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How to Respond to the Need for Financial Services in Rural Areas with a High HIV/AIDS Prevalence Rate: Case Studies from Mozambique

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This paper was chosen through an open call for research in rural finance, whereby the selected individuals were invited to Rome, Italy, to share their results during the conference and to discuss key issues in shaping the rural finance research agenda as well as ways of strengthening the ties between research, policy and practice.

How to respond to the need for financial services in rural areas with a high HIV/AIDS prevalence rate – case studies from Mozambique

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Executive summary

The paper discusses how financial service providers can respond to the need of the rural population in an environment where the HIV/AIDS prevalence rate is increasingly high. It is based on action research undertaken in Mozambique with four widely different institutions operating partly or totally in rural areas. The institutions include one microfinance bank, two microfinance institutions (MFIs) and one organisation promoting Accumulating Savings and Credit Associations (ASCAs). Information was gathered through quantitative (surveys) and qualitative market research to understand how the need for financial products and other services are adjusted in areas of high prevalence. The qualitative research used various techniques such as focus group discussions and participatory rapid appraisal techniques. The paper explains which research techniques were most effective to cover issues related to HIV/AIDS without offending or scaring the respondents.

The paper describes how financial services providers can intervene in the fight against HIV/AIDS by linking with health care providers and institutions focusing on prevention. Understanding the needs and expectations of the beneficiaries at different stages of the pandemic is crucial for successful interventions.

The paper also shares findings showing how the various types of service providers can adapt their products and policies to clients' changing needs. More specifically, we use the example of ASCAS in Northern Mozambique to show how these groups are able to modify their rules according to their circumstances: focusing more on savings or credit, creating mechanisms to cope with emergencies such as death or disease of the client, his/her family or other community members and taking into account specific religious or cultural requirements.

Finally we conclude by sharing some lessons learned from this action research on how financial services providers can undertake to mitigate the impact of HIV/AIDS on their institution and their clients.

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LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AMAP	Accelerated Microfinance Advanced Program
ASCA	Accumulative Savings and Credit Association
ASO	AIDS Service Organisation
BOM	Banco Oportunidade de Mocambique
CIDA	Canadian International Development Agency
CMN	Caixa das Mulhered de Nampula
DAI	Development Alternative Inc.
ECI	ECIAfrica Consulting (pty) Limited
HIV	Human Immunodeficiency Virus
MEDA	Mennonite Economic Development Associates
MIS	Management Information System
MFI	Micro Finance Institution
MMF	Mozambique Microfinance Facility
Mt	Meticais (Mozambican currency)
USAID	United States Agency for International Development

1. RURAL FINANCE IN MOZAMBIQUE

1.1 Background

Mozambique lies on the south-east coast of Africa and share borders with South Africa, Swaziland, Zimbabwe, Zambia, Malawi and Tanzania. The capital city is Maputo. Other major centers are Beira and Nampula and Quelimane. The official language is Portuguese. The local currency is the Metical (plural Meticais).

Economically, Mozambique is one of Africa's successes, having made huge progress, although the country is still quite dependant on foreign assistance. Major obstacles to a market economy have been removed: elimination of subsidies and quantitative restrictions on imports, reduction and simplification of import tariffs and liberalization of crop marketing. A major privatization program involving the banking sector and state manufacturing companies is another active step in economic reform.

Indicators such as inflation, which continues to decline, show that the country's economy is likely to maintain its successful growth path. Mozambique's economy has continued to grow at a fast pace of 7.3% in the first half of 2005, on the back of a few giant and largely South African-financed venture.

Mozambique remains an agriculturally based economy, while industrial developments are starting to take off from a low base as a result of the civil war that destroyed the transport system and other infrastructure. The country also has considerable mineral resources as well as oil and gas. Mozambique has the natural resources to sustain the development of the agriculture, forestry, fishing, energy and tourism industries.

1.2 The provision of rural finance

Like in many other parts of the world, financial services in Mozambique have largely been available in urban areas; the same applies to micro-finance. With a focus on sustainability, most Micro Finance Institutions and thereafter Micro Finance Banks have concentrated on Maputo and, to a lesser extend, on other cities[1]. The government of Mozambique and various donors have however recognized the importance of promoting access to finance in order to generate wealth in rural areas and to empower poor rural men and women. While rural finance obviously include farmer finance, this paper focuses on institutions providing access to financial services for micro-entrepreneurs activities (which might include some small scale farming but not exclusively) and for general household needs.

