Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change

A Workshop for MFI Managers and Decision Makers Facilitator’s Manual

September 2004

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Facilitator’s Manual

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AMAP, the **Accelerated Microenterprise Advancement Project**, is a 4-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate activities in microenterprise development, which is an important tool for economic growth and poverty alleviation.

For more information on AMAP and related publications, please visit [www.microLINKS.org](http://www.microLINKS.org).

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Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change

A Workshop for MFI Managers and Decision makers

Facilitator’s Manual

Part I: Thinking About HIV/AIDS and Microfinance
### Course Agenda

#### Day 1 Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>8:30 – 8:45</td>
<td>Registration</td>
</tr>
<tr>
<td>9:00 – 9:15</td>
<td>Introductions</td>
</tr>
<tr>
<td>9:15 – 11:00</td>
<td>Icebreaker: The Cases of Two Institutions (Module 1)</td>
</tr>
<tr>
<td>11:00 – 11:20</td>
<td>Break</td>
</tr>
<tr>
<td>11:20 – 1:15</td>
<td>Understanding HIV/AIDS: Facts and Myths (Module 2)</td>
</tr>
<tr>
<td>1:15 – 2:30</td>
<td>Lunch break</td>
</tr>
<tr>
<td>2:30 – 4:30</td>
<td>Analyzing Our Market and Our Clients (Module 3)</td>
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#### Day 2 Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>9:00 – 10:30</td>
<td>Considering the External Environment (Module 4)</td>
</tr>
<tr>
<td>10:30 – 10:50</td>
<td>Break</td>
</tr>
<tr>
<td>10:50 – 1:15</td>
<td>Analyzing Ourselves: Board and Management (Module 5)</td>
</tr>
<tr>
<td>1:15 – 2:30</td>
<td>Lunch break</td>
</tr>
<tr>
<td>2:30 – 4:15</td>
<td>Analyzing Ourselves: Credit, Savings, and Product Management (Module 5)</td>
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<tr>
<td>4:15 – 4:30</td>
<td>Break</td>
</tr>
<tr>
<td>4:30 – 4:50</td>
<td>Analyzing Ourselves: Administration and Management Information System (Module 5)</td>
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#### Day 3 Agenda

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<thead>
<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>9:00 – 10:50</td>
<td>Analyzing Ourselves: Human Resources and Workplace Policy Development (Module 5)</td>
</tr>
<tr>
<td>10:50 – 11:20</td>
<td>Break</td>
</tr>
<tr>
<td>11:20 – 12:30</td>
<td>Next Steps toward Operational Change (Module 6)</td>
</tr>
<tr>
<td>12:30 – 12:45</td>
<td>Wrap-up and Concluding Remarks</td>
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<tr>
<td>1:00 – 2:00</td>
<td>Lunch</td>
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Introduction

Note to Future Users

This facilitator’s manual for Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change follows the Consultative Group to Assist the Poor (CGAP)/Waterfield framework for conducting strategic and operational planning. With this framework in mind, the training course attempts to pose questions and provide tools and an analytical framework for microfinance institutions (MFIs) to use in considering the external and internal impact of HIV/AIDS that will ultimately affect their internal planning. This training course highlights and builds on existing tools for MFI management, complementing existing technical manuals and guides. At the same time, the training incorporates the specific operational and financial impact and issues of stigma surrounding HIV/AIDS.

The new version of the manual was updated under the Accelerated Microenterprise Advancement Project (AMAP) Financial Services Knowledge Generation project and provides new information on workplace policy development, product refinement, and financial monitoring. In addition, a companion piece to this manual has been developed that helps MFIs take the initial steps to planning and implementing internal changes in three areas: workplace program development, financial monitoring, and product refinement.

Colleen Green
Principal Designer
Development Alternatives, Inc.
September 2004
Description of This Manual

This manual provides a series of exercises and training tools for MFIs to assist them in thinking about and preparing for a more rigorous strategic and operational planning exercise that responds to the economic impact of HIV/AIDS on the communities and households of their client base. The exercises are designed for a workshop-type setting, to be led by a trained microfinance facilitator and a local HIV/AIDS specialist. The training workshop is meant to provide MFI board members, managers, and staff with tools to undertake the necessary changes in their institutions.

Goals of the Workshop

- Help participants identify myths and learn the facts about HIV/AIDS
- Help participants recognize the impact of HIV/AIDS on MFIs and their clients
- Show participants how to hone in on/monitor internal and external factors affected by HIV/AIDS
- Help participants understand the institution’s options for responding to the disease
- Provide participants with strategies to mitigate the internal institutional and external risks of operating in an HIV/AIDS environment
- Prepare for action with an increased strategic understanding that will lead to operational change.

Each of these goals is met through distinct modules. Those using this package can pick and choose, to some degree, among the various modules to focus on specific goals. For example, a user may choose to focus only on awareness-raising among MFIs. Another user may start with awareness-raising, then include other modules to begin to move institutions toward thinking more critically about changing products and internal policies and procedures to account for HIV/AIDS.

Appropriate Workshop Audiences

This product is aimed primarily at microfinance practitioners, including managing directors, board members, and other operational MFI staff members who have the ability to make decisions and changes within the institution. This product will be of limited use to those who do not bring to it a depth of knowledge of microfinance or banking and do not operate on a day-to-day basis in an MFI or bank.

The Defining Options Workshop is designed in a modular fashion to accommodate two types of audiences:
The first audience will be a “survey audience,” mixing representatives from a range of microfinance programs and others interested in microfinance. This audience will focus more on general issues (Part I, as described below) and spend less time on actual tools used to feed into the planning process.

The second audience is drawn from a single MFI, including board members and staff from multiple levels (from the managing director down to loan officers). This audience will start with a focus on general issues (Part I, below) but will quickly transition into detailed program and policy-planning activities (Part II, below). It is expected that these audience members will be committed to continuing seminar efforts once they return to their institutions, resulting in institutional policy and programmatic change.

The Modules

The table below describes the workshop content by module. Overall, the modules are divided between those focused on building a general awareness about HIV/AIDS and microfinance (Modules A and B in Annex II of this Manual and Part I) and exercises leading to specific types of policy or programmatic change (Parts II and III).

<table>
<thead>
<tr>
<th>General Exercises: Building Awareness</th>
<th>Purpose, Description, and Lesson</th>
</tr>
</thead>
</table>
| A. HIV/AIDS from the Borrower’s Perspective (under separate cover) | **Purpose:** To illustrate how, in programs using group-based lending, HIV/AIDS increases client risks and costs, perhaps to the point where groups may begin to break down and the MFIs may become damaged.  
**Exercise:** Simulation of what happens when borrower groups become too economically stressed to manage repayment in a crisis environment.  
**Lesson:** MFIs may realize the impact of HIV/AIDS only after it is at an advanced stage; immediate actions may be required to protect both the clients and the MFI itself. |
| B. Defining Microfinance Responses to the HIV/AIDS Economic Impact on Clients | **Purpose:** To identify the difference between people leaving with HIV/AIDS (PLWHA) and individuals and households affected by HIV/AIDS and examine which groups MFIs can serve effectively.  
**Exercise:** Small-group discussions and proposals.  
**Lesson:** HIV/AIDS is invisible, so MFIs will inevitably (and successfully) serve both the affected and those living with HIV/AIDS; however, targeting infected populations is not a proper response. |

Part I

Thinking about HIV/AIDS and Microfinance

<table>
<thead>
<tr>
<th>Purpose, Description, and Lesson</th>
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</table>
| **1. Icebreaker: The Cases of Two Institutions** | **Purpose:** To have participants begin thinking about the impact of HIV/AIDS on institutions and about the options for actions MFIs have in combating the impact of HIV/AIDS long term on operations.  
**Exercise:** Group work on case studies and guided discussion.  
**Lesson:** Institutions respond (and don’t respond) in different ways, and this response (or lack of response) has an impact on the performance and ultimately the sustainability/profitability of the institution. |
| **2. Understanding HIV/AIDS: Facts and Myths** | **Purpose:** To review the basic facts about HIV/AIDS and to discuss common myths about the disease. The session will encourage participants to begin talking openly about the epidemic and its consequences for their strategic planning.  
**Exercise:** Guided discussion and exercise. |
<table>
<thead>
<tr>
<th>Part II</th>
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<tbody>
<tr>
<td><strong>Preparing to Meet the Challenge</strong></td>
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<tr>
<td>3. Analyzing Our Market and Our Clients</td>
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<tr>
<td>4. Considering the External Environment</td>
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<tr>
<td>5. Analyzing Ourselves</td>
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<table>
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<tr>
<th>Part III</th>
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<tbody>
<tr>
<td><strong>Moving Forward: Strategic and Operational Planning to Mitigate the impact of HIV/AIDS in the workplace</strong></td>
</tr>
<tr>
<td>6. Next Steps toward Operational Change</td>
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</table>

The entire process of six modules generally requires two-and-a-half to three days. The first two modules, A and B, are awareness-building exercises and may be done in addition to the six core modules or as a stand-alone exercise for an additional half-day of the full course. Modules A and B are best used in countries that are just beginning to face severe economic effects from HIV/AIDS and do not have environments in which HIV/AIDS can be discussed openly. These modules can be found in Annex II.

Modules 1 through 6 are meant for more “aware” environments, where national and regional governments are taking concrete measures to curb the transmission of the virus; where citizens can and do speak openly about the disease and its effects; and where governments, private businesses, and other nongovernmental organizations are seeking strategies to deal with the populations already affected.
Materials

Materials are included for each module. We recommend that facilitators do not prepare a notebook with handouts ahead of time and instead hand out different worksheets throughout the course. This approach focuses participants on the handout at the time of the exercise, not before. Other simple suggestions on how best to use materials and notebooks in the workshop are provided below.

In addition to the materials presented for each module, the facilitator and local HIV expert should provide participants with basic information about HIV/AIDS in the particular context involved. Such information might include a reference guide of both microfinance and HIV/AIDS resource materials (see Annex 1); epidemiological facts about HIV/AIDS; the most recent data about HIV/AIDS infection rates for the country, which can be downloaded from www.unaids.org; or information on local AIDS service organizations (ASOs) that can act as resources to MFIs interested in pursuing one or more elements of the curriculum after the course has been completed.

Facilitator Content Guidelines

Throughout the workshop, the facilitator will have multiple opportunities to quietly integrate key points into the discussion. This section provides a few basic content guidelines that should be encouraged through questions, exercises, and discussion.

1. In high-prevalence areas (such as southern and eastern Africa), HIV/AIDS is a widespread problem that includes both an infected population and an affected population.

   - **Infected** individuals (called people living with HIV/AIDS, or PLWHA) already carry the HIV virus. To date, most PLWHA are not aware that they carry the virus and remain healthy for several years before feeling the physical effects of HIV and AIDS. In later stages of HIV and AIDS, PLWHA become less productive and eventually halt productive activities. As the disease progresses, they also require extensive medical attention and care.

   - The HIV/AIDS-affected population is much larger than the population of individuals living with HIV/AIDS. This group includes anyone who cares for someone with HIV/AIDS, takes on income-earning tasks within the family, cares for children orphaned as the result of HIV/AIDS, or is somehow negatively affected by HIV/AIDS (such as a child who is removed from school because the family lacks school fees). In the highest-prevalence countries, the vast majority of the population is likely to be affected in some way. Although not infected with HIV, this population may be increasingly vulnerable
economically, socially, and physically. Their immediate needs may include access to food, payment for ongoing medical expenses or one-time funeral expenses, assistance with retaining access to assets (such as land), and assistance with carrying out specific economic functions (such as transporting goods to markets).

The affected population is likely to be a considerable portion of the MFI’s clientele. Because one of the key ways an MFI can reach sustainability is to develop a core clientele of repeat customers, it follows that the MFI needs to develop policies, procedures, and products to retain clients who are HIV/AIDS-affected.

2. MFIs are already engaged in a very difficult task: offering financial services to poor and low-income populations. Most MFIs are focused on achieving this difficult task in a sustainable fashion and are unlikely to achieve this goal if they transform themselves into social-service organizations. Any steps MFIs take with respect to HIV/AIDS should be evaluated in the context of the effect on the MFI’s long-term sustainability.

3. MFIs providing financial services are directly affected by HIV/AIDS because their core business depends on serving economically active and productive clients. A person affected by HIV/AIDS may reduce or neglect his or her business operations, divert productive assets for consumption purposes, or reduce the time spent in business because of the impact of HIV/AIDS. MFIs providing savings may find that a significant portion of clients has entered periods of dissaving, thereby reducing the ability to raise funds within the community.

4. Despite the obvious impact of HIV/AIDS, many societies have difficulty in acknowledging that HIV/AIDS is a problem. They do not speak openly about the topic, or, worse, attach a negative moral judgment to any discussion of HIV/AIDS. Because of the stigma attached to the disease, it may be easier for participants to consider the needs of client populations that are dealing with other chronic problems including or, rather than, with HIV/AIDS by name. At the same time, talking openly about HIV/AIDS helps to reduce the stigma of the disease, so, whenever possible, HIV/AIDS should be addressed frankly and without discrimination.

5. **HIV/AIDS prevention and education is a specialized subject area that is well outside most MFIs’ areas of expertise.** This fact suggests the need for partnerships when MFIs venture into HIV/AIDS prevention and education activities. ASOs also do well to create partnerships with MFIs to potentially provide their clientele with access to financial services.
6. MFI staff is likely to include persons who are both HIV/AIDS-affected and living with HIV/AIDS. As with clients, it is in the MFI’s interest to institute workplace polices and programs to keep these people on the job, healthy, and productive rather than to incur the costs of recruiting and training new staff, ensure that staff are educated about HIV/AIDS. Staff need to be assured that they are valued by their employers.

**Facilitation Techniques Guidelines**

The training exercises presented here are intended to be highly interactive and stimulating for participants. Participants can learn in three ways—by doing, seeing, and hearing—so the techniques below deliver information in three ways as well: through exercises, demonstrations, and lectures. Furthermore, these methods provide ample opportunity for participants to draw on their considerable experience to explain and amplify materials; therefore, audience participation can become a significant part of the workshop experience. Throughout, the workshop is designed to use a variety of techniques and methods to maximize participants’ interest and energy.

The workshop draws on the following techniques:

1. **Small-group work:** Generally used for discussions and planning, small groups report findings to a larger group. Ideally, small groups will have three or four (no more than five) participants, so that each can be a part of the discussion. Depending on the complexity of the task assigned, the facilitator will:
   - Give written directions; if questions are given one at a time and all groups are considering the same question, write the question on a flipchart or whiteboard.
   - Ask the group to keep notes or a final list. These notes can be rewritten or combined with notes from other groups for handouts later.
   - If groups are all considering the same question and responses are likely to duplicate each other, either sequentially ask each group to make one point or have only one or two groups report on each question.

2. **Pairs work:** This method is used for calculation-type exercises such as mathematical work. Pairs can share calculators, check each other’s answers, and quiz each other about the interpretation of answers. Working in pairs also allows the instructor to match stronger and weaker participants in a tutoring-type relationship.

3. **Guided discussion:** This method is frequently used to introduce a topic or as a general discussion technique. Instead of starting a topic with a mini-lecture, the facilitator starts with open questions. In this way, the participants are both doing
and listening. The watchword for a guided discussion is to ASK, not TELL. An advantage of this technique is that it informs the facilitator about how much the participants know. If knowledge is at a bare minimum, a lecture can then be used as a fallback position. A word of warning: A successful discussion, and its direction, must be controlled and directed, or it may get out of hand.

