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# ECONOMIC EMPOWERMENT OF PEOPLE LIVING WITH OR AFFECTED BY HIV/AIDS: OPTIONS FOR FINANCIAL SECTOR DEEPENING KENYA

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# Economic Empowerment of People Living With or Affected by HIV/AIDS: Options for Financial Sector Deepening Kenya


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## OVERVIEW

In July 2008, the Kenya Financial Sector Deepening (FSD) Programme contracted DAI to assess the prospects for and attempt to define a market-based approach to developing financial services in Kenya that can contribute to the prevention of HIV transmission and mitigate the economic impact of HIV/AIDS. Because FSD Kenya has not previously conducted assessments of nor analyzed the economic issues surrounding HIV/AIDS, the programme is seeking clear, practical guidance as to the role it can play, if any. Though expanded financial services work that integrates an HIV/AIDS component is possible, the programme's core objective should remain unchanged: piloting, testing, implementing and rolling out financial services interventions that demonstrate the ability to have an impact at scale and are guided by strong evidence of what works in Kenya and has worked internationally.

The DAI researcher was asked to consider how new programming around HIV/AIDS and financial sector deepening might fit within FSD's current and longer-term strategy for financial sector development. Specifically, the consultant assessed and considered the following options for FSD:

- Adhere to its current strategy and not add any additional interventions with respect to HIV/AIDS—in other words, do nothing (Option 1);
- Develop a new theme area around HIV/AIDS and financial services in which significant impact could be achieved at scale through new interventions (Option 2); and
- Either a) add a specific project under an existing FSD theme, or b) exploit an existing project by adding an HIV/AIDS-related component or targeted activity that could expand and deepen existing interventions (Options 3a and 3b).

The report accompanying this recommendation memo provides a variety of opportunities for addressing constraints of HIV/AIDS-affected populations, some of which are appropriate for FSD support and others that will be taken on by other donors and private sector actors in the Kenyan market. These opportunities include:

1. Support to micro-finance institutions (MFIs) and savings and credit co-operation societies (SACCOs) in developing workplace programmes that address HIV/AIDS;
2. Support for the development of an affordable yet comprehensive health insurance product that allows broad access to health services and simplifies the payment or reimbursement of these costs;
3. Support for the development of contractual child savings mechanisms that allow families and guardians to save for children—either for education (secondary or beyond) or for longer-term asset accumulation;
4. Support for the development of agricultural loan products that allow households to invest in labour-saving types of agriculture;
5. Support for the development of supplementary or consumer loan products that allow people living with HIV/AIDS to pay for transport and other non-treatment costs of getting treatment;

6. Support for supplementary initiatives to the Government of Kenya/UNICEF orphans and vulnerable children (OVC) cash transfer programme that 1) "add on" non-financial and financial service or 2) "add in" new payment options for paying out cash and extending access to the formal financial system;
7. Support for financial education mechanisms that build greater financial literacy and address issues of concern to the HIV/AIDS-affected—legacy planning, legal rights with respect to inheritance, joint title registration among spouses and the rights of children; and
8. Creation of an entity that brings together economic development actors (financial service providers included) with health organisations for regular discussions, information sharing and partnership opportunities, as well as to act as an innovation clearinghouse.

Each of these opportunities will be analyzed for its relevance to and fit with FSD Kenya's strategy, themes and existing projects at the macro, meso and micro levels.

## ANALYSIS OF OPTIONS FOR FSD

### 1. SUPPORT TO MFIs AND SACCOs IN DEVELOPING WORKPLACE PROGRAMMES AROUND HIV/AIDS

Although Kenya has a generalised AIDS pandemic, the AIDS prevalence rate is not comparable to those seen in countries in southern Africa where the prevalence is greater than 20 percent. For Kenya, this means that HIV/AIDS as a workplace issue is not as high a priority as in these other countries. This could be one reason that workplace wellness programmes in Kenya are not as well-developed or commonplace as in other countries. Nonetheless, workplace programmes have proven to be a good tool to reach employees, their families and sometimes the surrounding communities with positive health messages, including HIV/AIDS prevention. However, this assessment revealed that a number of organisations—primarily MFIs and SACCOS but also some banks—have not set up workplace programmes to address the needs of staff members and their families with respect to HIV/AIDS (or other health issues). For organisations that employ hundreds of employees, this is an oversight but also an opportunity. MFIs and SACCOs could develop workplace programmes that address issues of prevention and greater awareness around HIV/AIDS and provide more appropriate benefits for staff and family members.

