

Breakout 7: Rural Finance in the Age of HIV/AIDS

“HIV/AIDS and Rural Microfinance-A Matter of Survival”

Author

John Magill – Development Alternatives, Inc. (DAI)

Summary and Key Findings

Examining the significance of the HIV/AIDS epidemic, this paper looks at the immediate impact on the household, on the household financial patterns, and the impact of HIV/AIDS on agriculture and agricultural practices. Identifying the magnitude of risk and adopting appropriate strategies to meet that threat are key to ensuring an MFI's survival. Needed strategies to cope with this crisis include: preventing new infections; promoting savings; offering more suitable loan products; increasing contact and supervision of clients; placing loans at risk in special portfolios; reducing the time commitment required of clients and encouraging practices to improve household finance (p.13).

“Response Required: Mitigating Risk in African Credit Unions Serving HIV/AIDS-affected Communities”

Author

Anna Cora Evans (World Council of Credit Unions)

Summary and Key Findings

This paper examines credit unions serving HIV/AIDS-affected communities in Kenya, Botswana, South Africa and Zambia. Diversifying credit union membership beyond the workplace and creating correspondence loan loss provisions are two recommendations to strengthen credit unions. By introducing new demand-driven products such as programmed savings for health emergencies and facilitating linkages between credit unions and health service providers, existing insurance products will be improved.

Notes from Workshop Rural Finance in the Age of HIV/AIDS

Presenters

Joan Parker (DAI), Moderator
Anna Cora Evans (WOCCU)
John H. Magill (DAI)
Ethel Matenge-Sebesho (HomeLoan Guarantee Co.)

John McGill, DAI Financial Services

HIV/AIDS as risk to MFI

- Loss of Family Labor, Skills, Production
 - Crop production reduces 60%, income reduces 60%
 - Infected family member is not the only loss, productivity of caregiver is also lost
- Increases in expenses
 - Expensive burial rituals
- Care of orphan children

Effects on Maintenance of Family Assets

- Stop maintaining productive Assets
 - Expenditure shifts to healthcare
 - Lose ability to save and therefore consume assets
 - First they sell non critical assets and then productive assets and then land

Credit Unions

- Credit Unions depend on Savings
- Credit Union lose ability to make loans

Other MFIs

- Village Banking
 - People use savings and lose ability to borrow

Change borrowing habits

- Typical borrow for rural production will convert to health expenses—non productive loans
 - MFI is now lending for high risk non productive loans
- Delinquency rises as well
 - Caregivers will try to maintain relationship with MFI but often uses loans eventually

MFI clients base disappears

- Die
- Forced out because of policy of MFI—caregivers don't have time to attend meetings, etc.

- Share vs. savings—members will quit to get share

Ethel Matenge-Sebesho (HomeLoan Guarantee Co.),
South Africa

Most banks are nervous to provide loans to HIV/AIDS people
 Result is they don't get treatment therefore children become homeless

Home loan guarantee program intervened

- Set up to facilitate housing finance and guarantee to loans to bank

How to provide guarantee?

- Guarantee against premium
 - Conditional loans include 20% deposit
 - Bank takes guarantee instead of 20% deposit
 - Once it has been issued, company controls the risk. Do not pay off the loans because of this.
1. Engage with lenders: Determine lenders are reasonable
 2. Borrowers are usually first time homebuyers
 - a. Educate borrowers to reduce risk of contracting HIV
 3. When Borrower defaults-have agreement with lender to tell Housing Guarantee program, then company works with borrower

People with HIV retain homes

Enhance existing guarantee to cover outstanding balance

Underlying collateral is not accessed in the event of an AIDS related illness

No anti-selection-covers one loan, covers all

Provide borrower education with AIDS education

Pre load testing is not required

Lenders usual credit criteria apply

Managing Risk

- Facilitate appropriate treatment
- Partner with existing organizations
- Complement medical aid and employee benefits
- Encourage early volunteer counseling and testing therefore, earlier treatment, live longer, continue to repay loans

Questions

Q: Who is the reinsurance company?

A: USOPIC

Q: Is this offered anywhere else?

A: Not yet, but hope to take it to neighbor countries

Q: Does the treatment improve the individuals?

A: Yes

Q: With HIV drugs, there is a need for close monitoring of drugs, if you fall out of pattern, the effectiveness of the drugs diminish. In South Africa, you have a good clinic system. If you leave that system and go to say Botswana....

A: That is why we have partners.

Q: Do you have the same product for other illnesses?

A: No, HIV comes with a stigma that makes institutions treat a person as already dead. With Treatment, a person can live for 30 years.

Q: Are you able to treat rural areas?

A: Yes, because many of our customers are in rural areas as homebuyers