**Materials and Handout Guidelines**

If participants are given workbooks in advance:

- Encourage participants to put their names on their workbooks and to write notes in them so they will be creating a reference book for the future. We encourage the use of ringed binders.
- Leave ample space for notes.
- Number the pages, for easy reference.
- Give instructions from the manual only, or refer to the manual, when you want participants to open the manual and read or follow along. (Often, it is better to introduce a subject with a brief guided discussion, then suggest that participants turn to a particular page in the manual.)

If handouts are to be distributed from time to time:

- Distribute the handouts as they are needed, such as a blank worksheet at the start of an exercise.
- Do NOT give out background reading material during a session; participants will start reading it, which will disrupt the flow of the class. Save handouts for the end of a session or have them available at the back of the classroom for participants to collect during breaks.
- Answer sheets to problems should be provided if the problem is complicated and information from the answer sheet is needed for subsequent problems. Usually, a clear and detailed instruction sheet is a better handout than an answer sheet—an instruction sheet is generic and can be kept as a template to solve problems in the future. If answer sheets are handed out for every problem, participants often will get lazy and just wait for the handout.

**Equipment Guidelines**

**Overheads and PowerPoint Slides**

- Visuals should be easy to see and uncomplicated.
Instead of copying manual pages directly onto transparencies, try these tips:
- Do not copy pages with large amounts of text; they are difficult to read on a wall/screen.
- Make text/diagrams on overheads as large as possible. This can be done either by manipulating text in the computer or by taking partial pages from a manual and enlarging them on a copier. Sometimes, a single-page document can be enlarged and copied onto several overheads; for instance, a single-spaced application form would be easier to read on an overhead if individual sections were copied in a landscape format, then enlarged.
- Use simple fonts. Sans serif fonts are much easier to read from a distance.
- Colors should be used sparingly, as some colors do not show up well on walls or screens.

If overheads will be written on and used several times, either cover the original overhead with a clean, blank transparency, or make several copies that can be written on and thrown away.

Using Flipcharts to Record Discussions

Flipcharts can be used to record discussions in a class, but this technique should not be overused because it can become too ordinary. Create a list in class only if the list will be referred to later or will be the basis of a discussion that immediately follows. (For instance, if you are asking for ideas from the class but then intend to work further from your own list, it is better not to write down the class’s list.)

All (or almost all) flipcharts can be taped on the walls around the room so the participants can refer to them later. If they are on the all the participants will also get a feeling of satisfaction at how much work they have done!

It is preferable for the actual writing to be done by someone other than the facilitator. Have either a co-trainer (or a co-translator) do the writing, or enlist a class participant.

Remember that lists should be written in the participants’ language, not the trainer’s. If necessary, the trainer can add translations in pencil (which cannot be seen by the participants) to facilitate reference to entries later.

Post the lists around the room. If appropriate, information can be transcribed into handouts for the participants.

You can use whiteboards and transparencies for list-making, but remember that transparencies cannot be posted, and the whiteboard will likely be erased when needed for another use.

Language
This course should be delivered in the primary language of the participants. If all participants speak and read English, you may want to also ensure that discussion are done in the local language and/or the language of MF clients and staff.

Training Preparation Checklist

Pre training Tasks (two months to one week before training)

β Determine a local resource organization that can assist with in-country logistics. Potential resource organizations include country-level microfinance networks, microfinance training organizations, donor projects, and others.

β Provide this organization with the following pieces of information about the training course:
  – Flyer describing the *Defining Options* course
  – Pre training questionnaire for participants (provided in *Defining Options* Facilitator’s Manual)
  – Module 2 of the *Defining Options* training course. This module should be used as an outline by a local HIV/AIDS educator hired to conduct that portion of the training. The educator should prepare a one-and-a-half to two-hour presentation on HIV/AIDS in that particular country context. See Module 2 for more details. (Note: The local resource organization may be called upon to hire this local HIV/AIDS educator.)
  – Illustrative agenda for the training course
  – Short biographies of the trainer(s) (optional).

β Coordinate with the local resource organization on training logistics, venue, sourcing and organization of MFI participants, etc.

β Participant selection is critical to the success of any training course. This course is specifically designed for directors, board members, operations managers, and other decision makers from microfinance institutions. The course is aimed at influencing senior managers to make internal organizational changes in a high prevalence HIV/AIDS country or region so that the institution can be preserved and continue to serve its target clientele. **The course is NOT appropriate for government officials, bank regulators, loan officers, or other more junior MFI staff.**

β Determine a budget for the local resource organization’s services and for other supplies it will provide in country, including projectors, meals/breaks, materials, identification and hiring of the local HIV/AIDS educator, and payment for services and other materials. Note: a list of training supplies is listed in the Defining Options Facilitator’s Manual at the beginning of each module.

β If the local resource organization is not able to identify an appropriate local HIV/AIDS educator, you may wish to consult the local U.S. Agency for International Development (USAID) mission health officer or another donor organization.
Provide a Pre training questionnaire to the local resource organization to gather information on participants. A template for this questionnaire is provided in the Defining Options Facilitator’s Manual. Set an appropriate deadline for return, so that trainers receive information approximately three weeks in advance of training.

In conjunction with the local resource organization, gather as much upfront information about local AIDS support organizations. Where possible, compile a list or be prepared to provide to training participants a list or compendium of local resources that they can draw on after the training for advice, information and other services.

In conjunction with the local resource organization, gather existing information about the national HIV/AIDS policy. This information may be used to augment Module 4 on the external environment.

Develop the final agenda for the training on the basis of feedback from questionnaires and information obtained about the microfinance industry and HIV/AIDS prevalence. Some countries will require more awareness building; others will require more time spent on particular modules. Ensure that USAID and the local resource organization are included in introductions or closing remarks for the training.

Determine whether to photocopy materials ahead of time and ship them to the country where the training is being given or photocopy them in country. Find out in advance how much time is required to ship materials and if there may be problems with customs.

Prepare materials for the facilitator, the training (overheads and other training materials), and participants (handouts). Overheads should be photocopied or printed on transparencies. Handouts should be printed in advance on paper that is already hole-punched to fit into training binders. Note: Although the trainer may decide to handle handouts differently, we recommend providing handouts as they are used during the course. Training binders with the agenda, reference information, and any materials that the instructor feels should be handed out in advance should be prepared.

For AMAP-Funded Training Courses

For USAID/AMAP-funded trainings, country clearance must be obtained for non local trainers. This country clearance must include information about the purpose of travel to the country of training, departure and arrival information, and a request for a meeting with the USAID mission. It must be sent out at least three weeks in advance of the training. DAI/Bethesda will coordinate with the USAID/Economic Growth, Agriculture and Trade bureau (EGAT) (Washington) Microenterprise Development office. Please send the country clearance request
Arrange for aftercare (limited technical assistance) to select organizations with assistance from the local resource organization where possible; try to determine in advance areas of interest of the given MFI in one of three areas: product development/refinement, workplace policies, and financial monitoring. Ensure that selected participants understand the objectives and limited time available to them.

**Preparation Day in Country (one to two days before training)**

- Meet with the local resource organization to determine any last-minute details that need to be completed.
- Visit the training venue to survey space for small-group work, acoustics, break rooms, etc. Ensure that the overhead projector works and that flip charts are available!
- Ensure that power service/ electricity/ generators are working.
- Meet with the local HIV/AIDS educator and ensure he/she understands the instructions for presenting Module 2.
- Undertake any last-minute production of training materials.
- Prepare registration forms and evaluations forms for use during training.
- Organize materials for use.
- For AMAP-related training, meet with the appropriate microenterprise or health related USAID staff at the local USAID mission.

**During Training Tasks**

- Ensure that all participants register, providing their name, organization name, address, fax number, and e-mail address. Ensure that participants sign in each day to track ongoing course attendance.
- Ensure that handouts and transparencies are ready at the beginning of each day.
- At the completion of the course, ensure that all participants complete the evaluation form.
- Provide training certificates signed by the instructor, if appropriate in the local context.
- Prepare a contact list of all participants and give it to all participants at the end of the course.
- Take a picture of the class with the instructor early in the course and have it developed and printed in time to be given to participants at the end of the course (optional but recommended).
Post-Training Tasks (up to two weeks after training)

- Review course evaluations with the local resource organization. Discuss successes and failures and ways to improve the training.
- Summarize the results of the course evaluation forms and provide a summary in a training report to forward to DAI, USAID/Washington, and the USAID mission. (A template for this summary is in the Defining Options Facilitator’s Manual.) Send the training summary results to Colleen Green at colleen_green@dai.com and the local USAID mission contact.
- Invite MFI participants to participate in an electronic Community of Practice, if feasible or desired, to share ideas and resources after the training. This community can be arranged through Colleen Green in conjunction with QED Group Llc and USAID’s microenterprise website www.microLINKs.org.
- Arrange any outstanding payments to the local resource organization or the local HIV/AIDS educator.
- Prepare a press release or a Note from the Field (see the microLINKS website) that can be shared with the local resource organization and USAID, where appropriate. Digital photos are also encouraged.
- Development Alternatives Inc. and USAID/Washington are VERY interested in learning about all trainings. Our aim is to promote information-sharing around HIV/AIDS. We would be very interested to learn about the training and about innovations that MFIs are making with respect to addressing the economic mitigation of HIV/AIDS.

Pre training Surveys

This guide contains two short surveys that are designed for use by the training facilitator to determine which modules are most appropriate for the given audience and how the materials might be organized or augmented to better suit a particular audience.

Pre training Survey One allows the facilitator to make a judgment about the general level of experience and awareness of the group in designing and using training on these issues, recognizing that the experience of the participants will vary. Instructions at the end of each question provide the facilitator with guidance on whether the module should be included for a given audience.

Pre training Survey Two allows the facilitator to focus the discussion in certain ways on the basis of the experience and awareness of the group. For example, if all participants are from MFIs or financial institutions that engage in group lending, the facilitator may want to focus on client and staff issues that are specific to the group lending methodology.
Post-Training Evaluations

This guide contains two evaluation formats that are designed to obtain information from participants on the content and delivery of the training course and used to summarize information from the evaluations. These evaluations can be augmented to reflect different audiences as well as different presentation of the training materials.

The Training Evaluation Form allows participants to provide direct feedback to the trainer on the content and delivery of the course. The evaluation provides information on how sections can be modified for future audiences. Facilitators should make every effort possible to obtain a completed evaluation from all participants at the end of the training.

The Training Evaluation Summary Form is used by the facilitator to synthesize and summarize the results of all evaluations received from a specific training course. The Training Evaluation Summary Form can be sent to USAID or other stakeholders to share the results of the training. It also provides more aggregate information to the facilitator on how the training was perceived.

Pre training Survey One

Have the participants’ institutions already engaged in discussions on the impact of HIV/AIDS, either in-house or in the broader community?

Yes___ No___ (If yes, you may wish to skip Modules A and B, which are designed to raise awareness of the impact of HIV/AIDS on microfinance clients.)

Are the participants conversant with the epidemiological facts about HIV/AIDS and how it is transmitted and prevented?

Yes___ No___ (If yes, you may wish to skip Module 2, which is designed to overcome myths and provide facts about HIV/AIDS.)

Do the participants’ institutions already monitor client behavior related to the impact of HIV/AIDS on household economies or businesses, as well as clients’ microfinance behaviors?

Yes___ No___ (If yes, you may wish to skip Module 3.)
Have the participants’ institutions already created strategic alliances to respond to clients’ HIV/AIDS needs, and are the MFIs monitoring changes in the competitive and regulatory environment resulting from HIV/AIDS?

Yes___ No___ (If yes, you may wish to skip Module 4.

Optional Question 5 on product offerings:

What credit products does your institution offer? Group or individual? Terms? Purposes (e.g., working capital loan, production loan, school fees loan, emergency loan, etc.)?

Are compulsory savings a requirement for group lending? What voluntary savings products does your institution offer? Regular? Programmed? Term deposits? Youth accounts?


The answers to the foregoing questions will enrich your discussion.

In all cases, we recommend that the training include three specific modules:

β We recommend beginning with Module 1, “Icebreaker: The Cases of Two Institutions” (or use it immediately after Module A/B). This module lays the groundwork for institutional issues addressed in Module 5.

β In all cases, we recommend including Module 5, which covers four topics central to MFIs’ operations and responses to HIV/AIDS: financial management and performance monitoring; administration/management information systems; credit, savings, and product management; and human resource management.

β In all cases, we recommend concluding with Module 6, which helps MFIs plot a course from strategic thinking to decision-making to action.
Pre training Survey Two

Questionnaire for HIV/AIDS and Microfinance:
Defining Options for Strategic and Operational Change Training

**Note to Training Participants:** Please help out the trainers by completing this questionnaire. Your answers will help us better prepare for the HIV/AIDS and Microfinance Training and allow us to tailor the course to your needs. Thank you for your time.

Name: __________________________________________

Name of the organization that you represent: __________________________________________

E-mail Address: __________________________________________

Type of Organization (please check appropriate): NGO _____ Bank _____ Credit Union/SACCO _____ Donor _____ Other (please name) _______________________

Participant’s position within the organization: __________________________________________

Number of years with the organization: _____

Describe your organization’s core client group. (e.g., low-income women entrepreneurs)

____________________________________________________________________________________

Which lending methodology does your organization use? ____________________________

What kinds of financial and non-financial products and services does your organization offer?

____________________________________________________________________________________

Does your organization address the HIV/AIDS issues in any direct way with staff or clients (e.g., through provision of products for HIV/AIDS-affected persons, provision of prevention information, workplace policies for staff, other?)

____________________________________________________________________________________

____________________________________________________________________________________
What do you hope to learn at this workshop?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

What operational issues are of specific interest to you?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

Would your organization be interested in assistance in addressing the HIV/AIDS issue? If yes, in what areas?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
Training Evaluation Form

Microfinance and HIV/AIDS:
Defining Options for Strategic and Operational Change

Date
Location

(Please print, and feel free to use the back of this page for further comments)

Check the rating that best describes this training:

<table>
<thead>
<tr>
<th>Quality of Materials</th>
<th>Quality of Instructors</th>
<th>Practical Application</th>
<th>Overall Course</th>
</tr>
</thead>
<tbody>
<tr>
<td>___Excellent</td>
<td>___Excellent</td>
<td>___Excellent</td>
<td>___Excellent</td>
</tr>
<tr>
<td>___Good</td>
<td>___Good</td>
<td>___Good</td>
<td>___Good</td>
</tr>
<tr>
<td>___Fair</td>
<td>___Fair</td>
<td>___Fair</td>
<td>___Fair</td>
</tr>
<tr>
<td>___Poor</td>
<td>___Poor</td>
<td>___Poor</td>
<td>___Poor</td>
</tr>
</tbody>
</table>

List the topics/modules you think are most useful and why:
________________________________________________________________
________________________________________________________________
________________________________________________________________

List the topics/modules you think are least useful and why:
________________________________________________________________
________________________________________________________________
________________________________________________________________

List the topics/modules you would request improvement on:
________________________________________________________________
________________________________________________________________
________________________________________________________________
How relevant is this training to your current work?