The July 2008 workshop set up by FSD and the DAI researcher brought a number of these groups and institutions together (Barclays, Gold Star Network, the Kenya Private Sector Business Council, the Global Business Coalition against HIV/AIDS, Kenya Union of Savings and Credit Co-operatives [KUSCCO] and Association of Microfinance Institutions [AMFI]) to discuss the possibility of developing workplace programmes using AMFI and KUSCCO as aggregators of larger groups of MFIs and SACCOs. There appears to be great interest in doing this and sufficient low-cost support to do so. However, it also appears that this initiative will happen on its own accord. AMFI, for example, has indicated an interest in convening MFIs to address workplace programmes. Some of the other private sector players have sufficient resources to work with this constituency using their own funding. Although there is an opportunity for MFIs and other institutions to develop appropriate HIV workplace programmes, no intervention is required by FSD.

## 2. Product Development: Affordable Comprehensive Health Insurance Coverage

Affordable comprehensive health insurance that covers outpatient and inpatient medical treatment, particularly for lower-income clients, is lacking in the Kenyan marketplace. While such comprehensive coverage does exist in the formal sector for employees insured under company-paid insurance schemes, these insurance schemes are generally provided at an additional premium and at a price point that is much higher than the majority of the market is able to pay. And while the recent roll-out of inpatient coverage by the Co-operative Insurance Company (CIC) and National Health Insurance Fund is certainly a good start, it is not adequate to address lesser health emergencies and illnesses that require treatment but not hospitalisation. It is also inadequate for addressing preventative health issues, including HIV transmission. Studies from other countries, for example, have demonstrated that lack of access to outpatient and preventative services only drives up hospital costs.

The workshop organised by FSD not only revealed a great deal of interest in the topic, but also brought together different players who are actively working on the development of low-cost comprehensive insurance. At the workshop, the insurance providers AON and CIC, as well as representatives of the Gold Star Network, were able to meet with a U.S. Agency for International Development (USAID) health adviser who briefed them on USAID's plans to invest in a new social health insurance product that could be rolled out to lower-income populations at an appropriate price point. The group announced its plans to continue a dialogue and work together on the joint development of such a product.

While interest is high, the development of affordable, comprehensive health insurance does not fit within FSD's current strategy either as a theme area or under an existing project. Moreover, it appears that USAID, through its global health office (and likely with some support from PEPFAR), has sufficient funding and knows how to support its development. As a result, FSD need not play a role in the development of such insurance.

## 3. Product Development: Child Savings Accounts

With the numbers of orphans increasing each day, the need for products in which parents and guardians can invest in the short, medium and long terms is important. A number of MFIs and SACCOs have already developed loans for school fees, which are predictable expenditures for their clients, but more could be done to develop contractual savings products that allow for the regular accumulation of lump sums to pay for school fees at the secondary level or for other events. This product would be particularly important for girls, who are more likely than boys to not attend school when financial pressure is put on the household. Studies in Kenya have indicated that clients would find this an attractive product if 1) it were linked to another liquid savings account that could be used in the event of an emergency (or if there was the ability to borrow against it), and 2) if there were adequate returns on the savings.

Child savings accounts, while a needed product, is still viewed with some scepticism by banks—they need to be convinced of the business model behind attracting new clients at a young age. Right now a number of large child protection non-governmental organisations, including Save the Children and Plan International, are actively pursuing the funding of initiatives that support the broad development of child savings (and the development of enabling policies that incentivise families to begin saving on behalf of their children). MasterCard Foundation and the Bill and Melinda Gates Foundation are interested in this area and will likely fund new initiatives. The need for FSD's engagement in this area is thus not justified.