Although still at a relatively small scale, progress has been made in the last few years in terms of mobilizing savings and providing credit to Mozambicans living in rural areas. Some microfinance institutions are now expanding from the traditional urban base: Banco Oportunidade (BOM) for instance has been operating in both urban and rural areas and is currently developing new loan products for farmers association. Hluvuku-Male Yeru, an MFI operating in Southern Mozambique provides loans for a range of rural activities, targeting farmers and fishermen.

There has also been an emphasis on promoting decentralized financial services which are considered more suitable in a rural context than the traditional MFI or microfinance bank approach. The Accumulative Savings and Credit Associations

[1] For a detailed description of Mozambican Microfinance see *Microfinance in Mozambique*, Fion de Vletter, MMF, 2006.

(ASCAs) were successfully introduced by CARE, following the methodology the NGO developed in Niger where 80,000 women participated in the Mata Masu Dubara. Ophavela, a Mozambican NGO continues to promote that methodology in Northern Mozambique. The tradition of participating in Xitique, traditional rotative savings group is an important factor that both Care and Ophavela have used to promote their methodology.

2. THE HIV/AIDS PANDEMIC

The first case of HIV/AIDS was diagnosed in 1986 in Mozambique. This was followed by a steady increase in the prevalence rate up to an estimated 16.2%[2] among the population aged 15 to 49 years in 2004. Approximately 1.6 million Mozambicans are living with HIV or AIDS; more than 90,000 of them are children under 15 years of age. In July 2004, the Government declared HIV/AIDS a national emergency.

The epidemic has reduced life expectancy to 38.1 years in 2004. The majority of those infected are women. Due to the imbalance of social, sexual and physical power women often have no chance to protect themselves against infection.

Prevalence is much the highest in the central provinces of Sofala, Manica, Tete and Zambezia, with Sofala having the highest rate of 26.5% (2002). The central region hosts the transport corridors from neighboring countries to the ports of Nacala and Beira.

Due to the rapid spread, AIDS has become an important under-lying cause of illness and death among adults and children. Among adults, it is estimated that AIDS now accounts for almost 25% of all deaths recorded. This has led to an orphan crisis. Out of almost 1.6 million orphaned children in Mozambique, around 325,000 have lost their mother, father or both parents due to AIDS. The disease is now placing great stress on the already overburdened safety nets at community and family levels. A study carried out by the Government and UNICEF in 2004 showed that only 12.5% of the households with orphaned and vulnerable children had received any form of

2 Data and statistics in this section are from UNICEF website.

assistance. Half of the families were female-headed and a fifth was headed by elderly caregivers. School attendance among orphaned children is also considerably lower.

3. THE AMAP PROJECT: MICROFINANCE AND HIV/AIDS -DEFINING OPTIONS FOR STRATEGIC AND OPERATIONAL CHANGE

3.1 Background to the project

Microfinance professionals have been struggling with ways to respond to the economic problems exacerbated by AIDS. The microfinance community now recognizes that microfinance institutions (MFIs) have the potential to reach three sets of beneficiaries: their own staff, clients, and broadly the families and communities of clients and staff[3]. The community of microfinance practitioners and researchers have sought solutions that could assist MFIs to cope with the economic and health crises faced by their beneficiaries, particularly since these groups live at or below the poverty line and are most affected by AIDS.

Under the USAID-funded Accelerated Microenterprise Advanced Program (AMAP), Development Alternatives, Inc (DAI) and its Johannesburg-based subsidiary ECIAfrica started rolling out a course targeting microfinance institutions. The course[4] was developed 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 (4.4–21.5 percent).

The course was piloted in Harare, Zimbabwe, in October 2001. Under the AMAP Financial Services Knowledge Generation (FSKG) project, DAI proposed the course in at least five countries using trained Africa-based microfinance practitioners. Between August 2004 and September 2005, DAI and ECI*Africa* Consulting (ECI) rolled out courses in five countries: Ethiopia, South Africa, Kenya, Rwanda, and

3 Mitigating the Impact of AIDS on Microfinance Institutions: Are we making progress? MicroNote 25, USAID
[4] Developed by DAI through the USAID-funded Microenterprise Best Practices project

Mozambique. The last course in the Defining Options training series was hosted in Mozambique and was jointly funded by USAID and CIDA. The necessity for a strong local partner and the interest in this subject by CIDA and their project implementation partner Mennonite Economic Development Associates (MEDA) made their project (Mozambique Microfinance Facility (MMF)) an obvious partner for this training. Eleven MFIs attended the training and gave positive feedback regarding the relevance of the training to their operations.