_________________________________________________________________
_________________________________________________________________

Other comments:
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

May we use your name and comments and contact you for further information?
   ___ Yes   ___ No

If yes, please complete the contact information section below.
Name ___________________________   Organization ______________________
Telephone _______________________   E-mail _________________________
## Training Evaluation Summary Form

**Microfinance and HIV/AIDS:** Defining Options for Strategic and Operational Change

*[Date of Course]*

<table>
<thead>
<tr>
<th>Training Location:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dates of Training:</td>
<td></td>
</tr>
<tr>
<td>USAID Staff Present:</td>
<td></td>
</tr>
<tr>
<td>Total Participants:</td>
<td></td>
</tr>
<tr>
<td>Total Number of Evaluations:</td>
<td></td>
</tr>
<tr>
<td>Names of Instructors:</td>
<td></td>
</tr>
</tbody>
</table>

### (1) Summary Rating:

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
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<tbody>
<tr>
<td>Quality of Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Instructors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Practical Application</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Number of Excellent and Good Ratings:

2. Total Number of Ratings:¹

3. Percentage Rating:

¹Total evaluations x 4.
(2) Comments from Evaluation Forms:

<table>
<thead>
<tr>
<th>Course Topic / Module</th>
<th>Most Useful</th>
<th>Least Useful</th>
<th>Request Improvement (see comments)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Requested Improvement to topics (use as much space as required):

Additional Participant Comments:

(3) Trainers’ Remarks:

Suggestions for changes/additions to the materials (use as much space as required):
Module 1: Ice Breaker and Opening Exercise – The Cases of Two Institutions

Objectives:
- Participants learn the specific effects institutional action and inaction have on MFI operations.
- Participants consider options for actions that institutions might take to reduce the effects of HIV/AIDS on clients/client income streams.

Description: In this module, participants will be asked to read two short case studies of two different MFIs acting in opposite extremes. One case study represents an institution that recognized the potential impact of the HIV/AIDS epidemic and made fundamental changes to its structure and operations (“the activist”). The second case study represents an institution that has done nothing (the “business as usual approach”).

Audience: MFI board members, managers, and staff.

Time requirement: Two hours

Method: Group discussion of two short case studies.

References:

Handouts and Overheads:
- 1.1 Handout: The Cases of Two Institutions
- 1.2 Overhead: Options
- 1.3 Overhead: Options Clarified
- 1.4 Overhead and Handout: MFI Financial Costs Related to Responses to HIV/AIDS
- 1.5 Handout: What Did I Learn?
Other Supplies:

- Flipchart and pen

**Icebreaker (20 minutes – optional)**

Many trainers use an icebreaker as an opening technique to put people at ease, help them become acquainted, and set the stage for the training. Many icebreakers are not related to the actual content of course but are used to introduce participants to one another, help reduce tension, and energize the group. There are hosts of books and other references on icebreakers and training tips. This icebreaker is left up to the individual training facilitator to determine, given the environment and culture in which he or she will be training. Should the facilitator choose not to use an icebreaker, he or she may begin directly with the case study.

**Case Study/Handout (30 Minutes)**

Hand out the case study (Handout: The Cases of Two Institutions). Have one participant read the country background out loud. Then give participants 25 minutes to read the two case studies. Let participants know that the two cases will be used throughout the course. Therefore, they should pay close attention to the details.
1.1. Handout: The Cases of Two Institutions

The Republic of Malanzimbia Country Background

The Republic of Malanzimbia is a country of 9.5 million people located in southern Africa, with about 56 percent of the population living below the poverty line (gross domestic product per capita is about $880). Although Malanzimbia is a mineral-rich country, its predominantly agriculturally based economy has seen slow growth over the past decade, in part because of the lack of budgetary reform, slow progress on privatization, and a heavy international-debt burden. Economic growth has been at a steady 0.5 percent for the past three years.

Malanzimbia has also been hit hard economically by the HIV/AIDS crisis. An estimated 20 percent of Malanzimbians living in urban areas and 15 percent to 18 percent in rural areas are infected with HIV/AIDS. In addition, the disease tends to hit low-income groups the hardest. This epidemic has caused a dramatic drop in residents’ average life expectancy, which is now 37 years for both men and women.

Only in the past two years has the national government begun to recognize the economic impact of HIV/AIDS on the country and begun to make strategic decisions related to building awareness of HIV/AIDS, its prevention, and its mitigation. One national government entity, the Central Bank, has been a bit more active than others. Five years ago the Central Bank began requiring the institutions it regulates to track several key household statistics (household size, household expenditures in key areas, number of widows, number of children being cared for by households, and client desertion rate, among others) as a way to gauge the effects of HIV/AIDS on households. Leaders in urban areas have also been increasingly active, publicly supporting the work of HIV/AIDS support organizations such as the HIV/AIDS Support Center of Malanzimbia, the Family AIDS Center, and the Malanzimbia Orphan’s Fund and their work with businesses to develop strategies for preventing and coping with the crisis. In rural areas, however, discussion of the disease is still taboo. In more isolated and traditional communities, community leaders are forbidding young girls from marrying before the age of 18 and are requiring them to wear a special insignia that designates them as virgins.

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2 These case studies are based on information from two existing microfinance institutions in two different countries. Some of the information has been fictionalized, but much of the data are real.
MFI One: National Malanzimbian Credit Organization (NAMCO)

Background on the MFI

The National Malanzimbian Credit Organization (NAMCO) is a microfinance organization with 11 years of experience in urban and rural lending in Malanzimbia. NAMCO currently has 20,567 active clients and an outstanding portfolio equivalent to US$2,001,204. The institution operates four branches, with eight outlets in 11 districts across the country, and offers microenterprise loans using a solidarity-group methodology with weekly repayments. Loans range in size from $72 to $800, with average loan sizes tending toward the lower end of the range, at $155. Loan terms start at four months for new clients, with 12 months being the maximum loan term for repeat clients. In the past two years, this loan product has been linked to a compulsory savings requirement whereby 10% of the loan amount is left with the institution.

During its first five years of operations, NAMCO saw high growth in its average portfolio size and number of active clients. In recent years, growth has been diminishing, despite the introduction of the new compulsory savings requirement. Client turnover has been higher in the past year and growing over the past four years. NAMCO began monitoring client turnover more closely about six months ago, using exit interviews, but is still uncertain about the reasons for the increasing client turnover. In addition, in the past three years delinquency has been on the rise. Portfolio at risk (PAR) is currently 8.5 percent, up from an average of 1.2 percent three years ago.

Despite the high prevalence of HIV/AIDS in Malanzimbia, the executive director of NAMCO claims the institution has not seen dramatic effects of the disease on its operations.

Changes in the Market and Clients

After noting an increase in client turnover rates about six months ago, NAMCO started doing exit surveys of its clients. NAMCO was interested in knowing the loan product elements with which clients are unhappy. The executive director notes that the main reason for dissatisfaction seems to be the compulsory savings requirement. He says clients want access to their funds for various reasons, including school fees, funerals, weddings, and medical expenses. To date, however, the MFI has not specifically tracked any of this information.

The executive director says the increase in client turnover has nothing to do with HIV/AIDS in Malanzimbia, although he admits the disease might indirectly play a
role. He says HIV/AIDS has not had an effect on the institution because of NAMCO’s solidarity-group methodology, which “self-selects” high-risk clients out of loan groups. That is, groups either would not select members who were believed to be ill or would ask group members to drop out if they were frequently absent because of an “unidentified illness.” Thus, the executive director does not feel that the MFI bears much risk from the disease itself.

When asked about the rise in delinquency, the executive director attributed part of this increase to lower staff productivity because of increased absenteeism. In addition, he noted that some staff had complained of increased absenteeism on the part of group clients.

Internal Operations

Board and management. When asked whether the board and management were aware of the prevalence of HIV/AIDS in the low-income communities in which NAMCO was working, the executive director said that board members are well aware but do not see the explicit risk to the institution. When asked whether board members are aware of Central Bank household reporting requirements that track the economic affects of HIV/AIDS on households, the executive director responded that board members are aware of this tracking but that because NAMCO is not regulated the MFI is not required to track such information.

Products and services. Over the years, clients have been mostly satisfied with NAMCO’s group loan product because it is easy and quick. From group formation to initial loan disbursement, NAMCO requires less than one week’s time. Recently, NAMCO has received some negative feedback in exit surveys about its compulsory savings requirement. It has not yet figured out a way to offer limited withdrawal options. NAMCO does not survey clients specifically about the solidarity loan product or its terms and conditions.

Human resources management. The executive director claims not to have noticed significant changes in internal operations over the past two years, despite decreasing growth rates. With regard to changes in staffing or staff turnover, he does not recall any staff member who had been ill from HIV/AIDS or died from the disease but said there are staff members who are increasingly absent because they are caring for ill family members. He also notes that the staff has complained of higher personal expenditure patterns because of new economic constraints placed on them from ill family members.

Management information system (MIS). Although NAMCO’s MIS has collected a wealth of data about its clients, including their household income data, no attempts have been made to use the data. Moreover, exit survey data have not yet been incorporated into the MIS.
Illustrative Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001 to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of active clients</td>
<td>19,242</td>
<td>21,137</td>
<td>21,989</td>
<td>20,567</td>
</tr>
<tr>
<td>Average outstanding portfolio</td>
<td>$1,898,567</td>
<td>$2,092,048</td>
<td>$2,174,911</td>
<td>$2,001,204</td>
</tr>
<tr>
<td>Average loan size</td>
<td>$118</td>
<td>$137</td>
<td>$149</td>
<td>$155</td>
</tr>
<tr>
<td>Annual effective interest rate (including fees, but excluding cost of compulsory savings)</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td>Portfolio at risk (PAR)</td>
<td>1.2%</td>
<td>5.1%</td>
<td>6.6%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Loan loss</td>
<td>0.4%</td>
<td>2.3%</td>
<td>3.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Number of loan officers</td>
<td>50</td>
<td>58</td>
<td>59</td>
<td>65</td>
</tr>
<tr>
<td>Personnel costs as percentage of operating expenses</td>
<td>36.7%</td>
<td>35.7%</td>
<td>38.0%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>87%</td>
<td>93%</td>
<td>92%</td>
<td>89%</td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>59%</td>
<td>67%</td>
<td>66%</td>
<td>63%</td>
</tr>
</tbody>
</table>

MFI Two: Malanzimbian Finance Corporation

Background on the MFI

The Malanzimbian Finance Corporation (MFC) is a retail finance company engaged in individual lending to microentrepreneurs in urban and rural Malanzimbia. Under the banking law, the MFC is authorized to mobilize voluntary savings. In operation for six years, the MFC currently operates seven branches that serve 14,623 active clients and maintains an outstanding portfolio equivalent to US$3,445,471. Loans range in size from $93 to $8,700 in local currency, with an average loan size of $357. Loan terms range from four months to two years, depending on the size of the loan; the history of the borrower; and, for large loans, the guarantee securing the loan. The MFC’s individual loan product has flexible repayment terms and conditions that can be individualized to clients’ needs. Initial loan disbursements can
take as few as two days from application to credit approval and disbursement. All repayments are made monthly. In addition to an individual loan product, the MFC offers two other, newer and innovative products: a term deposit (savings) product and mandatory credit life insurance for outstanding loans in addition to a death benefit for staff underwritten by a national insurance company.

Changes in the Market and Clients

About five years ago, at the behest of the Central Bank, the MFC began tracking a number of important household-income and quality-of-life statistics and indicators. These indicators include household size, household expenditures in key areas, number of widows, number of children being cared for by households, and client desertion rate, among others. The MFC has observed that household size is growing at an exponential rate as families are caring for orphans and sick family members and that medical and funeral expenses have increased fivefold. In addition, the client dropout rate has increased to 18 percent, up from about 12 percent historically. Although exit interviews are conducted, obtaining reliable information about the reasons for the dropouts is difficult. The MFC believes the increases are related to the HIV/AIDS crisis.

Internal Operations

Over the past five years, the MFC has made several changes to factor HIV/AIDS into its operations.

Board and management. The chairman of the board of directors was one of the first advisors to the institution to suggest that HIV/AIDS could have a pronounced effect on the MFC’s operations. This suggestion was directly related to his own experience and activism with HIV/AIDS (two of his brothers died from the disease, leaving the chairman responsible for the care of a large extended family). As a result, the chairman has been working with an HIV/AIDS information and prevention center in the capital city to increase awareness of the disease. Since 1996 the MFC has collaborated with the center and has jointly sponsored seminars for its clients at all branches, particularly targeting female clients.

Earlier this year, the chairman began meeting with other MFIs through the Malanzimbian Microfinance Network and sharing ideas and innovations to deal with the health crisis.

Products and services. As noted above, in addition to its individual loan product, the MFC offers two saving products: a standard savings account at a fixed rate and a term deposit product. In addition, it has begun offering credit life insurance that pays the outstanding balance of a loan when an active borrower is deceased. (This product is underwritten by an external and professional insurance company). The
cost of the insurance product ranges from 2 percent to 3 percent of the loan amount, with a maximum cost of 5 percent of the original loan amount. Credit life insurance protects the MFC from loan losses.

**Human resources management.** Recognizing the impact of the disease on staff, the MFC began offering health insurance to its employees, as well as coverage to family members. Staff members make monthly contributions to an insurance product that includes a death benefit. A lump-sum payment equal to three times the annual salary is passed on to surviving family members in the event of the death of the staff member. The same insurance plan also covers funeral expenses. The first death insurance claims were made four years ago, and claims have increased in the past two years.

At the behest of the board, the staff also has undergone training in HIV/AIDS awareness, prevention, and care. They also participate in occasional seminars conducted in conjunction with the HIV/AIDS center.

**Administration/management information systems.** The MFC’s MIS currently captures a significant amount of client household data through the institution’s loan applications, client surveys, and exit surveys. Three years ago the MFC began using the information to augment and make changes to its products and services. Clients are happy with these changes, for the most part.

**Illustrative Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001 to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of active clients</td>
<td>11,218</td>
<td>13,823</td>
<td>13,837</td>
<td>14,623</td>
</tr>
<tr>
<td>Average outstanding portfolio</td>
<td>$1,739,118</td>
<td>$2,299,041</td>
<td>$2,812,785</td>
<td>$3,445,471</td>
</tr>
<tr>
<td>Average loan size</td>
<td>$235</td>
<td>$252</td>
<td>$308</td>
<td>$357</td>
</tr>
<tr>
<td>Effective interest rate (including fees)</td>
<td>48%</td>
<td>48%</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Portfolio at risk (PAR)</td>
<td>2.2%</td>
<td>2.9%</td>
<td>3.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Loan loss</td>
<td>0.9%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Number of loan officers</td>
<td>37</td>
<td>43</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>Volume of deposits</td>
<td>$1,043,455</td>
<td>$1,264,472</td>
<td>$1,518,911</td>
<td>$1,765,115</td>
</tr>
<tr>
<td>Personnel costs as percentage of total operating expenses</td>
<td>38.1%</td>
<td>39.7%</td>
<td>41.2%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>110%</td>
<td>117%</td>
<td>90%</td>
<td>86%</td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>93%</td>
<td>91%</td>
<td>84%</td>
<td>81%</td>
</tr>
</tbody>
</table>
Discussion (70 minutes)
Pose the following questions for discussion (facilitator might consider writing questions on a flipchart for all participants to see):

§ What is happening in the two institutions because of HIV/AIDS?
§ How has management approached the problems of HIV/AIDS?
§ What negative impact does HIV/AIDS appear to have on both of the institutions?