## 4. Product Development: Loans for Labour-Saving Agriculture

Many of the organisations working on increasing food security and strengthening the economic position of HIV/AIDS-affected households recognise the need for people living with HIV/AIDS and their caregivers to use their time and energy wisely. Neither may be able to commit their entire day or week to tending to businesses or agricultural activities because they spend their time caring for sick children or must conserve energy to live healthier if they are undergoing treatment. Labour-saving agricultural activities range from kitchen gardens to fruit trees, mushroom production, bee-keeping and palm oil production. Initiatives that identify both appropriate agriculture and market opportunities for expansion, such as has been done by the World Council of Credit Unions and Life Works, may be good partners for linking into newer value chain finance initiatives being explored by donors and financial institutions.

A number of value chain finance initiatives are currently underway in Kenya, including some attempts to finance fruit trees. Linkages between these initiatives and on-going economic strengthening activities could afford some unique opportunities and provide economic benefits to HIV/AIDS-affected groups. FSD's work on mapping specific value chains also could look at labour-saving agricultural commodities to analyse their capacity to bear debt and financial institutions' ability/interest in developing products for them—to the extent that this mapping exercise has not already been completed. This could present an interesting opportunity for FSD, particularly if the mapping exercise yielded capacity and interest.

## 5. Product Development: Supplementary Loans for Non-Treatment Costs of Treatment

With access to anti-retroviral therapies (ARTs), good nutrition and improved health lifestyles, people living with HIV/AIDS can and do live productive lives. In Kenya, particularly in larger urban areas such as Nairobi, Kisumu and Mombasa, access to ARTs through public and mission hospitals is strong and growing. In secondary cities, access is also expanding. However, for people living in peri-urban and rural areas, the key issue to accessing this free treatment is the non-treatment cost—transport. Although transport costs are not incurred frequently, particularly once treatment has begun and the drug regimen is adhered to, initially these costs could be great for poorer and more rural individuals.

One solution is for financial institutions to consider covering transport costs as part of a supplemental or consumer loan. As one World Bank expert noted, the actuarial analysis can be done to support this and show that the risk is low.

FSD has not been actively engaged in consumer product development or products that address health constraints. Thus, the engagement of FSD in this area seems ill-fitted to its current strategy and business plan.

## 6. Add on or Add in Initiatives to OVC Cash Transfer Program

The Government of Kenya/UNICEF cash transfer programme for OVC offers a unique opportunity to link children and their guardians with more permanent types of financial services, namely savings. "Add-ons" to social safety net programmes are currently being experimented with in other countries in Sub-Saharan Africa, albeit not specifically for AIDS-vulnerable populations. UNICEF and the Kenyan government have indicated an interest in exploring add-ons to the existing programme, initially in the form of awareness training. Through this opening, programming and products could be developed, for example, that allow older youth to access training (business skills, empowerment and financial education), mentorship opportunities and contractual savings that would help them and their guardians to save small sums toward a goal at the end of an 18- to 24-month period. This type of add-on could better prepare youth for their graduation from the cash transfer programme at age 18.

"Add-in" elements to the programme—that is, linking beneficiaries and their named recipients into other payment mechanisms—may also allow for new exposure and experience with more formal financial services through a bank or even a cell phone payment provider, such as M-Pesa. Again, if this payment mechanism were linked to longer-term, formal savings, it might provide an opening for developing long-term savings habits and thereby longer-term relationships with formal financial institutions.

FSD is best placed to engage in an add-in activity around payment systems given its existing government-to-person (G2P) payments development project with the Government of Kenya Hunger Safety Net programme. Indeed, FSD staff have already been involved in the conversation. The biggest obstacle to working with this programme, however, seems to be the individuals involved in the design and implementation of the programme, both at UNICEF and at the Ministry of Gender, Children and Social Development. Besides being most focused on the targeting of appropriate beneficiaries, they seem sceptical of card-based payment mechanisms (and alleged inflationary impacts) and of efforts to move payment away from a physical location such as the post office. Undoubtedly, there would be great need to educate programme managers on the cost benefits of new payment technologies, not to mention the additive impacts of expanding access to the financial sector.

## 7. Financial Education That Address Topics Associated With AIDS

The ability to make appropriate decisions on how to manage personal and business finances, plan and create budgets, save and invest, use credit wisely and manage risk is important to all individuals, but especially to those who have fewer resources and greater vulnerability. The costs associated with AIDS—illness, hospitalisation, better nutrition, caring for additional children and the responsibilities at the end of one's life to bury the dead and provide for those left behind—are enormous. Not nearly enough is being done to address the understanding of these issues by HIV/AIDS-affected households. With greater financial literacy comes the possibility to empower and enhance an individual's social system, to develop a positive attitude toward institutional finance and to instil a willingness to adopt beneficial new services and technologies.

