



Mainstreaming HIV in Microfinance

Since 2003, it is a policy of the German Federal Ministry for Economic Cooperation and Development (BMZ) that all German Development Cooperation (GDC) programmes and projects in sub-Saharan Africa mainstream HIV, at least in countries with generalized epidemics¹ and especially in countries where HIV prevalence is five percent or more. Any mainstreaming HIV interventions must be planned and conducted jointly with GDC's partner organisations and be aligned with the partner country's sectoral strategies and national HIV strategy, thus adhering to the "Three Ones" principles. These require development partners to work through one national HIV strategy, one national HIV coordinating body and one national HIV Monitoring and Evaluation (M&E) system.

This guidance note discusses the *intersection of HIV and microfinance* and suggests ways in which programmes and projects in this sector can mainstream HIV.

What is the impact of the HIV epidemic on the sector?

Some facts...

HIV increases the vulnerability of clients of Microfinance Institutions (MFIs): Poor people, the main beneficiaries of MFIs, are more vulnerable to the impact of HIV. In most of cases, it is the bread-earners of families who fall ill and die due to HIV. Also, poor families do not have sufficient savings or assets. This leads to a dramatic reduction of families' incomes when they actually need more money to cover treatment and other health-related expenses, funeral expenses or to care for orphans. Poor households may be forced to borrow money, usually at high interest rates, that they may not be able to pay back. They also may have to cut down on spending for school fees, food and clothing. This can get them – especially women (BMZ, 2008) and children (UNICEF and World Bank 2004) – caught in a vicious circle of increasing poverty and increasingly vulnerability to HIV and its impacts.



Further possibilities to consider in countries with very high HIV prevalence²

HIV may threaten the financial sustainability of MFIs:

MFIs depend not only on the sources of their financing but on the quality of their loans, so they are affected when their clients are affected by HIV. They can be devastated when many of their clients are unable to pay back their loans due to HIV. In addition, their pool of potential clients can be reduced when HIV morbidity and mortality make clients less willing or able to use financial products.

HIV may undermine MFIs' capacity to deliver financial services and products that are both affordable and of high quality:

HIV may erode the efficiency of MFIs through the loss of skilled staff, high levels of absenteeism and increased health-related expenses (ILO, 2004). The quality and sustainability of services may be endangered by diminishing human resources and budgetary constraints that make it hard to recruit and train new human resources.

¹In a generalized epidemic, HIV is firmly established in the general population. Although sub-populations at high risk may continue to contribute disproportionately to the spread of HIV, sexual networking in the general population is sufficient to sustain an epidemic.

²HIV prevalence is considered „very high“ in countries where it exceeds 10 percent in the sexually active age group (15-49 years) of the general population.

How could the activities of the sector inadvertently contribute to the spread of HIV?

HIV-affected households could find it difficult to access MFI services: It may be difficult for clients with special needs, e.g. HIV-affected households headed by mothers, grandmothers or children, to access the standard services and products an MFI offers. "One size fits all" solutions may not be right for these households.

HIV-affected clients and HIV-affected MFI staff could be stigmatised and discriminated against: MFIs that do not address HIV in their policies and through their services may inadvertently contribute to stigmatization and social exclusion of HIV-affected staff and clients. In addition, they may miss opportunities to enhance the community's awareness of HIV issues.

In what way could the sector contribute to curbing the spread of the HIV epidemic or to mitigating its impacts?

MFIs should offer services and products suitable for HIV-affected people: Providing microfinance services to clients with special needs requires innovative approaches. These might include specialized financial advice, incentives to accumulate savings, and insurance. Where MFI understand the threat HIV poses to their clients, they will offer such products to them.

MFIs could be avenues for raising HIV awareness within the community: MFIs reach out to the poor in the normal course of doing their business. They educate people about opportunities to improve their lives and they could add to their educational components HIV-prevention information, advice on positive living and messages against HIV-related stigma and discrimination. Depending on the context and the organizational landscape in a given area, MFIs could liaise with HIV organizations to support them in this regard.

Only in countries with generalized HIV epidemics and especially in countries with very high HIV prevalence

Supporting the development, implementation, monitoring and evaluation of workplace programmes in MFIs: Weakening of MFIs due to HIV-infection can be avoided through development and implementation of HIV workplace policies. These should cover prevention, treatment and impact mitigation and require a working environment free from stigma and discrimination.

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A GDC example from Namibia

GDC supports the Microfinance Project of Northern Namibia (MPNN), which targets rural people with no access to the formal banking system. Though it operates on a limited scale, the program has succeeded in building a sustainable regional microfinance institution. By the end of 2007, it had helped 5,400 people become members of Loans and Savings Associations.

Membership in MPNN's solidarity fund is mandatory for all members. Members are required to contribute 2% of the total amount they borrow and, if they die before paying back loans, MPNN forgives the full amount of their loans, irrespective of the unpaid balance, so their surviving families are relieved of any obligation to pay back the loans. In addition, the fund provides the families with money to help cover funeral expenses MPNN, with financial support from German Technical Cooperation Agency (GTZ), has been contracting a local NGO to sensitise MPNN's staff and clients around HIV issues.

References

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Further Reading

A selection of articles on mainstreaming HIV in the economic development sector can be found on the GDC Mainstreaming HIV internet platform at <http://sites.google.com/a/ms-hiv-gdc.org/mainstreaming-hiv-in-german-development-cooperation/Home/sectors-priority-areas/economy>. To join the Group, visit <http://ms.hiv.aids.googlepages.com/home>.

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Photo 1: Reproductive Health Uganda (RHU)