(Note: Have participants look at the illustrative indicators, described below.)

What is happening in the two institutions because of HIV/AIDS?

Possible answers should include the following (facilitator should mention those that participants do not):

NAMCO
- Loss of productivity
- Higher delinquency
- Portfolio quality deteriorating
- Sustainability is diminishing
- Self-denial
- Higher client turnover
- Restricted/rigid product line
- Increased absenteeism – both staff and groups
- Diminishing growth
- Has the statistics but is not tracking them

MFC
- Acknowledges existence of HIV/AIDS
- Has begun offering new products/is more flexible
- Operational/financial sustainability decreasing
- Recognized effects on staff productivity and thus, have offered benefits for staff and family
- Tracks indicators of client households that show increased financial pressure on households
- Is networking with other MFIs

How has management approached the problems of HIV/AIDS?

Possible answers may include the following:

NAMCO
- Director says HIV/AIDS is not a problem and thus is not reading into the market situation
Director does not attribute problems to anything (neither AIDS nor anything else)
Director thinks groups mitigate risk of HIV/AIDS-infected clients
Groups mitigate the risk for the institution but increased financial pressure on the group
Collects data and but is not using it

MFC
Organizes workshops on prevention, viewing them as social responsibility to clients
Is not doing awareness building, but has called in an outside provider so it can focus on its core competency – providing financial services

What negative impact does HIV/AIDS appear to have on both of the institutions?
Possible answers may include the following:

NAMCO
PAR increasing substantially
Loan loss increasing
Operational and financial self-sufficiency decreasing
High staff absenteeism
Staff expenses increasing (specifically because of higher salary payments, more loan officers, higher benefit payments)
Portfolio growth slowing
Growth of clients leveling off

MFC
Operational and financial self-sufficiency decreasing
PAR has increased
Slight increase in expenses in new health insurance/benefits for employees and family members, providing prevention training to staff
Increase in staff time spent inputting client data into MIS
Increase in loan size might mean shift in target group

Pose the following question to participants:

Is either institution trying to find out if the declining statistics are related to HIV/AIDS? (The facilitator may note that we do not know, but we do know that the MFC has done a better job of trying to understand the data and statistics.)

How do we know this trend is from HIV/AIDS? (It could be from mismanagement.) How do you find out that the deteriorating statistics are related to the negative effects of HIV/AIDS on clients and staff?
Present **Overhead: Options** to participants. The facilitator should note that we agree that both institutions are affected by HIV/AIDS.

**Which approach did each of the institutions take?**

**Which is the best option?** (Note: Answers to this question are varied and are really meant to gauge the audience so that the facilitator gets a sense of participants’ perspectives.)

**What do we know about the costs of these options?**
1.2. Overhead: Options

- Option One: Ignore the crisis.

- Option Two: Buffer the clients against the effects of the disease (refined/modified or new products, insurance-type support for staff, linkages to HIV/AIDS support organizations).

- Option Three: Mobilize to protect and buttress communities (work with AIDS orphans and community health programs).
What positive and negative effects has the “business as usual” approach had on the institution?

What positive and negative effects has the “activist approach” had on the institution? (Hint: Review illustrative indicators.)

Write answers on the flipchart.

The facilitator should be leading participants to having more of a financial services orientation that recognizes that HIV/AIDS affects both the clients and the institution. The role of microfinance could be linking ASOs to microfinance, but this approach is more costly (option 3). An MFI may not have the ability to cover all the costs associated with being an activist.

Financial institutions that are interested in long-term provision of financial services need to address the concerns of clients while protecting the institution. Although HIV/AIDS is a health crisis, above all it is an economic crisis for MFIs and their clients. The value of this training is emphasizing how MFIs can take the lead to address HIV/AIDS as an economic crisis, but only primarily by focusing on financial service delivery on a long-term, sustainable basis.

Facilitators may wish to refer to the Options Clarified overhead throughout the training course, making the link between potential responses and which option MFIs might pursue.

What did I learn?

Allow participants 5 minutes to fill out the handout on what they learned, what challenges the new information poses to their institution, and how they will apply the information.
1.3. Overhead: Options Clarified

- Option One: Ignore the crisis. “Business as usual.”

- Option Two: Buffer clients against the effects of the disease (refined/modified or new products, insurance-type support for staff, linkages to HIV/AIDS support organizations). “Financial-services orientation with eye to client/household needs.”

- Option Three: Mobilize to protect and buttress communities (work with AIDS orphans, community health programs, and so on). “Activist.”
1.4. Overhead: MFI Financial Costs Related to Responses to HIV/AIDS

1.5 What did I learn?

Module: ____  Topic:__________________________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Module 2: Understanding HIV/AIDS – Facts and Myths

Objectives:
- Basic information about HIV/AIDS
- Common myths and facts about HIV/AIDS
- Gender differences in prevalence and transmission.

Course Designer’s Note

The information in this module will need to be modified for every training course, for the country and local environment in which the course is offered. The materials were pilot tested in Zimbabwe and thus are presented for Zimbabwe in this module. However, we have removed all references to Zimbabwe and replaced them with “Your Country” and replace numerical references with XX. These should be updated with information of the country in which the training is offered or alternatively, a new presentation may be developed using the materials as a guideline for discussion.

Advance planning is required! This session should be facilitated by a local health specialist who can provide technical information on HIV/AIDS in the local context and can answer questions from participants. At the end of the session, each participant should receive a packet of locally produced HIV/AIDS materials, including an information brochure about HIV/AIDS and contact information for local AIDS service organizations, voluntary counseling and testing sites, clinics, and other information sources. More preparation information is provided in the module.

Description: This module provides participants with basic facts about HIV/AIDS, discusses some of the common myths/beliefs about HIV/AIDS in the country, and introduces a framework for considering the impact of HIV/AIDS on MFIs. Participants will be encouraged to talk openly about HIV/AIDS.

Audience: All MFI employees.

Time requirement: One hour and forty-five minutes to two hours
Method: Guided discussion and exercises.

References:

See the Annex to this guide. Facilitators may choose to hand out the glossary of terms found in the Annex to the facilitator’s manual and the bibliography of other HIV/AIDS and microfinance references.

Handouts and Overheads:

- Overhead: Common HIV/AIDS Myths
- Handout: Common HIV/AIDS Myths (Explanations)
- Handout: What did I learn?
- Overhead and Handout: CGAP Business Planning Framework

Other Supplies:

- Flipchart and pen

Facilitator’s Notes

The rationale behind doing a module on the epidemiology of HIV/AIDS, as well as facts and myths about HIV/AIDS, so early on in the training is to help participants become more comfortable talking about HIV/AIDS, particularly local statistics and consequences. The goal is to encourage discussion of HIV/AIDS so participants can eventually talk about the epidemic in reference to their own lives. In addition, this session will ensure that participants have the basic facts about HIV/AIDS and help correct local myths and misconceptions that probably affect their personal and business dealings. This session is not meant to be an exhaustive discussion of all the technical issues about the disease; instead, the purpose is to set the stage for the rest of the workshop, help dispel some common prejudices, and encourage open discussion.

Participants may react very emotionally to specific data on HIV prevalence in their country. Common reactions to these kinds of data are anger, denial, depression, and fatalism. Any of these reactions can disrupt the workshop. For this reason, we recommend that this section on HIV prevalence in their country be given to all participants during the first day.
Basic Information about HIV/AIDS

Guided Discussion: What Is HIV/AIDS?
(60–75 minutes, depending on local specialist)

Ask participants to define HIV and AIDS and describe how HIV is transmitted and prevented. The instructor should call on someone for each definition if no one volunteers. Depending on participants’ level of knowledge, the AIDS specialist may choose to cover these issues in greater depth, although not in a country-specific way.

Definitions

HIV (Human Immunodeficiency Virus)

HIV is a fairly new virus, first discovered by scientists in France and the United States in 1983. HIV gradually destroys the body’s immune system and makes people susceptible to many diseases. HIV causes AIDS.

AIDS (Acquired Immune Deficiency Syndrome)

AIDS is the later and most severe stage of infection with HIV. HIV gradually destroys the body’s ability to fight off disease. AIDS occurs when the body can no longer protect itself and develops several different kinds of illnesses. The most common of these illnesses are diarrhea, weight loss, lung infections (including tuberculosis), itchy skin infections and rashes, and painful sores in the mouth. AIDS is a syndrome or set of symptoms and conditions, not a single disease. This is why people with AIDS do not have the exact same symptoms. Scientists think AIDS has existed for a long time and has spread widely enough to be recognized only in the past 25–30 years.

HIV causes AIDS; AIDS causes death.

HIV Types 1 and 2

HIV Type 1 is the most common HIV (90 percent of HIV infections are from HIV-1). HIV Type 2 is common in/endemic to West Africa, with a few cases in Mozambique and Angola.

Differences between Types 1 and 2:

- Evolution
## Virulence

### Modes of transmission:

HIV is transmitted through certain body fluids, including blood, semen, vaginal discharge, and breast milk. HIV is present in very low amounts in saliva—too low to transmit the infection by kissing or sharing cups and cutlery. Two key elements of transmission are exit and entry point; the virus must have both for a new infection to occur.

### Specific activities/behaviors that transmit HIV:

- Sexual intercourse (vaginal and anal)
- Sharing syringes, needles, and medical instruments (because of the sharing of blood)
- Transfusion with infected blood
- From mother to child during pregnancy, childbirth, or breastfeeding.

### Modes of prevention:

- Stay in a mutually monogamous relationship
- Use a condom with every act of sexual intercourse
- Avoid multiple sexual partners
- Abstain from sex until marriage
- Do not share needles, razors, or any other equipment that pierces the skin
- Get treatment for any genital infections as soon as possible.

How does transmission differ for men versus women?

### Co-factors for HIV Transmission

- Sexually transmitted infections (STIs), especially ulcerative and inflammatory disease – presents an entry and exit point
- Sexual trauma (force), which includes sexual practices such as dry sex.
- Very early or very late HIV infection when viral loads are highest.

### Risk of Exposure Self-Assessment

- Have I been in contact with any body fluids with a high concentration of the virus?
- What are my sexual practices?
- How many sexual partners have I had?
Exercise: What Are Some of the Common Myths about HIV/AIDS?

There are many myths and rumors about HIV/AIDS because it is a fairly new disease and because it concerns personal and sensitive issues, such as sexuality. Myths can be dangerous when they influence behavior. Myths contribute to the stigma surrounding HIV/AIDS and complicate open discussion. They also contribute to unsafe sexual practices.

Tell participants they have 5 minutes to write on a piece of paper five common beliefs/myths that people have/perpetuate about HIV/AIDS. Alternatively, compile participant responses to the pretest if one was done in advance. Collect the papers and, choosing at random, read aloud some of the beliefs. Ask for discussion about each one.

Common myths are listed below. They will vary from country to country. Note: Facilitators should update the overhead and handout on Common Myths on the basis of those of the local country or region.

- You can tell whether a person has HIV by looking at him/her. (e.g. People with pale mouths have AIDS.)
- You cannot get HIV if you are monogamous with your spouse.
- Condoms prevent HIV infection only 50 percent of the time.
- Religious people will not get HIV (variations include "It is a disease of Christians, or Muslims, or [fill in another religion]."
- Only promiscuous people get HIV.
- AIDS is a disease of poor people.
- AIDS is a disease of rich people.
- People with STIs are brave and virile.
- There is no AIDS in rural areas.
- There is no AIDS after dusk.
- If you are fat, you cannot be HIV positive; if you are skinny, you have AIDS.
- HIV is more common among men than women.
- If a woman talks about HIV/AIDS with her husband, it means she has other sexual partners.
- Once a person is infected with HIV, there is nothing she/he can do to keep healthy.
- Having sex with a virgin can cure HIV/AIDS.
- HIV/AIDS is not common in [Your Country]; most people have tuberculosis.
Show Overhead: Common HIV/AIDS Myths

Discuss Handout: Common HIV/AIDS Myths – Explanations
2.1. Overhead: Common HIV/AIDS Myths

1. You can tell whether a person has HIV by looking at him/her.

2. You cannot get HIV if you are monogamous with your spouse.

3. Condoms prevent HIV infection only 50 percent of the time.

4. Religious people will not get HIV.

5. Only promiscuous people get HIV.

6. HIV is more common among men than women.

7. If a woman talks about HIV/AIDS with her husband, it means she has other sexual partners.

8. Once a person is infected with HIV there is nothing he or she can do to keep healthy.

9. Having sex with a virgin can cure HIV/AIDS.

10. HIV/AIDS is not common in Your Country; most people have tuberculosis.
2.2. Handout: Common HIV/AIDS Myths – Explanations

1. You can tell whether a person has the HIV virus by looking at him/her.

   People living with HIV/AIDS can look and feel healthy for years after infection and still transmit the virus.

2. You cannot get HIV if you are monogamous with your spouse.

   Monogamy protects against HIV only if both partners are mutually monogamous and neither partner was infected previously. The best way to protect yourself and your partner is for both of you to get an HIV test. If you are both negative, mutual monogamy will keep you safe from infection. If one of you is infected, consistent condom use at every act of sexual intercourse will prevent HIV transmission.

3. Condoms prevent HIV infection only 50 percent of the time.

   Latex and plastic condoms provide a barrier preventing contact between skin and bodily fluids. If couples use a condom at every act of intercourse, the chances of infection are very small. Consistent condom use is 98 percent effective in preventing pregnancy; condoms are as effective against HIV. Condom breakage is a concern; however, international studies have shown a breakage rate of only 2 percent.

4. Religious people will not get HIV.

   Anyone who has unprotected sex (sex without a condom) can become infected with HIV. The virus does not discriminate between people who go to church regularly and those who do not.

5. Only promiscuous people get HIV.

   A person who many sexual partners or whose partner has had multiple partners has a greater chance of contracting HIV, but not everyone with HIV is promiscuous. For example, a woman who has had sex only with her husband may contract the virus from him. The linkage of HIV with promiscuity and commercial sex accounts for much of the stigma surrounding the disease.

6. HIV is more common among men than women.

   Women begin to have sex at younger ages than men do and therefore get infected earlier. The rates tend to even out when men and women are in their thirties. In Africa, however, about 55 percent of people with HIV are women and
45 percent are men. Women are more at risk because they have less control over sex than men, particularly with respect to condom use. Women are also biologically more likely to contract HIV than men.

7. If a woman talks about HIV/AIDS with her husband, it means she has other sexual partners.

Women want to talk with their husbands about HIV/AIDS because they are afraid. Talking about HIV/AIDS is a way of discouraging either party from taking multiple sexual partners.

8. Once a person is infected with HIV there is nothing he or she can do to keep healthy.

The incubation period for HIV (the time between initial infection and the first symptoms of illness) can range from three years to more than 10 years. No one knows why some people get sick sooner than others. Listed below are some of the many things an infected person can do to keep healthy and maintain a positive outlook:

- Eat a nutritious diet, with lots of protein and vegetables.
- Avoid alcohol and tobacco because both products weaken the body’s natural defense system.
- Ask for support and help from family and friends; keep in close contact with other people.
- Talk with a pastor or spiritual advisor.
- Keep working; being active and productive will help you feel better physically and emotionally.
- Talk with other people who have HIV; they understand how you are feeling.

