with key staff about partnership and about the roles of the two institutions.** Lack of clarity on the roles of both partners, specifically key staff involved in the partnership activity, can fuel resentment and throw up barriers to making the partnership effective. Clearly defining roles, and planning for midterm evaluations can

alleviate these problems. Additionally, keeping staff on both sides of the partnership in the loop through regular communication on key issues, timing, and expected behavior creates a more hospitable environment for success.

- **Lack of management commitment to partnership.** Management commitment to the partnership is critical. If there is not a champion in each organization who has the partnership activities as one of the focal points of his/her job, the partnership can dwindle and not achieve anticipated results. This is especially true in partnerships that involve multiple staff members from both parties.
- **Partnership capacity issues.** In many countries, local, community-based organizations, particularly local health organizations that provide services beyond AIDS treatment and care get quickly overstretched. These organization may already be working with multiple partners providing a range of services and simply do not have the staff power and leadership to manage more partners and resources. It is critical to evaluate a potential partner's capacity and its engagement with other partnerships prior to signing any type of longer term partnership

agreement. Testing it through pilot activities may be a good interim step.

- **Unrealistic expectations.** Many partnerships are plagued by unrealistic expectations of the partnership. Defining a common set of objectives and re-evaluating them on regular basis, can assure that expectations stay in check.

Many partnerships fail simply because the activities of the partnership were poorly planned. Knowing the common pitfalls in advance can help MFIs and their partners plan their activities and the day-to-day management of their partnership better. Moreover the potential of partnerships, particularly in high prevalence areas, has yet to be fully realized. We are now on the cusp of realizing truly innovative partnerships that protect, support and hopefully build new livelihoods for AIDS-affected communities.

#### Useful Resources on Partnerships

- Burand, Deborah, Guide for Assisting Microfinance Institutions in Negotiating Service Agreements with Commercial Banks. AMAP Financial Services Knowledge Generation Project. Expected release in early 2008
- Green, Colleen et al. Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change Training Course, USAID, 2001, updated 2005. [http://www.microlinks.org/ev\\_en.php?ID=12666\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=12666_201&ID2=DO_TOPIC)
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