



## HIV/AIDS and Microfinance Systems Fact Sheet

March 2005



Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

commissioned by:



Federal Ministry  
for Economic Cooperation  
and Development



## THE CONTEXT



### **HIV/AIDS erodes the fundament for development cooperation**

The HIV/AIDS epidemic is more than a health problem. Its spread and impact are determined by poverty, social and gender inequality, discrimination and poor social services. While it spreads invisibly during the early stages of an epidemic, HIV/AIDS eventually has profoundly negative effects on the economic conditions of individuals, households, communities, countries, regions and whole continents. Countries with more developed epidemics in Southern Africa or the Caribbean will not just experience countless personal tragedies but also losses in annual per capita growth rates of up to 4.4% over the next 10-20 years. As HIV/AIDS affects people in their most productive years of life, including the elites, crucial government officials and skilled labourers (according to ING Baring, 19% of all skilled labourers in South Africa will be infected by 2015), it erodes the very fundament for economic progress, capacity development and development cooperation.

### **Still a window of hope if ALL sectors act NOW**

This means that HIV/AIDS threatens sustainable development, not just in regions that are already seriously affected, but also in those where it is spreading fast right now, such as Asia and Eastern Europe. The latest epidemiological data show that infection rates in many Asian and Eastern European countries stand today where they stood in Southern African countries 12 years ago, and that they are steadily growing. In the meantime, many lessons have been learned: We know that countries like Senegal, Thailand or Brazil, whose governments have openly acknowledged their HIV/AIDS epidemic and implemented comprehensive, multi-sectoral respon-

ses, have been able to reverse the fatal trend. Today, there is still a window of hope for many regions if governments and development actors in all sectors acknowledge the exceptionality of the HIV/AIDS crisis and devise sector-specific responses to it.

### **GTZ responds to the HIV/AIDS challenge**

The German Technical Cooperation (GTZ) recognises the challenge posed by the HIV/AIDS pandemic to its mission. To prevent its further spread and to mitigate its negative effects, GTZ has begun to “mainstream” the response to HIV/AIDS as a cross-cutting issue that needs to be addressed by all sectors. To support this process, this series of fact sheets highlights how HIV/AIDS impacts on different sectors and shows ways in which each sector can contribute to an effective response to it. The first four sections of this fact sheet relate to the following questions:

- **The impact:** How does HIV/AIDS affect the microfinance sector?
- **The comparative advantage:** How can the microfinance sector in particular reduce vulnerability to HIV/AIDS and mitigate its impact?
- **The risk scenarios:** How might microfinance contribute to the spread of HIV or aggravate its impact?
- **The GTZ approach:** How can German development cooperation in the microfinance sector contribute to an effective response to HIV/AIDS?

The last two sections list recommended reading on the topic and present GTZ staff and working groups that can be contacted for support and information.





## THE IMPACT

### HIV/AIDS increases clients' vulnerability

Poor families, the priority target group for Microfinance Institutions (MFI), are particularly vulnerable for the effects of the HIV/AIDS epidemic because they have few strategies to cope with the economic impacts of the disease. Those who just climbed out of poverty can be pushed back into it by HIV/AIDS when they lose productive adults, face crippling health expenditures, and expand household size as they take in orphaned children. The poor, and among them especially women, are also more susceptible for HIV infection as transactional sex is a common survival strategy for poor women and girls in many developing countries.



### HIV/AIDS threatens the financial sustainability of MFIs

As HIV/AIDS takes its toll on the number of adults at reproductive age, the ability of affected families to pay back their arrears in time diminishes. At the later stages of the epidemic, the client groups' preparedness and capacity for small business investments, and the proportion of productive clients, will steadily decline. This negatively impacts on the productivity of MFI and will gradually undermine their financial sustainability.

### HIV/AIDS threatens the human resources of MFIs

As MFI staff or their family members fall ill and die of AIDS, the institutions must cope with increased absenteeism, loss of experienced staff and the costs for medical care, burials, and support to dependants. In addition, the recruitment and training of new staff, who can replace those who died, will increase the organisational costs. In more affected countries, the transfer of institutional knowledge and expertise from affected to newly recruited staff can no longer be warranted. Gradually, human capacity as well as knowledge and expertise will be irreversibly eroded.