Despite the positive evaluation of the training, it became clear that MFIs found it challenging to translate the training into actions within their organisations. In 2006, DAI, ECI, MEDA and MMF jointly designed and implemented an action-research program to assist Mozambican MFIs in planning and implementing selected activities in response to HIV/AIDS. As this was conceived as a quick start operation where institutions would have the leading role after some capacity building, the technical assistance program was deliberately low intensity; Funding was limited to approximately $6,500 per institution for materials and other direct costs and around 10 days of technical advice was provided to each institution by an experienced microfinance practitioner, over a period of approximately six months. The selected institutions included Banco Oportunidade (BOM), Male Yeru, Ophavela and Caixa de Mulheres de Nampula (CMN). These institutions are presented in the following section.

3.2 Description of the participants and their participation in the project

Name	**Banco Oportunidade de Moçambique (BOM)**

Geographical 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) Urban and rural outreach
# of clients	4,471 in total (December 2006)
Type of Institution	Microfinance bank, regulated by the Central Bank of Mozambique
Financial Products	Loan products with monthly reimbursements for solidarity groups (3-7 members), community trust banks (10-30 members) and individual clients. Savings and term deposits for individuals and associations. Obligatory credit life insurance product for all loans taken after February 2006

Activities

The following activities were executed under this program:

- Establish a strategic partnership with Health Alliance International, an experienced HIV/AIDS service provider that delivered training to staff and clients.
- Launch an initial orientation for BOM staff on HIV/AIDS.
- Design and implement an integrated training program for clients and their communities.
- Monitor and evaluate the training program.
- Conduct a social, economic and cultural impact assessment of the program.

Name	**Hluvuku-Male Yeru**
Geographical area of operation	Operates exclusively in Maputo Province (Bela Vista, Catembe, Ponta D'Ouro, Boane) Small towns and rural areas
# of clients	1,958 (December 2006)
Type of Institution	Credit Association (MFI)
Financial Products	Individual loans with monthly reimbursements, credit life insurance on all new loans

Activities

The following activities were undertaken:

- Adopting a client and portfolio monitoring system that would detect any impact caused by HIV/AIDS on clients' use of services and on the institutions.
- Implementing a HIV/AIDS workplace program and re-designing their Human Resources policy.
- Market research on clients' needs leading to refining or developing new products –insurance and savings- to better serve an HIV/AIDS-affected market.
- Forming partnerships with Medicos do Mundo, an organisation providing AIDS support as a way to address AIDS within their institutions or client base.

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 Rural outreach
# of clients	22, 460 members (2006)
Type of Institution	NGO (Socio-economic Development Association) promoting the establishment of ASCAs
Financial products	Rotative savings and credit, including a "social fund" savings fund for emergencies.

Activities

Activities under this program included:

- Initiating focus group discussions in 4 districts. The objective was to understand the possible impacts of HIV/AIDS among the ASCA groups and how the group policies could be adapted to respond to the challenges.
- Compile and analyze a sample of the internal rules of the groups. Again the objective was to determine how flexible these policies could be and whether they could fit specific circumstance while keeping in line with the original Care methodology.
- Propose changes in the groups' internal rules in order to better fit the groups' needs and address HIV/AIDS issues.
- Forming partnerships with AIDS support organisations as a way to address AIDS within their institutions or client base.

Name	**Caixa Das Mulheres de Nampula CMN)**

Geographical area of operation	Nampula, Northern Mozambique Urban and semi-rural
# of clients	2.700 members, women only
Type of Institution	Savings and credit association, in the processing of transforming into a credit and savings cooperative
Financial Products	Credit and Savings –Individual methodology

Activities

Activities undertaken under this program included:

- Adopting simple portfolio monitoring system by defining and analysing financial ratios that could show the impact of HIV/AIDS on the institution.
- Provided staff with the knowledge to address issues related to HIV/AIDS with members.
- Undertake a drop out study and client satisfaction survey to verify if there was a need to adapt products.
- Forming partnerships with AIDS support organisations as a way to address AIDS within their member base.