9. Having sex with a virgin can cure HIV/AIDS.

There is no cure for HIV/AIDS. Even the special drugs (anti-retrovirals) that are widely used in Western countries do not cure the disease. These drugs can ease symptoms and make one feel better, but they cannot clean HIV out of the body completely. Having sex with a virgin will only put that individual at risk of contracting the infection.

10. HIV/AIDS is not common in [Your Country]; most people have tuberculosis.

HIV is very common in [Your Country]; more than one in every three adults in the country is infected with the virus. Because HIV destroys the body’s natural defense system against disease, people with HIV are more likely to contract other illnesses; tuberculosis is one of these illnesses. Most of the people in [Your Country] with tuberculosis are also HIV-positive.
Lecture: HIV/AIDS in Your Country

HIV Prevalence

β How many people have HIV infection in Your Country?
β Where do people infected with HIV live?
β What does this information tell us about the incidence of HIV infections, the mortality rate, and the number of children who have been orphaned because of AIDS?
β How do people get infected?
β How do we know this many people have HIV?
β What about HIV infection in the rest of Africa?

Differences in Prevalence Rate Related to Gender

The health facilitator should be prepared to discuss differences in prevalence broken down by gender. Specifically, the health facilitator should discuss how age, physiological differences, urban/rural differences, cultural practices, gender inequality and discrimination, and entrenched poverty put women at a greater risk of acquiring HIV than men.

Common Questions about HIV/AIDS in Your country

How many people have HIV in Your Country?

β According to reports from the government of Your Country in the year 200X about XX percent of people in Your Country ages 15 to 45 living with HIV. In 200X, a survey by the U.S. Centers for Disease Control and Prevention (CDC) or UNAIDS found that XX percent of the country’s adults were HIV-positive.
β Orphans: More than XXX children orphaned due to HIV/AIDS (children under age 18 who have lost one or both parents to HIV/AIDS) live in Your Country today. By 2015 there will be about XX children orphaned because of AIDS.
β Like the rest of African women, women in Your country acquire HIV much younger than men do. Between ages 15 and 29, many more females than males are infected. This difference largely disappears by age 35. (This fact may vary from country to country. Please check the relevance of the statement.)
β Most people in Your country have not been tested and therefore do not know if they are infected with HIV. Moreover, when people do not know their status, they are unknowingly infecting others.
Where do people infected with HIV live?

- No area of [Your country] is untouched by HIV/AIDS. Infection rates are higher/lower in cities than in rural areas, but many men and women living in villages/the city are also infected. HIV/AIDS is a national problem.

What does this information tell us about the incidence of HIV infections, the mortality rate, and the number of children orphaned because of AIDS?

- The information tells us that ultimately the number of new infections will go down because there are fewer and fewer uninfected people to infect. It also tells us that in the next XX to XX years the mortality rate will peak, leaving the country with a huge number of AIDS orphans.

How do people get infected?

- More than XX percent of people living with HIV/AIDS (PLWHA) were infected through sexual intercourse. Other modes of transmission are from mother to child during pregnancy, childbirth, or breastfeeding (about XX percent) and from infected blood transfusions or reusing infected needles and syringes or other medical instruments.

How do we know this many people have HIV?

- The government of [Your country] has authorized surveillance of HIV in XX clinics nationwide for many years. This means that women coming to these clinics for prenatal care are tested for HIV. This testing identifies the prevalence of HIV in pregnant women. The testing is not done to identify HIV in individual women. Instead, it is done to determine the prevalence rate in a population of women. None of the women tested is told her test results unless she asks. The test results are completely anonymous and do not list the women’s names or villages. Again, note: the methods for surveillance by the government will vary from country to country.

- Other tests also have been conducted by the CDC and by U.S. and European research organizations.

- This same surveillance system is used in many other countries in Africa and worldwide.

What about HIV infection in the rest of Africa?

- According to the Joint United Nations Programme on HIV/AIDS (UNAIDS), in 2000 more than 10 percent of adults in more than 20 African countries were
living with HIV/AIDS. Countries with rates similar to Your country are XX, XX and XX.

What do these statistics mean for MFIs?

- HIV/AIDS is affecting everyone and every industry. This is everyone’s problem.
- All MFIs will have to consider HIV/AIDS sooner or later.
- Some or a lot of your clients are now or soon will be infected or affected by HIV/AIDS.
- To keep your business functioning, you need to think about new strategies of business operations to take HIV/AIDS into account.
- HIV/AIDS is going to affect our own businesses. We may need to train more employees or plan for greater benefit expenses. We should be thinking about this issue now.
- Because HIV/AIDS is so common, we cannot turn away PLWHA, or we will not have any clients left.
- We need to examine our own attitudes and actions related to people living with HIV and AIDS. We cannot afford to stigmatize or discriminate against them.

—as

Lecture and Question and Answer: National HIV/AIDS Policy

The health facilitator should be prepared to discuss and answer questions about the country’s HIV/AIDS policy, including legal implications if any. He/she should be prepared to share a written copy of the policy with participants.

Handouts on HIV/AIDS in the Local Context

At the end of the session, facilitators should provide workshop participants with local information about HIV/AIDS. This information should include basic statistics on HIV/AIDS prevalence in the country; information on what the statistics mean; and information on infection rates in the country by region, if possible, and compared with other countries in the region. The facilitator should also hand out the national HIV/AIDS policy as previously discussed by the local HIV/AIDS educator. Where possible, the HIV/AIDS specialist should also provide brochures, pamphlets, and other information on local HIV/AIDS resources and resource organizations.

What did I learn?

Allow participants 5 minutes to fill out the handout on what they learned, what challenges the new information poses to their institution, and how they will apply the information.
2.3. What Did I Learn?

Module: ____  Topic: ______________________________________________

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<th>What Did I Learn?</th>
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<th>Challenges for my institution:</th>
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<th>How do I apply this information?</th>
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Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change

A Workshop for MFI Managers and Decision makers

Facilitator’s Manual

Part II: Preparing to Meet the Challenge
Transition to Discussion of Training Course Curriculum

Use this time to discuss the objectives of the course and the upcoming modules. In these modules, participants will begin to think more strategically about the effects of the disease on clients, the external environment, and specific aspects of internal operations. The next modules are meant to take participants through analytical processes that will help them develop strategies for augmenting service provision and ultimately allow the institution to create a new operational plan that incorporates changes made because of HIV/AIDS.

Show the Overhead: CGAP Business Planning Framework

Note that this training will focus primarily on elements related to strategic planning. Ask participants to suggest which elements are most important to them in day-to-day operations. Mark up the overhead of the CGAP planning framework and keep it posted as a reference. Facilitators may also wish to provide this information to participants as a handout.
Overhead: CGAP Business Planning Framework

Strategic Planning
- Mission and Goals
- Markets and Clients
  - Environmental Analysis
    - Competition
    - Collaboration
    - Regulatory factors
    - Other external issues
  - Institutional Assessment
    - Boards and management
    - Credit and savings program
    - Human resources
    - Administration
  - Financing Sources
- Operational Planning
  - Products and Services
  - Marketing channels/ Product and service projections
  - Institutional Capacity and Resources
    - Loan loss provision
    - Loan officer caseload
    - Personnel expenses
    - Administrative expenses
  - Financing Strategy

Financial Management
- Strategy
- Business Plan as an Ongoing Tool
Module 3: Analyzing Our Market and Our Clients

Objectives:
- The importance of understanding client preferences and maintaining client loyalty even in an HIV/AIDS context
- That participants must decide on what they really need to know about HIV/AIDS
- How tools and approaches already in use can provide useful information on the impact of HIV/AIDS on clients
- Ways to deal with the sensitivities and complexities of discussing HIV/AIDS.

Description: In this module, participants discuss why considering markets and clients is critical in an HIV/AIDS context. The guided discussion focuses on the following issues:

- How markets change due to HIV/AIDS
- Why clients affected by HIV/AIDS may leave microfinance programs and why maintaining client loyalty is particularly important in an HIV/AIDS context
- Opportunities to discuss HIV/AIDS with clients
- How to talk about HIV/AIDS and address issues of stigma.

The module is divided into two parts: Part I focuses on the importance of client loyalty to client retention, even in a changing environment where client financial needs are changing. Part II focuses on methods for gathering data about clients as a way to understand their needs and financial pressures.

Audience: Intended for MFI survey audience.

Time requirement: Two hours.

Method: Mixture of lecture, exercises, and guided discussion.
References:


β Evans, Anna Cora, the Unpaved Road Ahead: HIV/AIDS and Microfinance, an Exploration of Kenyan Credit Unions, World Council of Credit Unions Research Monograph Series, no. 21. Madison, WI. July 2002.


β MicroSave Briefing Note #8, “Dropouts and Graduates: What do they mean for MFIs?”


Handouts and Overheads:

β 3.1 Overhead: Importance of Client Loyalty

β 3.2 Overhead and Handout: Financial Pressure During the HIV/AIDS Crisis

β 3.3 Handout: Phases of HIV/AIDS and Its Impact on Households and Individuals

β 3.4 Information Collection on Changing Client Profiles Due to HIV/AIDS

β 3.5 Handout: Information Collection – Potential Answers
3.6 Handout: Additional Sources for Information Collection and Survey Methodologies
3.7 Handout: Focus Group Guidelines
3.8 Handout: Checklist of Interviewing “Dos and Don’ts”
3.9 Handout: Sample Client Exit Survey
3.10 Handout: Sample Client Impact Survey
3.11 Handout: What did I learn?

**Supplies**

- Pens for overhead
Facilitator’s Notes

(Note to facilitator: Refer to the CGAP Business Planning Framework, if needed, to keep participants on track. A marked-up version of the framework may be posted or the overhead (in transparency form) may be preferred to from time to time.)

Part I: Introduction and Guided Discussion: The Market and Clients
(35 minutes)

This section is intended to make the financial case for client loyalty even in a high-prevalence HIV/AIDS environment. MFIs should consider and debate why client loyalty is important, even if clients are considering smaller business loans. Part I seeks to make the case for trying to retain clients even as their financial needs are changing in a complex AIDS-affected environment.

Pose the following question to participants:

Why do we care about markets and clients in general?

MFIs care about markets because that is where clients are. The more clients, the more services provided, and the more poor households with access to financial services. MFIs think a lot about markets, including the following:

- The number of low-income households and microentrepreneurs lacking access to financial services
- Projected demand for financial services
- Location of clients within the market
- Potential market penetration for the MFI
- Key market trends, including competition and quality of credit culture.

How do we get information about our clients?

Possible answers:

- Surveying
- Asking clients directly
- Loan application questions
- Through observation of their consumption patterns
- Through focus group discussions (FGDs) using semi-structured interview guides and participatory rural appraisal (PRA) tools
- Government statistical data
- Looking at the competition
What do we know about client needs and preferences? Why do we want to get feedback from our clients about our products and services?

Possible answers:

☑ It allows us to understand our clients and their limitations, needs, and preferences, which is key to making changes internally in a microfinance institution.
☑ It allows us to develop better products and services for our clients.
☑ It allows us to retain good clients and be more competitive.
☑ Client loyalty/a strong client base is important to the strong performance of our institution.

How are HIV/AIDS-affected markets different from others?

They are different because:

☑ A change occurs in demand for products and services (decreased demand for nonessentials; shifting/shrinking markets for clients’ products and services).
☑ A change occurs in investment and disinvestment patterns.
☑ A change takes place in levels of household income and assets.
☑ Households increasingly face extreme financial pressures.

Pose the following questions to participants. Write their responses on a flipchart. When necessary, lead discussion around provided points.

Why is client loyalty important to an MFI?

☑ Statistically, repeat loan clients (loyal clients) mean reduced costs to the MFI because delivering a repeat loan requires less time and paperwork than delivering the first loan. Loan officers spend less time with repeat clients to make the same-size or larger loans and then have more time to spend with new clients. This dynamic translates to increased productivity and efficiency, which in turn translates to higher growth and higher profitability for an institution.
☑ Loyal clients are less risky to the institution.
☑ Loyal clients mean lower marketing costs.
☑ Loyal clients continue to come to the MFI to service all their financial needs—including savings, which are an important source of liquidity and stability for regulated, savings-mobilizing financial institutions. (Note: This is an important caveat for institutions that we legally able to offer a broader range of financial services.)
☑ Loyal clients are a source of referrals to friends, family, and colleagues.
To reiterate the point about the importance of client loyalty, show participants the Overhead: Importance of Client Loyalty – An Example of a Repeat Borrower. The overhead shows an important point: Very few businesses make money on the first transaction with a client. They make money from repeat business with that same client when they are able to build on an existing and growing relationship. Microfinance is the same way. Analysis of the costs involved in making the loan becomes important.

Note: Ethiopian MFIs estimate that the cost of a first-time borrower is six times as much as the cost of a repeat borrower given the upfront investment needed. The facilitator may ask the audience to estimate what the cost of the first loan is to their institution. In most cases, the first loan is a loss for the institution.

The overhead shows that repeat clients with high loyalty to the institution and low loan balances are more valuable to an MFI ($80; column C on the overhead) than larger borrowers who leave the institution after a couple of loan cycles ($7; column D). Most MFIs are targeting column C clients.
### 3.1. Overhead: Importance of Client Loyalty – An Example of a Repeat Borrower

<table>
<thead>
<tr>
<th>Key Client Segments</th>
<th>(A) First-Time Borrower</th>
<th>(B) Repeat Borrower with Low Loyalty and Small Loan Size</th>
<th>(C) Repeat Borrower with High Loyalty and Small Loan Size</th>
<th>(D) Repeat Borrower with Low Loyalty and Large Loan Size</th>
<th>(E) Repeat Borrower with High Loyalty and Large Loan Size</th>
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<tbody>
<tr>
<td>1. Average loan amount outstanding per year</td>
<td>$200</td>
<td>$200</td>
<td>$700</td>
<td>$700</td>
<td></td>
</tr>
<tr>
<td>2. Number of years likely to remain a client</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>3. Multiply 1x2</td>
<td>200</td>
<td>800</td>
<td>700</td>
<td>2,800</td>
<td></td>
</tr>
<tr>
<td>4. Average profit margin</td>
<td>1%</td>
<td>5%</td>
<td>1%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>5. Multiply 3x4</td>
<td>LOSS</td>
<td>$2</td>
<td>$40</td>
<td>$7</td>
<td>$140</td>
</tr>
</tbody>
</table>
Pose the following questions:

**Do institutions make money on the first loan?**

**Have any of the organizations present done studies on what it costs to make the first loan?**

**What are the differences between a first-time borrower and a repeat borrower?**  
(This is a cost question that MFIs need to look at.)

**Why is client loyalty even more critical in high prevalence HIV/AIDS countries and regions?**

**What happens to client loyalty?**

Possible answers include the following:

- Loyal clients are less likely to default.
- Loyal clients may be more likely to work with the MFI to overcome problems or concerns. This is particularly true if the MFI or financial institution offers them multiple flexible savings and loan products.
- There may be fewer new clients available over time.
- Increased absenteeism among MFI staff means fewer staff members will be available to market to and work with new clients.

An institution wants to keep highly loyal clients whose loan sizes increase over time, but this goal will be less and less the reality with AIDS. That said, from a business perspective an institution wants to continue to maintain the relationship, even if it is at a lower level.