## THE COMPARATIVE ADVANTAGE

Given its pro-poor orientation, and the fact that particularly poor women benefit from microfinance services, the microfinance sector plays an important part in reducing susceptibility to HIV/AIDS and in mitigating the economic effects of the HIV/AIDS epidemic. Microfinance services can enable households to maintain or increase their income and to withstand the economic pressure of the disease. It can prevent the sale of land and of other essential assets and it can contribute to food security and help families cover school and health expenses. By focusing on women, microfinance can play a key role in fighting gender inequality, one of the essential determinants of the spread of HIV/AIDS, by enabling them to pursue income generating activities rather than being forced, economically, into commercial or transactional sex.



## THE RISK SCENARIOS

For each sector, there are specific HIV/AIDS-related risk factors that development experts need to be aware of. For the microfinance sector, the following need to be considered:



### Exclusion of HIV/AIDS affected households

HIV/AIDS affected households who may be headed by women, grand-parents or older children have special needs in relation to microfinance products. Because of their depleted assets, their stigmatisation, their reduced ability to attend meetings and to repay arrears, it may be more difficult for them to benefit from standard microfinance services. If MFI do not take account of the particular needs of HIV/AIDS-affected households, they may aggravate the impact of HIV/AIDS on them.

### Business-related mobility increases risk

Separation from families and partners, and separation from the socio-cultural norms that guide social and sexual behaviour in stable communities, are known to increase the risk of being infected with HIV. When MFIs support business plans that entail increased travelling to market places and to bigger towns, they may inadvertently increase the beneficiaries', and their partners' risk for infection.



### Discrimination and stigma

Discrimination and stigma are an omnipresent corollary of the HIV/AIDS epidemic. MFIs that do not address HIV/AIDS in their statutes may inadvertently pursue discriminative lending policies, stigmatisation and social exclusion of HIV/AIDS affected staff and clients. In addition, they miss an important chance to contribute to their community's effective response to the HIV/AIDS epidemic.

## THE GTZ APPROACH

Microfinance projects have developed a range of approaches to respond to HIV/AIDS:

- **Seeking information regarding your partner country's national HIV/AIDS strategy** and particularly any HIV/AIDS-related plans developed at national level for the small business and microfinance sector. To avoid that there are multiple, potentially contradictory strategies for the same sector, UNAIDS has called on all development actors to follow the so-called "Three Ones" principle for the effective coordination of one coherent national HIV/AIDS response (one strategy, one coordinating body, one M&E system).



- Together with your partners, **conducting a situation analysis** on how HIV/AIDS affects MFIs, their productivity, their staff and their target groups. This type of research will not only provide valuable data but also enhance the project staff's and your partners' commitment to address it as a relevant aspect of their work.
- **Raising awareness for HIV/AIDS at all levels** of the microfinance sector. Technical advisors can facilitate the dialogue about HIV/AIDS, its impact and the challenges it poses with partner MFI, their associations, their training and funding bodies. Ideally, HIV/AIDS should be considered in budgetary and operational planning, and existing statutes and regulations should be reviewed with a focus on the implications of HIV/AIDS.



- Supporting your partner institutions at all levels (ministry, MFI associations and MFI) in developing and implementing **HIV/AIDS workplace programmes**. By providing prevention, voluntary counseling and testing and care to their employees, these will make MF programmes more sustainable by protecting the human capital of the microfinance sector against HIV-infection, HIV/AIDS-related stigma and the suffering caused by untreated opportunistic infections or AIDS.
- At the level of MFI training institutions, technical advisers can support the responsible bodies in the **integration of HIV/AIDS modules into the MFI vocational training curriculum**. In the same vein, any training provided by GTZ projects should include modules on HIV/AIDS. MFI trainees will benefit from learning how they can protect themselves and their families, and they can also learn about the particular needs of HIV/AIDS-affected clients.
- At the level of the MFI client groups, supporting MFI in **reviewing client selection policies** to ensure that they serve existing and potential clients irrespective of their health and particularly their sero-status.
- Motivating MFIs to develop and offer **financial products and services for households affected by HIV/AIDS**.
- Offering **financial advice to households affected by HIV/AIDS**. In addition to psychological counseling, HIV-positive clients may require financial advice in order to be able to plan the future of their enterprise, including strategies for coping with the possibilities of illness and death. An open, non-stigmatizing approach to future planning with HIV-infected clients will benefit clients and MFIs alike.
- **Promoting saving plans**. Irrespective of whether or not the MFI accepts deposits, MFIs should encourage their clients to accumulate savings as a buffer against times of crisis which are more likely in

countries more affected by the pandemic. In this way, MFI can help HIV/AIDS-affected households to prepare for loss of income at times of illness, and for medical and funeral expenses.