The following sections highlight some results from our action-research. Section 4 describes how financial services providers can intervene in the fight against HIV/AIDS by linking with AIDS Services Organisations (ASOs). Section 5 takes a look at product development in the context of HIV/AIDS. In

Section 6, we use Ophavela's case study to show how ASCA groups are able to modify their rules according to their circumstances:

4. TRAINING CLIENTS AND STAFF ON ISSUES RELATED TO HIV/AIDS

4.1 Establishing partnerships

The four financial institutions involved in this project recognized that establishing strategic partnership with ASOs, allowing each organization to focus on its own area of expertise, was key to the success of their HIV/AIDS strategy**.** However, as Mozambique does not have ASOs with wide rural coverage, financial institutions that cover large rural areas had to work with several services providers or to focus on specific areas. BOM for instance decided to concentrate their training efforts high risk areas such along the Beira Corridor in Central Mozambique which has the highest HIV/AIDS prevalence rates in the country.[5]

For Ophavela, the challenge was to identify partners that could tailor their message to different types of group as the socio-demographics vary widely from one ASCA to another in terms of gender, age, literacy level, values, religion, types of economic activities, etc. Partners had to cover all areas where Ophavela is active and adapt their message to the various types of groups. More specifically some groups have cultural and religious values that make communication more delicate.

Male Yeru also faced some challenges providing HIV/AIDS sensitization training for their clients and staff in their various branches. As the stigma associated with the virus appeared high in their area of operations, it was decided that using an entertainment-based method would make clients more open to receive the message. The institution partnered with Medicos do Mundial to offer a series of theatrical style trainings that explained basic HIV/AIDS prevention and treatment information.

[5] Manica province has 19.5% prevalence while Sofala sits at 26.5% Beira city alone has a horrible 35% prevalence rate.

4.2 Feedback from clients – Ophavela

To judge the effectiveness of such training, it is important to get some feedback from clients. In the following paragraphs, we show how beneficiaries from one of these sensitization programs provided feedback on HIV/AIDS related issues. It is important to note that in this case, training had happened mostly during the ASCAs formation, meaning that it could have been very recent or a few years ago. Feedback was provided during focus group discussion about ASCAs roles and operations, questions on HIV/AIDS awareness constituted only a small part of the discussion.

All groups were quite aware of the danger of HIV/Aids even if they were not directly affected. Groups got some information through Ophavela and also through other organizations or general campaign of information (NGOs -CARE was mentioned several times-, local hospital, radio, theatre).

Despite the general awareness, there was a feeling that members should know more about how practically respond to the risks. Therefore, most groups would like to have more formal and practical training. Some of the specific issues that group members would like to receive training on are:

- HIV transmission
- Prevention
- HIV/Aids treatment, as well as treatment of other infections that can favour HIV transmission
- Testing
- How to live with HIV positive people

There is also a feeling amongst certain group that they are privileged to have access to information compared to other community members. It was very interesting to hear that a majority of groups would in a way or another like to become community activists in terms of HIV/Aids prevention:

- "I would like to be able to be able to talk openly about HIV and Aids in my community"
- "We need to share that knowledge to our children, spouse, other savings groups and the community at large".
- "We would need to get material to raise awareness".

In term of linking with HIV/AIDS services providers, the main lessons learned were:

- All groups need sensitization but it is important to take into consideration cultural aspects such as the gender of the facilitator vis-à-vis the gender orientation of the group.
- It is also crucial to find innovative approaches to discuss openly and raise awareness in communities where religious values could be an obstacle.
- It is important to raise the group awareness around the problem of HIV/AIDS gradually through the gradual introduction of HIV/AIDS material in several sensitization sessions.
- It is also important to consider the question of stigma amongst clients affected by the disease and how sensitization can change attitude.

5. PRODUCT DEVELOPMENT

One of the most important strategies for MFI operating in a HIV/Aids context is to adopt a more pro-active approach in which new products are developed or existing ones are modified to better meet clients' needs.

Male Yeru undertook a client needs assessment to determine whether new products were required. This research was done through a series of focus group discussions with clients in the communities of Catembe, Bela Vista and Ponto D'Ouro. Male Yeru clients were clearly aware of the necessity to have household mitigation strategies for potential illnesses. That was translated in an interest for opening savings accounts in order to build up secure financial reserves for emergency expenses. However, there is no bank operating in these areas. At present time, Male Yeru is not allowed by the Central Bank to take deposit and offer savings products. The institution now recognizes that there is a considerable demand for savings amongst its clientele. A partnership with a commercial bank is being explored as a way to provide this service to their clients given their geographic location and institutional capacity. The solution could entail convincing a bank to consider the option of mobile branch or for Male Yeru to collect the savings and hire a security company to transport the money to Maputo.

The research also highlighted the clients' demand for new insurance products (including the provision of funeral expenses insurance) over and above the insurance linked to credit. Male Yeru is negotiating with insurance companies to provide that service through the MFI at an affordable premium.