### Note

The focus of the last example is on repeat borrowers. Client loyalty is also important for institutions that mobilize savings.

Possible follow-on questions (particularly for training groups that include many solidarity group lending institutions):

Let’s consider a borrowing group of five members that pushes out a long-time group member who has had strong repayment from the beginning because the group members suspect that the member is HIV-positive or chronically ill (a PLWHA) or because the member’s spouse recently died after an extended illness. **What can the MFI do?**

**What is likely to happen with this group?**
Does the MFI have a problem with this borrowing group?

Should the MFI be concerned with the reasons this group cannot repay?

What can the MFI do?

What are the pros and cons of groups selecting membership in this way?

Note

These questions are likely to generate a lot of discussion and debate. Much of the discussion will be debating issues related to sustainability and serving poor, disadvantaged clients. Because every MFI is different and has a different mission or orientation, we do not have concrete recommendations on how to address issues related to group lending and members self-selecting out PLWHA. However, we pose the following considerations:

- Interfering with group dynamics may have other consequences and may create the expectation that the MFI will get involved in other elements of the group process. The cost savings of the group methodology may then be lost or minimized.
- The MFI may suffer from reputation risk if it does intervene, and even if it does not. It may be seen as “tough” or alternatively as “weak.”
- A group-lending MFI does have an incentive to retain the other four members because it is more expensive to go out and recruit five more new clients. Client retention is important, but there are trade-offs. MFIs need to look at the costs.

The MFI’s responses to this situation might be any of the following:

- Develop a new individual loan product
- Develop an insurance product (are borrowers willing to bear the rising costs associated with this?)
- Client education regarding HIV/AIDS
- Have client create a new group
- Have client join another group
- Substitute a family member
- Develop a savings product/safety basket
- Adjust collateral requirements (more collateral through household goods may mitigate risk for other group members)
- Adjust meeting requirements
- Allow clients to sit out loan cycles or just save and not borrow
- Build the greater risk into the cost of the loan
- Let the group impose alternate requirements.
Note
The MFI should come up with alternatives and apply/make them available to all groups!

Why might clients tend to leave MFIs more rapidly in an HIV/AIDS context?

Possible answers include the following:

β Clients’ financial needs are changing. Some will need smaller loans, some will need to access accumulated savings, others may want to consider loan insurance or other insurance products, and still others may need emergency loans. If these new needs are not met, clients may exit.

β Groups may push clients affected by or persons living with HIV/AIDS out if they see them as high risk.

β Because of the economic pressures of the disease, the client exit rate is likely to be higher.

When would the exit of clients affected by HIV/AIDS benefit the MFI?

Possible answers include the following:

β When clients can no longer use credit for productive purposes

β When clients have taken a break from productive activities

β When clients can no longer meet their repayment obligations.

When would the exit of clients affected by HIV/AIDS hurt the MFI?

Possible answers include the following:

β When inflexible products or services force productive HIV/AIDS-affected clients out of the institution

β When fear, stigma, or discrimination force productive HIV/AIDS-affected clients out of the institution

β When the majority of the population is affected by the impact of HIV/AIDS.

What can MFIs do to address or minimize the exit of good clients from the MFI?

Possible answers include the following:
Understand the evolving financial needs of clients
Monitor client needs on a regular basis and augment existing financial products to meet these needs.
Provide products and services that address client financial needs.

Financial Pressure on Households

Client loyalty for an MFI is extremely important given the pressure on client households. Research has shown that all households affected by AIDS feel financial pressure. Depending on their resources and assets, they are able to cope in different ways.

Overhead: Household Financial Pressure During HIV/AIDS Crisis shows the phases of the HIV/AIDS crisis, the financial pressure on households at that stage, and three scenarios following death.
3.2. Overhead: Household Financial Pressure

Increased Financial Pressure on Households

- Asymptomatic Stage
- Early Stage
- Frequent Hospital Visits Stage
- Bedridden Stage
- Death/Burial Stage
- Care for Orphans Stage
- Economic Recovery

(1) Up to 10 years
(2) 12 months
(3) 6 months
(4) 12 months +


Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change
3.3. Handout: Phases of HIV/AIDS and Its Impact on Households and Individuals

**Phase 1:** In the early phase of the illness, financial pressures on households are still low because the HIV-positive person is economically active. The individual may remain asymptomatic for 7–10 years before showing signs of weakened health or chronic fatigue. Household income may remain steady.

**Phase 2:** At this phase opportunistic infections begin to appear, requiring the purchase of new medications and increasingly frequent hospital or clinic visits. The sick person’s productive capacity declines, affecting household income. A close relative may also be giving additional care at this phase, resulting in temporary losses of income and/or time away from the family business. This period can last 6–12 months and financial pressure begins to increase.

**Phase 3:** The sick person is eventually forced to stop working (or close the business, if no other family member is able to take it over) because of increasing bouts of illness and hospital visits. As medical costs escalate and income dwindles, financial pressure continues to increase at an exponential rate. The caregiver is also spending more and more time with the infected person, resulting in absenteeism from work or the business and further income erosion. To meet this decline in income and increase in the need for cash to pay medical expenses, households often sell nonproductive assets, draw on social capital, or borrow in some form to avoid diverting business income or selling productive assets. Food consumption is likely to decline. Deposit-making behavior stops, and savings may be liquidated. Money usually spent on school fees may be shifted to pay medical expenses, causing children (often girls) to be pulled out of school.

**Phase 4:** With the onset of severe opportunistic infections, the sick person is bedridden, usually at home. This phase lasts between 6 and 12 months. Expenses for medical treatment continue to grow. At this stage, poor households have already exhausted their economic resources and may resort to liquidating productive assets and their business. This is the stage in which over indebtedness becomes of greatest concern to the MFI.

**Phase 5:** The death of the infected household member results in permanent loss of income and represents the peak financial pressure point for the household. The household must incur funeral, mourning, and burial costs. If the household belongs to a burial society, the stipend will reduce the financial burden of the funeral expenses because they are shared among family members or the community. Children may be removed from school and forced to work to compensate for lost income or to save on education expenses.

**Phase 6:** The additional pressure of fostering or caring for children orphaned because of HIV/AIDS after the parent’s death is usually borne by a family member, often an elderly grandparent. The financial pressure of this stage depends on the level of care and schooling provided to the fostered children and on the financial state of the extended family. Anecdotal evidence from across seven of the most AIDS-affected African countries now indicates that on average families may have three or more foster children.
In addition to the six phases, the graph in *Overhead: Household Financial Pressure During HIV/AIDS Crisis* depicts multiple scenarios that show how households cope with the AIDS crisis before the death of an infected family member and the ability of the household to recover from the financial pressure given the household’s assets and access to social safety nets. Households with more extensive financial and social safety nets come into the AIDS crisis better prepared to cope with it. Households with fewer financial and social safety nets are affected earlier and longer prior to the death of a family member infected by HIV. The level of financial pressure that these households face will also depend on the presence of multiple and ongoing economic shocks related to HIV/AIDS. Likewise, the ability of households to recover after the death of a family member will depend on pre-crisis financial and social safety nets. Increased awareness, good household planning, and foresight and product refinement on the part of an MFI can help households build assets before the pressure points build. Different scenarios (1, 2 and 3 and a, b and c) are depicted pre and post AIDS crisis.

The facilitator should note that low-income clients with access to different financial services may be able to withstand the crisis at a higher level (B) than clients without access to services. Product refinements around these pressure points are discussed in more depth in Module 5.

**Concluding comment on household financial pressure:** For MFIs operating in high prevalence HIV/AIDS countries or regions, it is important to understand client behavior and use this understanding to offer more-tailored services, which in turn lead to higher client loyalty and greater success for the MFI and its clients. Greater flexibility in the timing of loans or allowing clients to rest between cycles may improve their ability to repay loans and are likely to increase a client’s loyalty to the institution.

### Part II: Guided Discussion and Group Activity: Opportunities to Solicit Information from Clients about Their Needs and HIV/AIDS (60 minutes)

Part II focuses on how to gather information from clients about their needs and the financial pressures they face.

Pose the following questions to participants:

Now that we care about retaining good clients who can make use of our services, how do we go about getting more information about what these clients really want? Who knows this information?

Who in the institution has strong relationships with clients?

Possible answers may include the following:
Branch staff, loan officers, promoters, savings staff, and possibly others—the institution’s front line and the employees in the best position to solicit and provide feedback to the institution on an ongoing basis.

Loan officers often develop a sixth sense about the problems clients are facing. They are in a good position to provide information to the MFI about what is happening. However, much of this information is informal, in the form of vignettes, as opposed to verifiable or quantifiable data.

Managers who conduct frequent visits to the field to meet with clients are often in a better position to shape an institution’s understanding of the client and his or her preferences.

The research and development team, through marketing or survey work.

Institutions will need to undertake some cost analysis in determining who is best suited to collect data and at what cost to the institution.

How is information about client preferences communicated back to the institution and its management?

Exercise

Using a flipchart to capture answers, have participants brainstorm about all the ways MFIs can capture information from clients about their situations, needs, and demands. The facilitator should ensure that ideas emerge that cover all three of the following categories.

Through the MIS in the form of portfolio information about which clients use which products and services, trend analyses of client performance, and so on.

Informally (via opportunities to collect and share information), such as when loans are reviewed, through staff meetings, via e-mail/an intranet, in conversations with a variety of MFI staff, and through other mechanisms that promote a strong feedback culture.

Formally (via intentional mechanisms to collect information), from suggestion boxes that feed into newsletters (at a minimal level), regular meetings between loan officers and managers (at a moderate level), intake surveys, exit surveys, focus groups, impact studies, and so on (at a more extensive level).
Use the **Handout: Information Collection on Changing Client Profiles Due to HIV/AIDS** template, and, either in plenary or in small groups, ask participants to make suggestions about how they would gather information about clients and what specifically they would want to know. These ideas are to be grouped by the level of investment the MFI must make to gather this information (rather than use exact amounts, categorize these by “low-cost,” “medium-cost,” or “high-cost” investments). The final column can be used to record any concerns about the use of a particular method.

In small groups, have groups complete the matrix with suggestions about how they might gather information on clients and what specifically this method might tell them about clients and their needs/preferences. Any special concerns with the method or information it can provide should be noted in the last column.
### 3.4. Handout: Information Collection on Changing Client Profiles Due to HIV/AIDS

<table>
<thead>
<tr>
<th>Level of Investment</th>
<th>Information Method</th>
<th>Information It Can Provide</th>
<th>Issues/Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-cost</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-cost</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-cost</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
Note to Facilitator

An initial example of how this form might be used (Handout: Information Collection on Changing Client Profiles Due to HIV/AIDS – Potential Answers) is provided for your use only; it is expected that participants may develop a thorough and useful list without prompting. It may also be handed out to participants at the end to provide additional ideas to them.

Reporting out: Have each group present one idea, and keep going from group to group (one idea each time) until you have sufficient representation for each level of investment. After you have a “complete” matrix, choose a specific participant and ask him or her three questions (allowing time for consideration and answers between each question):

Which of these information collection methods would you use first, and why?
What are you really trying to learn?
Provide an example of how you will use this information once you have obtained it.

At the end of this discussion, pass out the list of additional resources on market research and survey methods (Handout: Additional Sources for Information Collection and Survey Methodologies).
### 3.5. Handout: Information Collection on Changing Client Profiles Due to HIV/AIDS – Potential Answers

<table>
<thead>
<tr>
<th>Level of Investment</th>
<th>Information Method</th>
<th>Information It Can Provide</th>
<th>Issues/Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-cost</strong></td>
<td>Include HIV/AIDS indicators on client intake and loan renewal forms</td>
<td>Changing demographic of clientele (number of families coping with extended illness, number newly widowed, changing dependency ratios, number of school-age children out of school, recent deaths in extended or nuclear family and such)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Invite loan/savings officers to give managers feedback on trends seen in the field</td>
<td>Changes in loan use patterns Changes in loan amounts requested Changes in repayment patterns Observed fracturing of borrowing groups Changes in savings behaviors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Examine portfolio trends</td>
<td>Trends in loan sizes Trends in deposit/withdrawal levels Trends in exits or repeat use</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hold e-mail discussions among staff</td>
<td>Cross-branch discussion of observations relating to HIV/AIDS</td>
<td>How is confidentiality maintained?</td>
</tr>
<tr>
<td></td>
<td>Use suggestion boxes to get direct client feedback</td>
<td>Information on services that clients are happy or unhappy with</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discuss observations with other MFIs working in the same environment</td>
<td>Trends, partnerships, collaborative opportunities</td>
<td></td>
</tr>
<tr>
<td><strong>Medium-cost</strong></td>
<td>Hold focus-group discussions with clients (see Handout 3-3: Focus Group Guidelines and Handout 3-4: Interviewing Dos and Don’ts)</td>
<td>Types of economic and financial stresses Resulting changes in behaviors How groups and individuals respond to changes</td>
<td>Clients may not be comfortable discussing in groups (this may be true of new groups) Mixed-gender groups may not work Need trained facilitator</td>
</tr>
<tr>
<td></td>
<td>Include HIV/AIDS-related indicators on all impact, satisfaction, or exit surveys already to be undertaken (see Handout 3-5: Sample Client Exit Survey and Handout 3-6: Sample Client Impact Survey)</td>
<td>Changes in income, expenditure, and asset patterns Whether HIV/AIDS-related changes are leading to changes in client satisfaction, impact, or exit, and if so, how?</td>
<td>Need to seek advice from HIV/AIDS knowledgeable person before designing survey questions Loan officers doing surveys might compromise quality of surveys</td>
</tr>
<tr>
<td><strong>High-cost</strong></td>
<td>Link client demographic data to portfolio data in MIS</td>
<td>Modification of MIS is an expensive task but allows the MFI to relate performance to key demographics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conduct new market research efforts that include HIV/AIDS-related considerations with sufficient detail to create new products</td>
<td>Changes in income, expenditure, and asset patterns Demand for new products (health, other) Demand for increased product modifications or increased flexibility Cost of providing new/modified services</td>
<td></td>
</tr>
</tbody>
</table>
### 3.6. Handout: Additional Sources for Information Collection and Survey Methodologies

<table>
<thead>
<tr>
<th>Methods</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus-group methodologies</td>
<td>MicroSave (<a href="http://www.microsave.org">www.microsave.org</a>) provides a range of tools and guidance for rapid appraisal and focus-group methodologies, with an emphasis on savings products. Of particular interest is the life-cycle profile tool, which can help determine which events require lump sums of cash and can be used to examine the implications for household income/expenditure. It can also give insight into current household coping mechanisms.</td>
</tr>
<tr>
<td>Client impact studies</td>
<td>USAID’s Assessing the Impact of Microenterprise Services (AIMS) Project (<a href="http://www.microlinks.org">www.microlinks.org</a> in the Microenterprise Development [MED] library) provides extensive conceptual and technical guidance for measuring the impact of microfinance services. Its Assessment Tools for Microfinance Practitioners provide a medium-cost impact assessment approach that can be adapted to include HIV/AIDS questions. In addition, the Small Enterprise Education and Promotion (SEEP) Network’s client assessment working group addresses impact assessment. For tools and information, go to <a href="http://www.seepnetwork.org">www.seepnetwork.org</a>.</td>
</tr>
<tr>
<td>Client exit interviews</td>
<td>The AIMS Assessment Tools (<a href="http://www.microlinks.org">www.microlinks.org</a> in the MED library) include client exit survey instruments and guidance. These tools can be adapted to include HIV/AIDS questions.</td>
</tr>
<tr>
<td>Client satisfaction surveys</td>
<td>The AIMS Assessment Tools (<a href="http://www.microlinks.org">www.microlinks.org</a> in the MED library) provide client satisfaction survey instruments and guidance. These tools can be adapted to include HIV/AIDS questions.</td>
</tr>
</tbody>
</table>
Guided Discussion plus Short Simulation: Special Guidance for Discussing HIV/AIDS (30 minutes. Note: more time may be required with some audiences)

HIV/AIDS can be difficult to discuss. This section allows participants an opportunity to discover—and discuss—some of the challenges in collecting information about HIV/AIDS. It ends with suggestions about how to approach this effort. This section is best completed jointly by the local HIV/AIDS specialist and the training facilitator.