- In the same vein, MFI can be supported in **linking clients with reputable insurance companies** who already provide health and life insurance for people living with HIV or AIDS. Where such insurance products do not yet exist, German development cooperation can support their development by promoting South-South cooperation with companies in other HIV/AIDS affected countries that are already providing these.



- Supporting MFIs in **linking clients with health service providers and other supportive organisations**. Microfinance activities often bring groups of poor people - predominantly women - together on a regular basis. These meetings could be an effective avenue for prevention and health promotion of mother and child health issues and HIV/AIDS prevention and care. MFI groups can also organize the provision of legal advice to women on inheritance and children's rights; they can also link with Home-based care initiatives and ask them to offer counselling and training on the care of sick family members.



## RECOMMENDED READING

The following texts have been selected as recommended reading because they give up-to-date, focused and readable insights into the issues discussed above. The pdf-files, as well as a CD-Rom with more literature on HIV/AIDS and microfinance systems, can be ordered from: [carmen.perez-samaniego@gtz.de](mailto:carmen.perez-samaniego@gtz.de)

Parker, J. & Singh, Ira & Hattel, Kelly (2000) **The role of microfinance in the fight against HIV/AIDS**, UNAIDS United Nations Joint Programme on HIV/AIDS

*This paper discusses a range of new initiatives and responsibilities for mitigating the effects of HIV/AIDS. It looks at microfinance in the AIDS context and examines whether there is an expanded role for microfinance. The authors give examples of innovation from FINCA/Uganda and Opportunity International. They assess the limits of microfinance actions in HIV/AIDS contexts and underline the importance of leadership.*

Green, C., Miller, M., Liskin, L. & Parker, J. (2001) **Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change**, USAID - Microenterprise, Best Practices (MBP) Project

*This paper provides a decision making framework for addressing high HIV/AIDS prevalence markets. It presents a comprehensive methodology for the analysis of issues and effects of HIV/AIDS on microfinance institutions (MFIs).*

Bondevik, P.N. (2003) **Microfinance: a selective introduction with special focus on HIV/AIDS**, Norwegian Church Aid (NCA) p. 25-33

*This paper gives a basic overview and understanding of the microfinance (MF) sector. It also discusses how microfinance relates to the Millennium Development Goals (MDGs), and the effects of HIV/AIDS.*

Mathison, S. (2004) **Economy and Epidemic: Microfinance and HIV/AIDS in Asia**, The Foundation for Development Cooperation

*This paper explores ways in which Microfinance Institutions (MFIs) can assist their clients to cope with the impact of HIV/AIDS. For MFIs in Asia, there is a window of opportunity to prepare policies and develop products now that will enable client households affected by HIV/AIDS to fare better than they otherwise might.*

CGAP (2003) **Microfinance and HIV/AIDS**, Donor Brief No. 14

*A brief (2 pages) and useful fact sheet aiming to improve donor practice in the microfinance sector through relevant information on how to help microfinance projects cope in contexts affected by HIV/AIDS.*

## CONTACTS AND NETWORKS

To facilitate the mainstreaming of HIV/AIDS, each sector has appointed HIV/AIDS focal points: experts in their own field who can advise and support their colleagues with regard to HIV/AIDS mainstreaming. At GTZ head office, in the department of development and planning, this is

**Svenja Paulino Rodriguez**,  
[svenja.paulino@gtz.de](mailto:svenja.paulino@gtz.de)

In addition, the AIDS team at head office has a named member for HIV/AIDS mainstreaming in each sector. For the microfinance sector, the responsible person is

**Elisabeth Girrback**, [elisabeth.girrback@gtz.de](mailto:elisabeth.girrback@gtz.de)

Photos: WHO/P.Virot, Martin Egbert, Franz v. Roenne. Authors: Anna v. Roenne, Jost Wagner.