It is worth noting that credit insurance is often the first product modification that an MFI will bring as a response to HIV/AIDS increased impact. This is an important feature especially for group lending where solidarity will imposed on other members to pay arrears for sick or diseased members. As shown in Male Yeru's example, funeral insurance often comes as a second product development. MFIs needs to pay attention to the claim process, as long forms asking questions about the cause of death are resented as stigmatisation and may even result in people resolving not to claim.

On the savings side, term deposit is currently explored by some Mozambican institutions with a specific view to serve clients which are HIV+ and would like to save for their family. Obviously the product would not be branded as such but would serve the need of that particular group, amongst others. Ideally, the savings facility would be provided in a context where other services are also available: counselling, medications including ARV and support groups.

6. CASE STUDY: THE FLEXIBILITY OF THE ASCA MODEL IN FACING HIV/AIDS CHALLENGES

6.1 Methodology

Ophavela promotes a rotative credit and savings methodology. PCR[6] Groups usually have two savings pools – one called a Social Fund that is lent to group members for emergencies and a general fund that includes 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 micro enterprise development and for building assets;
- Mechanisms of social insurance: the members of the PCR groups make regular deposits for emergency expenses such as medical care, funeral, education, etc. 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:

a) 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 re- generated with interest for the benefit of the members;
b) With rising health costs (HIV/AIDS, malaria), groups are seeing more and more borrowing from the Social Fund. In some cases, the Social Funds

[6] PCR: Poupanca e Credito Rotativo (Rotative Savings and Credit)

have been depleted. Others have abused the Social Fund for causes that were not necessarily of a compassionate nature.

6.2 Research

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 serve as a model for the groups to establish their own rules. We established a list of coping strategies developed and used by groups already affected by HIV/AIDS which could be easily transposed to other groups, should the need happens.

Qualitative research was undertaken with 24 groups with the following geographical repartition: 6 focus group discussions were held in the following regions: Lalana, Ribane, Meconta and Mogincual. Care was taken to choose regions with different economic, ethnic and religious profile. Two research methodologies were used[7]:

- 18 groups were taken through focus group discussions.
- Using a participatory rapid appraisal technique, the 6 remaining groups were asked to develop a matrix of unforeseen even during the past years and to comment on the way they coped with these events.

6.3 Affected or not

Only a few groups felt that they have been affected directly by HIV/Aids or other fatal diseases. These groups have witnessed the death of some of their members or close family:

- A member died of Aids (the members specified that they thought it was Aids).

[7] These techniques have been popularized in the microfinance areas by MicroSave.

- A member's husband died.

In these cases, members helped with the ceremony. They had to give money and lost 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 death which were or might have been related to Aids. Malaria is also often a fatal disease. It is important to note that 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 that "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 preservatives.

6.4 Priority for Savings and credit usage

There was a clear correlation between preferences for the social fund when the group says that it has 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 diseased 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 strategy has been that members covered the balance by selling goods (chickens, peanuts) and giving the cash so obtained to the member in need. Other groups also supplement by donating more money.

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 totally 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 rotative 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 not only money is used but members also contribute time and moral support to families in need.

6.5 Conclusion

The impact of HIV/Aids and other diseases is different 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, building household assets, contributing to education and community events

(festivals, etc.). However, these groups will know that, should circumstances change, the rules governing their ASCA could be adapted to face new challenges.

7. LESSONS LEARNED

In conducting this program, the MFIs as well as the technical assistance providers have faced some challenges and learnt important lessons that can be applied in similar situations.

7.1 Mainstreaming of HIV/AIDS mitigation strategy

In Mozambique and other Southern African countries, many MFIs now recognise that HIV/AIDS is having some sort of impact on their business, whether through the effect observed amongst their clients or amongst staff. However, often little is known about the direct impact on sustainability since the institution does not know how to monitor that. Even when applying the correct financial ratios, it is not uncommon that no impact is actually observed, since the disease may not have progressed to levels where it has a direct effect on credit portfolio or level of savings.

Given the long-term nature of HIV/AIDS and the fact that it may affect so many facets of the MFIs' business, it is essential to mainstream or integrate HIV/AIDS awareness and mitigation actions as early as possible into the broader operations of the institution. To do so, the 'know your client' principle is essential. It became a common theme throughout this program as many activities undertaken with the four institutions focused on understanding the client demands and needs in more detail. Similarly, the "know your institution" principle needed to be applied. Using efficient management information systems (MIS) and the associated performance monitoring made possible by MIS became important for all institutions. Applying an HIV/AIDS lens to performance monitoring and collecting a few additional variables enabled a greater understanding of the real impact of HIV/AIDS on the MFI therefore allowing

better planned mitigation activities such as product modifications or new credit policies.