Why might people be unwilling to discuss HIV/AIDS?

Possible responses might include the following:

- **HIV/AIDS carries a stigma** so great that clients may remain silent about the presence of HIV/AIDS in their families. This stigma may be based on shame; concern that people will assume that they are also HIV-positive; and concern that they will be ostracized from their communities, their MFIs, or even their families.
- **Lack of knowledge** about HIV/AIDS.
- **Life has always been difficult**; HIV/AIDS is just one more aspect of that fact. Even on the health side, other diseases, such as malaria or poor nutrition, have led to illness and death.

**Short Role-Play**

Choose two participants to conduct the role play, one participant should act as an MFI loan officer, and the second as a client. Tell the loan officer that he or she is charged with recovering a loan made to the group member (client).

*Note: The role play should last about 5 minutes.*

- The client approaches the loan officer to ask for access to his/her compulsory savings, which are being held as collateral. He/she doesn’t want this request to affect his/her group or access to a loan. He/she doesn’t want to exit the program—but will if he/she can’t get an advance to savings. He/she says she wants the advance for only three months.
- The loan officer’s job is to find out what is happening with this client. Task the loan officer with asking some “delicate” questions about the reason the client needs cash and whether he/she really thinks he/she can restore his/her savings in three months.
- Tell the other participants and the loan officer that this is the fifth request this loan officer has had this month for emergency savings withdrawals.
If the loan officer is insensitive, the client should get agitated, angry, and so on or begin to withhold information.

The goal of the exercise is to illustrate how hard it is to couch HIV/AIDS-related questions in a sensitive way. This role-play leads to the final discussion, on techniques.

When the role-play is finished, the facilitator should pose the following questions to the group.

What happened in the role-play?

How easy or difficult was it to obtain good information from the client?

What other ways would elicit better information?

How can you prepare for gathering information in this setting?

The facilitator can pose this question to participants but should be prepared to offer the three suggestions below:

Start by examining your own attitudes. How do you feel about HIV/AIDS? Are you frightened or worried about becoming infected or having your children become infected? Do you think that people who get HIV are “immoral” and “promiscuous”? Do you think people living with HIV/AIDS deserve it? Do you find it difficult to talk to anyone about HIV/AIDS, let alone someone you do not know very well? All of your own attitudes and feelings about HIV/AIDS may affect the way you talk to your clients. Judgmental and negative attitudes on your part will prevent your client from talking openly with you.

Note that it is often easier to “back into” a discussion about HIV/AIDS by talking about the economic impact of crises. This method allows you to discuss the impact and what is the worst impact, and often HIV/AIDS is brought out. Participants will often bring it up themselves, and that makes all the difference.

Obtain advice from specialists. Many health care and social service professionals are trained and experienced in HIV/AIDS counseling. Invite a professional counselor to provide some training to help all your employees talk more comfortably about HIV/AIDS. Remember that at some point, you may also need to talk about HIV/AIDS to your colleagues at work, to your spouse or other family members, or to a medical professional.

What might be some recommendations for gathering this type of sensitive information?
Some specific recommendations for information gathering on HIV/AIDS:

- Always remain neutral, observant, respectful, and sensitive.
- **When asking for personal data from clients, you do not need to discuss HIV/AIDS by name.** In many cases, you can ask about specific indicators that are related to HIV/AIDS. For example, rather than ask whether the family has been affected by HIV/AIDS, the interviewer could ask these three questions: whether the household has suffered a financial shock a result of the death of someone age 20 or older; whether the family has a chronically ill member; and whether the family has absorbed a new member as a result of illness or death.

- When discussing HIV/AIDS directly, **explain very clearly why you want to talk about this subject.** For example, tell your client(s) that your MFI:
  - Needs information to make your program work better
  - Is trying to evaluate the effectiveness of changes in program strategy and operations
  - Wants to help clients get access to care and support, counseling, and other services.

- When discussing HIV/AIDS by name, you can often **ask about the situation “for individuals in general in the community,”** rather than asking specifically about a client’s own family or individual health. This approach can give you information about trends in how many are facing HIV/AIDS, what their challenges have been, and how they have responded.

- When discussing HIV/AIDS by name, **show understanding and empathy** with your client. Acknowledge that talking about HIV/AIDS is difficult, and ask for permission to discuss such a sensitive subject before beginning. At the same time, **do not offer advice!**

- **Guarantee confidentiality.** Reassure the client that the conversation is confidential and private. You will not repeat anything he/she tells you to anyone else.

- **Accept less than 100 percent reliability of data:** Most HIV-positive people are not diagnosed with HIV, and most AIDS deaths are not listed as such. The proxies suggested above may provide sufficient likelihood that the family is dealing with HIV/AIDS for your analytical purposes.

- **Accept that many clients may choose not to participate** in this discussion. Be sure clients know that participation is voluntary, and a decision not to participate will not affect their eligibility for services.

- Remember that **many people may want to talk about HIV/AIDS** if they are given the opportunity and if you provide the right environment.
Note on other Handouts

This course provides some guidelines on undertaking focus groups, interview checklists, and sample surveys (exit and client impact). With respect to direct client interviews or focus group discussions, handouts with guidelines and interviewing tips are provided with modifications on how to address HIV/AIDS. All these handouts are references for participants to use in looking at clients. However, it should be noted that the survey tools will need some level of tailoring or modification so they may be useful to the participant’s institution.

What did I learn?

Have participants fill out the handout on what they learned from this module, what challenges the new information poses for their institution, and how they will apply the information.
3.7. Handout: Focus Group Guidelines

These general guidelines were taken from Graham Wright’s “Market Research for MicroFinance,” produced by MicroSave (www.microsave.org). They also appear in the Microenterprise Best Practices and ACCION New Product Development Guide listed in the Resource Section. However, they have been modified slightly to include issues related to HIV/AIDS. A more thorough discussion of how to prepare and conduct a focus group is contained in the Wright publication.

Designing a Discussion Guide

- Include warm-up questions at the beginning of the discussion guide. Warm-up questions need to be culturally sensitive.
- Translate objectives (problem) into areas of questioning.
- Can have one area of questioning, then a series of probe questions
- Include general context of financial product usage
- Move from general to specific
- Move from past to future
- Move from spontaneous to prompted
- Keep language simple/translate into vernacular, if necessary
- Use “consumer” terms that are easier to use in a discussion
- Understand how to probe about effects of HIV and AIDS in a manner that is neutral, respectful, and confidential

Qualities of a Good Facilitator

- Ability to get respondents to express themselves freely
- Conscious of others
- Enthusiastic and lively
- Good sense of humor
- Genuine interest in finding out what others think
- Friendly/unthreatening
- Animated/confident
- Able to build rapport
- Respectful
- Outgoing
- Observant
- Control of voice
- Neutral
- Answers to research questions
- Selects appropriate venue
- Listens/is patient
- Sensitive to complexities and stigma involved in discussing HIV/AIDS
### 3.8. Handout: Checklist of Interviewing Dos and Don’ts

<table>
<thead>
<tr>
<th>Checklist of Interviewing “DOs”</th>
<th>Checklist of Interviewing “DON’Ts”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interviewers should ALWAYS:</strong></td>
<td><strong>Interviewers NEVER:</strong></td>
</tr>
<tr>
<td>ü Speak clearly and use correct grammar in the language of the interview</td>
<td>ü Get involved in long explanations of the study</td>
</tr>
<tr>
<td>ü Read fluently</td>
<td>ü Deviate from study introduction, sequence of questions, or wording</td>
</tr>
<tr>
<td>ü Record verbatim answers in that language</td>
<td>ü Try to justify or defend what they are doing</td>
</tr>
<tr>
<td>ü Recall responses long enough to record them accurately</td>
<td>ü Interview someone they know</td>
</tr>
<tr>
<td>ü Perform several tasks simultaneously: read questions, record answers, follow instructions</td>
<td>ü Falsify interviews</td>
</tr>
<tr>
<td>ü Judge nonverbal and verbal cues from respondent to know when to administer reinforcement and clarification</td>
<td>ü Improvise</td>
</tr>
<tr>
<td>ü Exercise self-discipline and regulate verbal and nonverbal behavior to avoid improperly influencing responses. Be neutral.</td>
<td>ü Suggest an answer or agree or disagree with an answer</td>
</tr>
<tr>
<td>ü Motivate reluctant respondents to participate in the interview</td>
<td>ü Try to ask questions from memory</td>
</tr>
<tr>
<td>ü Deliver the questionnaire in a flowing, conversational manner that reflects self-assurance and ease with the task of interviewing</td>
<td>ü Rush the respondent</td>
</tr>
<tr>
<td>ü Probe incomplete responses in an unbiased manner for more useful results</td>
<td>ü Patronize respondent</td>
</tr>
<tr>
<td>ü Clarify contradictory responses</td>
<td>ü Dominate the interview</td>
</tr>
<tr>
<td>ü Provide respondents an open and confidential environment in which to discuss sensitive topics such as HIV/AIDS</td>
<td>ü Let another person answer for the intended respondent</td>
</tr>
<tr>
<td>ü Turn in a questionnaire without checking it over to be sure every question has been asked and the answer recorded</td>
<td>ü Attribute and share confidential responses to questions with other outside individuals</td>
</tr>
</tbody>
</table>

Taken from the *Assessing Impact of Microenterprise Services (AIMS) tool: Learning from Clients: Assessment Tool of Microfinance Practitioners*, 2001, which borrowed from Frey and Oishi (1995). This tool has been augmented slightly to include HIV/AIDS sensitivity issues.
3.9. Handout: Sample Client Exit Survey

(This client exit survey was adapted from an exit survey developed by the AIMS project.)

NOTE: This survey will need to be tailored to the specifics of each MFI. For institutions offering both savings and individual loans, references to group loans should be deleted.

Loan officer to fill in before meeting with client.

Client identification number________ Survey identification number _________
Interview number________ Date of interview________
Address________________________________________
Type of services obtained from the institution: Loan___ Savings (compulsory or voluntary) ___ Insurance ____ Other ___
Name of group (if any): ________________________________
Sex (circle): M or F
Entry date __/__/___ Exit date __/__/___
Number of loans taken___________________
Was final loan repaid by borrower? (circle) Y or N
If NO, amount in arrears or default_____________________
Amount of savings withdrawn__________________________
Amount of withdrawn savings used to pay off the last loan

Loan officer (who last worked with client)________________________________________

Circumstances:
[] 1. Client voluntarily left the group/program
[] 2. Loan group failed so client left
[] 3. Group/MFI expelled the client (because of inability to pay, loan default)
[] 4. Group/MFI expelled the client for (specify reason) _____________________
[] 5. Other ________________________________

Loan Officer to read to clients

“We would like to find out a little about why you are no longer obtaining financial services from our institution. We hope this information will help us to change and improve our services in the future. Please think of the main reasons you decided to leave. Your answers will not be shared with anyone, nor attributed to you directly. This will only take a few minutes. Your answers are much appreciated.”
1. Who primarily made the decision that you would be participating in the program (or continuing as a member of this group)? (Note: Do not read the answers, simply mark one of the answers.)

[ ] 1. I made the decision (go to question 3)
[ ] 2. Someone else in my family decided. Specify who: ___________________
Why? ____________________________________________________________ (go to question 3)
[ ] 3. The group made the decision (go to question 2)
[ ] 4. The MFI made the decision (go to question 3)

2. (If marked answer 3 in previous question) In your opinion, what factors led the group to decide to exclude your continued participation? (Do not read answers. Multiple answers possible.)

[ ] 1. Repayment problems
[ ] 2. Attendance problems
[ ] 3. Difficulties with other members of the group
[ ] 4. Other reasons
(specify) ____________________________________________________________

3. What are the main reasons that you are leaving the group or left the program? (See the following list of possible answers. Do not read answers. Multiple responses are possible.)

Problems with program policies or procedures:

[ ] 1. The loan amount was too small.
[ ] 2. The loan length is too short.
[ ] 3. I do not like the repayment schedule.
[ ] 4. The repayment schedule is too rigid.
[ ] 5. The loan became too expensive (such as interest and fees)
[ ] 6. The disbursement of the loans is not efficient.
[ ] 7. I was unwilling to borrow because of other conditions (such as obligatory savings, obligatory training).
[ ] 8. I did not like the treatment by the staff or had personal conflicts with staff.
[ ] 9. I found an MFI offering better products and services.
Which one? ____________________________
Why is it better? _____________________________________________________________________

Problems with group lending (move to part C if institution offers individual loan and savings products)

[ ] 10. The group told me to leave.
[ ] 11. The group disbanded.
[ ] 12. I had personal conflicts with other members of the group.
Explain __________________________________________________________________________
[ ] 13. I was unhappy about group leadership.
[ ] 14. I was unable or unwilling to attend all the group meetings (e.g., take too much time; have schedule conflicts)
Explain _______________________________________________________________

[ ] 15. I did not like the rules and/or the pressure established by the group.

Client’s business reasons

[ ] 16. I have enough working capital now for my business.
[ ] 17. My business is seasonal; I will borrow again when I need it.
[ ] 18. I am switching to an MFI that offers larger loans.
[ ] 19. I am unable to repay the loans because of the weak condition of my business.

Explain _______________________________________________________________

[ ] 20. I decided to close the business and do something else (for example, get a job, start a new business)
[ ] 22. I sold the business to deal with a family crisis (illness, death).

Personal Reasons

[ ] 23. I cannot continue because I spent the money on a crisis (such as illness or death) or a celebration in my family (such as marriage).
[ ] 24. My spouse (or other adult income earner) left me so I do not have the ability to continue the business.
[ ] 25. My spouse died so I do not have the ability to continue the business.
[ ] 26. I am pregnant or now have another person(s) to care for (lack of time or ability to continue the business at the same level).
[ ] 27. I am moving out of the area.
[ ] 28. I cannot continue because of increasing household expenses, specifically:
    [ ] school fees
    [ ] food and clothing
    [ ] care for orphans
    [ ] other _____________________________________________
    [ ] 29. A family member told me to stop borrowing from the MFI.

Community and Economic Reasons

[ ] 30. My business was ruined by a disaster (such as robbery, fire, flood, hurricane).
[ ] 31. A major new competitor moved into the area, and many of my customers now buy from the competition.
[ ] 32. Poor economic conditions have left my customers with less money with which to buy my goods and services.