There is both interest in and need for financial service providers, governments, economic development practitioners, health organisations and communities to enhance financial education initiatives. For the HIV/AIDS-affected, these initiatives should also address issues of legacy planning, legal rights with respect to inheritance, joint title registration among spouses and the rights of children, with the recognition that such initiatives will and must change cultural norms and traditions in tribal communities in order to protect women and children in particular.

Given its meso-level initiative surrounding consumer education and information, and some pilot activities to practically test differing ways of addressing consumer education, FSD could support a pilot initiative to address these HIV/AIDS-related issues. FSD's 2008 business plan, however, shows more focus on initiatives that better consumer information around bank charges. This suggests that the more basic financial literacy topics are not within FSD's core mandate. Should FSD choose to take some of these on in later years, the issues mentioned above that relate to HIV/AIDS-affected populations could be considered as well. However, FSD support of this would a secondary priority.

### 8. Collaboration Initiative – Health and Market Development

The FSD workshop highlighted a significant concern among both health and financial service providers: the absence of an organisation or initiative that links the health organisations and the economic development organisations (including financial service providers). As a result of this absence, new activities, initiatives and innovations tend to happen in isolation rather than building upon the comparative advantages and strengths of one another. Numerous organisations expressed interest in regular seminars and workshops that would bring the two groups together to share information on how to link health security, livelihoods and food security to larger economic strengthening and private sector initiatives. This level of information sharing and co-ordination is lacking at the programmatic level, and at the donor and governmental levels. With the formalisation of this nexus, partnerships could be built, new programmes could be designed that allow different partners to provide their expertise appropriately and the AIDS-affected could be better served at each stage of the progression of their disease. A formalisation of co-operation between the two spheres could improve and broaden both market-based service provision by better informing service providers of the trends and also bolster and build new and existing corporate social responsibility initiatives.

Although no donor has stepped in to play the lead role in co-ordinating economic strengthening/financial sector initiatives around HIV/AIDS, FSD is not well-positioned to do so, nor does this initiative fit within FSD's core mandate.

## SUMMARY OF RECOMMENDATIONS FOR FSD KENYA

The above analysis of the identified opportunities suggests that FSD's options for big impact in this area are limited given the role of and support from other donors, the comparative advantages of FSD in other important financial sector development areas and its current strategy.

Option 2 (add HIV/AIDS as a theme) is not practical for a number of reasons, but primarily because financial service providers in general do not target the AIDS-affected. Instead, they are more appropriately focused on addressing constraints through product development that enhances the ability of this segment to mitigate health risks, save for the long term and borrow responsibly. By creating a theme area specific to HIV/AIDS, FSD would likely send the message that this segment should be targeted explicitly, which is counter to FSD's market approach and counter to best practices suggested by the industry.

Instead, FSD is better suited to support opportunities that address the constraints of the AIDS-affected through its existing themes and projects (Options 3a and 3b). FSD has some comparative advantage in a number of areas—rural finance, G2P payments and consumer education—that could deepen existing projects or add in new projects under existing themes. FSD could:

- Conduct further analysis of labour-saving agricultural commodities to test their ability to bear debt and the ability/interest of financial institutions to fund them through the deepening of its value chain mapping exercise (Option 3b);
- Add a new project under the G2P payments development work to support the broadening of the Government of Kenya/UNICEF cash transfer programme to use more efficient

payment mechanisms that also expand access to the financial sector (Option 3A) and deepen the penetration of new payment systems; and

- Add new consumer education initiatives that address legacy planning (including both the legal and financial issues surrounding it) and financial issues surrounding inheritance and children rights into its Core Financial System activities at the meso level (Option 3b).

It is this researcher's opinion that implementing these additional interventions would have some strong value added for AIDS-affected communities (albeit not huge impact). The question for FSD is what level of impact is sufficient to justify its financial support. A comparative set of pilot interventions could be designed to assess how and where impact can be maximised.