7.2 Methods used for research and communication

The choice of mitigation activities related to HIV/AIDS that can be conducted in MFIs is broad: ranging from introducing new products to reviewing human resources policy, from HIV/AIDS awareness communication to staff and clients to linking with ASO and health care providers. Each of these activities requires preliminary research. Careful selection of the research method used in each of these instances needs to be considered. Having used quantitative and qualitative research techniques, we found that carefully prepared qualitative research tended to generate more in-depth and valuable information. This is due to the nature of the subjects underlying HIV/AIDS (death, disease, sex, faithfulness) which tend to be personal and sensitive. Selecting the correct forms of communication on HIV/AIDS awareness is also crucial. Extensive work has been carried out on communication methods that lead to greater comprehension, knowledge and overall behaviour change amongst the target groups. In Mozambique several MFIs mentioned the success of theatre as a means of communication where more formal type of training had been poorly attended or rejected by clients.

7.3 Strategic partnerships and stakeholder relationships

One of the main challenges for this program and the four MFIs was to establish strategic partnerships. This included relations with government, AIDS service organisations (ASOs), coordination with other MFIs and with specialised partners such as insurance companies.

Government

It is important for HIV/AIDS mitigation projects to 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, and government will need to play a role. This role may vary depending on the government's capacity to provide treatment, care and other services in rural areas. It is actually very difficult for a MFI to raise awareness around HIV/AIDS and offer some hope to infected clients if there is no decent medical service available in the areas where it operates. Where possible and appropriate, partnerships need to be forged to take advantage of available services and funds from government and local authorities.

AIDS Service Organisations (ASOs)

It is essential that MFIs establish strategic partnerships with organizations with mutually compatible goals and objectives. This ensures that the MFI does not become overloaded with new responsibilities in implementing its HIV/AIDS action plan and remains essentially a provider of financial services. Even organisations that promote the development of decentralised financial services and are by nature more holistic in their approach of rural development should remain careful about assuming too much responsibility linked to HIV/AIDS. In view of the fact that numerous members have expressed some desire to become "AIDS activists", Ophavela is of the opinion that an ASO could tap in that willingness but that Ophavela itself would remain outside of the action.

Challenges faced by MFIs in the program in Mozambique included identifying suitable ASOs for the various planned activities, locating qualified local partners in rural districts and then establishing the terms of the partnership. In future projects addressing HIV/AIDS mitigation in rural finance, greater facilitation of this

partnership should be considered. This could potentially include providing assistance to the ASO as well as the MFI – as opposed to the MFI only. Common understanding of not only HIV/AIDS issues but also of rural and microfinance would allow a more balanced relationship. Of importance in this facilitation is developing a common understanding on the activities, shared values and good quality delivery of the respective services by the MFI and the ASO. This greater level of understanding between the partners should ultimately lead to the ability of ASOs to provided tailored, suitable services to the MFI.

Insurance companies and deposit taking institutions

In Mozambique, a high demand for specialised products or services, such as savings and micro-insurance was prevalent in rural areas. In many instances, the MFI did not have the technical capacity to deliver the service (particularly insurance which can very complex) or was prohibited to do so due to legal restrictions (to take deposits, for instance). These demands for additional financial services reiterate the necessity for strong strategic partners, with the right expertise and the possibility for insurance companies and banks to extend their footprint in rural areas through MFIs.

Coordination within the microfinance sector

Coordination between MFIs can add great value to isolated mitigation strategies. In Mozambique, strong coordination was provided through this program and collaborations have developed between specific institutions based on similar interest or on geographical repartition. In other circumstances, industry associations may be a means of addressing HIV/AIDS in a coordinated manner. The value of coordinating is in accessing shared services, achieving scale as an industry and therefore having greater power to access funding and to lobby around relevant issues. In addition, this

enables MFIs to share experiences and lessons with others regarding HIV/AIDS programming.

The formation of integrated working groups at local level can also improve any mitigation program. Parties including government, MFIs, donors and ASOs could create a forum for sharing challenges, reaching solutions and coordinating their efforts in addressing HIV/AIDS in the microfinance sector. In a country as large and diverse as Mozambique, localising this type of forum can be very beneficial.