Other Reasons

[ ] 33. Other (specify)_______________________________________________
[ ] 99. Don’t know

4. In thinking about all the reasons why you have said you left the program, which categories best describe your most important reasons? (Read the answers.)
1. Program reasons – Client has problems related to the program requirements or policies (does not want to borrow again under present program terms; does not like treatment by program staff; needs loan but decided to borrow from competitive source of capital)

2. Problems related to borrowing in a group (internal conflicts; does not like group pressure, frequency of meetings, or group leader; was expelled; group failed)

3. Does not need capital now (has enough now; seasonal business is not active now; has graduated to larger loans from another source)

4. Business reasons – Related to economic activity for which client borrowed (was not profitable enough to continue borrowing, decided to sell or close business)

5. External reasons – Problems beyond client’s control that are not related to either the loan program or business (for example, personal reasons such as illness or death in the family, leaving area, pregnancy, lack of time, departure of spouse; or economic reasons such as destruction of business, new competitor, poor economic conditions affecting purchasing power of customers)

Questions Regarding Use of Loan

5. How did you spend your last loan? (Multiple responses are possible.) Rank the three largest categories of expenditure.

1. Start a new business
2. Change type of business
3. Buy more inputs/stock
4. Buy equipment/tools
5. Hire more workers
6. Improve/expand business site
7. School fees
8. Medical/funeral expenses
9. Savings
10. Other (specify)

99. Don’t know or unwilling to answer

6. Which best describes your experience in paying your last loan? (Read the answers. Mark only one answer.)

1. Difficult to pay
2. Within my capacity to pay
3. Easy to pay, but too small to meet the needs of my business
99. Don’t know

7. During the last 12 months, did your income in the business ....? (Read the answers. Mark only one answer.)
1. Increase greatly
2. Increase some
3. Stay the same
4. Decrease some
5. Decrease greatly
99. Don’t know

8. What would you recommend to improve our products and services?

________________________________________________________________
________________________________________________________________
________________________________________________________________
3.10. Handout: Sample Client Impact Survey

Note: This survey has been adapted from a client impact survey developed by the USAID/AIMS project.

<table>
<thead>
<tr>
<th>Field</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Interviewer:</td>
<td></td>
</tr>
<tr>
<td>Information from loan files:</td>
<td></td>
</tr>
<tr>
<td>Client ID Number:</td>
<td></td>
</tr>
<tr>
<td>Community:</td>
<td></td>
</tr>
<tr>
<td>Date of Interview:</td>
<td></td>
</tr>
<tr>
<td>Current Borrower:</td>
<td>yes</td>
</tr>
<tr>
<td>Orig. Amt. of Curr. Loan:</td>
<td>No. of Loan Cycles:</td>
</tr>
<tr>
<td>Is Loan Current?</td>
<td>yes</td>
</tr>
<tr>
<td>Amt. of Savings in MFI</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Field</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a</td>
<td>Gender</td>
</tr>
<tr>
<td></td>
<td>female</td>
</tr>
<tr>
<td>1b</td>
<td>Age</td>
</tr>
<tr>
<td></td>
<td>years</td>
</tr>
<tr>
<td>1c</td>
<td>Marital status:</td>
</tr>
<tr>
<td></td>
<td>married/free union</td>
</tr>
<tr>
<td></td>
<td>widowed</td>
</tr>
<tr>
<td></td>
<td>separated/divorced</td>
</tr>
<tr>
<td></td>
<td>never married</td>
</tr>
<tr>
<td>1d</td>
<td>Years of School</td>
</tr>
<tr>
<td></td>
<td>years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Field</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Information:</td>
<td></td>
</tr>
<tr>
<td>2a Number of Persons:</td>
<td>Adults (18 yrs +)</td>
</tr>
<tr>
<td></td>
<td>Children (17 and under)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2b Additions/subtractions from a year ago:</td>
<td>Adults</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2c Why did the household grow or shrink?</td>
<td>Birth</td>
</tr>
<tr>
<td></td>
<td>Marriage into family</td>
</tr>
<tr>
<td></td>
<td>Return from school/job</td>
</tr>
<tr>
<td></td>
<td>Other (explain)</td>
</tr>
<tr>
<td>2d How many persons in your household are working?</td>
<td>Self-Employed</td>
</tr>
<tr>
<td>2e Number of persons in household who were working a year ago:</td>
<td>Self-Employed</td>
</tr>
</tbody>
</table>
2f How many children currently attend school?  
______ number

2g How many children attended school last year?  
______ number

2h Indicate reason for change, if any:  
______ Just started 1st year / Just graduated  
______ Other

3a Proceeds of Last Loan were used for:  
______ Income-Generating Activity (Go to 3b)  
______ Personal Use (Go to 3c)  
______ Don't Know (Go to 3c)

3b Loan was invested in:  
______ Commerce / Trade/ Retail  
______ Manufacturing  
______ Service  
______ Agriculture  
______ Not Applicable - did not invest in Income-Generating Activity

3c Loan was used to  
______ Buy food for household  
______ Buy clothes or other household items  
______ Buy medicine or other health care  
______ Give or loan to someone else  
______ Keep on hand for emergency or to pay loan

3d Over the last 12 months, did your income or your household income...?  
______ Decrease greatly Go to 4a  
______ Decrease somewhat Go to 4a  
______ Stay the same Go to 5  
______ Increase somewhat Go to 4b  
______ Increase greatly Go to 4b  
______ Don't know Go to 5

4a Why did your income decrease?  
______ Household member has been sick  
______ Poor sales  
______ Unable to get inputs
Agricultural production was poor
Lost job
Other: 
Don't know

4b Why did your income increase?
Expanded existing business
Undertook new business
Able to buy inputs at cheaper price
Sold in new markets
Got a job
Other:
Don't know

5 During the last 12 months, in what three principal ways did you use the profit from your enterprise activity?
Buy food
Buy clothing
Pay school fees
Pay health-related costs
Buy household items
Reinvest in business
Save
Animal raising
Other:
Don't know
Not applicable

6a Do you currently have any personal cash savings that you keep in case of emergencies or because you plan to make a major purchase or investment?
Yes
No (go to 7)
Don't know (go to 7)

6b During the last 12 months, has your personal cash savings changed?
Decreased greatly
Decreased
Somewhat
Stayed the same
Increased
Somewhat
Increased greatly
Don't know
Go to 6c
Go to 6c
Go to 7
Go to 7
Go to 7
Go to 7

6c If your personal cash savings have decreased, why?
Bought food
Paid loan
Bought clothing
Invested in animal raising
In the past 12 months, has your household’s diet

- Worsened
- Stayed the same
- Improved
- Don’t know

Did you face any difficulty in repaying your loan in the last program cycle?

- Yes
- No (go to 9)
- Don’t know (go to 9)

If yes, what caused your repayment problems?

- Loan activity was not profitable
- I or others in household have been sick
- Used loan money for food or other household items
- Sold on credit and did not get paid in time
- Other:

Name three things you like most about [MFI name].

- Lower interest rate than other informal sources of credit
- Steady source of working capital
- Group solidarity/group dynamics
- Training or technical assistance
- Other financial services, such as savings or insurance
- Efficiency, compared to banks or other sources
- Easier guarantees than loan alternatives
- Other:

Name three things you like least about [MFI name]

- High interest rates or fees
- Initial or subsequent loans are too small
- Loan cycle is too long or too short (specify)
- Problematic group dynamics (with leaders or at meetings)
- Meeting frequency too often or meetings too long
- Meeting place/MFI office not convenient
- Repayment policies (frequency, amount: specify)
- Guarantee policies
Transaction costs for client (e.g., slow disbursement, need to cash checks)
Dislike behavior or attitude of loan officer or other MFI staff
Lack of grace period
Forced savings or insurance
Other: ___________________________________________
Nothing
Don't know

If you could change something about [MFI name] to make it even better, what would you change?

During the last 12 months, was there an occasion in which you or a member of your family needed medical attention?

Yes (Go to 10b) No (10c) Don't know (10c)

Where did you get the money to pay these medical costs?

From my business
From another household business or source of income
Borrowed from family or friends at no cost
Borrowed money at cost (specify source, amount, cost:)
Other (specify source, amount, cost:)
Don't know

In the last 12 months, was any ill or injured member of the household not taken for medical attention or treatment because the household lacked the money to pay for it?

Yes No Don't know
3.11. What Did I Learn?

Module: ____  Topic: ______________________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Module 4: Considering the External Environment

Objectives:
- Participants learn the importance of considering the competition, its products, and its services (Module 4A).
- Participants use the strengths, weaknesses, opportunities, and threats (SWOT) analysis to determine how their institutions compare against competitors (Module 4A).
- Participants discuss and strategize about existing and potential strategic alliances that might be appropriate for clients infected and affected by HIV/AIDS (Module 4B).
- Participants consider potential regulatory implications of HIV/AIDS for service provision or service provision options (e.g., savings and insurance) (Module 4C).

Description: In this subdivided module, participants will discuss the external elements in the broader microfinance environment that need to be considered in addressing the impact of HIV/AIDS on MFIs, households, and businesses. These environmental elements include competition, collaborators, and potential regulatory factors that might challenge an MFI’s operations. Note: These factors may not be relevant in all environments. Thus, facilitators have the option of including or excluding specific submodules (4A, 4B, and 4C).

Audience: MFI survey audience of board members, managers, and MFI staff.

Time requirement: 1 hour and 40 minutes
- Module 4A (55 minutes)
- Module 4B (40 minutes)
- Module 4C (5 minutes, depending on local environment)

Method: Guided discussions, group exercises, and short lecture.
References:

ベン *Introduction to Product Development (a Training Course)*, Consultative Group to Assist the Poor, Washington, DC, 2003.
ベン “Simple Rules for SWOT Analysis” available at www.marketingteacher.com, Southampton, United Kingdom.

Handouts and Overheads:

ベン Module 4A: Competition
  4.1 Handout: SWOT Analysis
ベン Module 4B: Collaborators
  4.2 Handout: Strategic Collaborators in the HIV/AIDS Context
  4.3 Handout: Strategic Collaborators (Answer Sheet)
ベン Module 4C: Regulatory Factors
  4.4 Handout: What Did I Learned?
Other Supplies

β Two flipcharts and pens

Additional Preparation Notes for Module 4C

When discussing regulatory factors, the trainer may want to consider researching legal and regulatory constraints or new laws on HIV/AIDS to be included in this discussion. This customization will provide for a more interesting and relevant discussion.

Facilitator’s Notes

We’ve talked about markets and clients and the importance of client retention. Now begin pose questions to participants about why it is necessary to consider outside environmental factors when looking at the effects of HIV/AIDS on one’s institution.

Why is it important to consider environmental factors in the markets in which we work?

Which environmental factors should institutions be looking at?

Answers should include the following:

Competition

β Potential collaborators or strategic partners
β Regulatory factors
β Other external factors, such as the political climate, macroeconomic changes, and changes in the business climate.

Use this information as a lead-in to a guided discussion on each of the areas.
Module 4A: Competition

Guided Discussion (15 minutes)

Note: This discussion may be a bit awkward because the audience may include representatives of organizations that compete with one another.

With the group, pose the following questions.

What pieces of information would an MFI want to know about its competitors?

How do we get information about competitors? How do we analyze them?

What additional information would be required in an HIV/AIDS context?

Possible answers include the following:

- What is the competition currently charging for similar products and services?
- What are the characteristics of the competitor’s products or services that seem to be successful and might be appropriate to our institution’s products?
- How is the competitor delivering the product or services (the process)?
- What is the target client of our competitor?
- How are our competitor’s products and services marketed?
- What do we expect our competitor to introduce in the way of new products in the future?
- How has our competitor reacted to our institution’s product changes?
- What changes has the competition made as a result of the negative financial impact of HIV/AIDS on businesses and households?
- Have our competitors forged strategic alliances with ASOs or other financial or nonfinancial organizations (commercial banks, insurance companies, and others)?

Other background information for discussion:

Competition between financial service providers is a growing force in many countries. Although the easy days of competition-free service provision may be over for MFIs, for microenterprise clients competition means more-tailored, more-flexible products; better customer service; and more consumer orientation. In countries hit by HIV/AIDS, a shrinking market will intensify competition among service providers. In the long run, MFIs that have adapted their products to meet customer needs will have better client retention rates and growing portfolios and will continue to be
sustainable, if not profitable. Institutions that pay close attention to their competition can identify client trends and make adjustments to their product/service mixes, including existing products.

Competitors include formal financial institutions such as banks, nonbank financial institutions such as savings and credit cooperatives (SACCOs)/credit unions and finance companies, other NGOs, and informal competitors. Additionally, institutions should not underestimate informal competitors such as money lenders, burial societies, stokvels, rotating savings and credit associations (ROSCAs), and other informal savings networks, such as Harambe. In some countries hit hard by HIV/AIDS, ROSCAs and other informal savings structures have increased in prevalence as borrowers look for ways to cope financially with the crisis.

HIV/AIDS requires serious MFIs to think more strategically about their products and their competitors. Early research across Africa has shown that MFIs are observing the following trends:

- Increased difficulty among their clients in making loan payments
- Increased requests by clients to access compulsory savings in group lending MFIs
- Increased withdrawals of voluntary savings
- Increased borrowing for emergency needs instead of productive activities
- Higher client absenteeism (and staff absenteeism)
- Increased requests from clients for smaller loan sizes.

Institutions that are modifying their business models to account for the new trends are most likely to succeed in the marketplace and capture a greater percentage of microenterprise clients.

Overall, changes in the environment—in this case, the potentially severe economic impact of HIV/AIDS on businesses and households—offer both opportunities for and threats to future service provision.

6 N Group Exercise (40 minutes)

As part two of the group exercise, assign each group one of the two organizations, NAMCO and MFC, presented in the Module 1 case study. Have each group complete Handout: SWOT Analysis for the organization it is assigned, integrating what it knows of the other case study organization.

Brief overview of the SWOT analysis. Facilitators should be prepared to give a brief overview of the SWOT analysis tool, in case some of the participants are not familiar with it.
SWOT analysis is used as an important part of the strategic planning process, reviewing internal and external factors that affect the organization positively and negatively. The SWOT framework can be used to match an organization’s resources and capabilities to the competitive environment in which it operates.

The internal analysis involves looking at an organization’s strengths and weaknesses. The external analysis involves looking at external threats and opportunities. To carry out a SWOT analysis, consider the answers to the following questions:

**Strengths:**

- What advantages does your organization have?
- What does your organization do well?
- What relevant resources does your organization have access to?
- What do others say about your organization’s strengths?

**Weaknesses:**

- In which areas can my organization improve?
- What does my organization do badly?
- What should my organization avoid?

With both the strengths and weaknesses, these questions need to be considered from both an internal and external basis. That is, how do others perceive your strengths and weaknesses?

**Opportunities:**

- Where are the good opportunities facing your organization?
- What are the interesting trends you are aware of?

Useful opportunities can come from such things as:

- Changes in the market and technology on both a broad and narrow scale
- Changes in government policy related to microfinance or financial services
- Changes in social patterns, population profiles, lifestyle changes, etc.
- Local events

**Threats:**

- What obstacles do you face?
- What is your competition doing better than your organization?
- Are the required specifications for your products and services changing?
- Is changing technology threatening your market position?
Do you have serious cash-flow problems?
Could any of your weaknesses seriously threaten your business?

Facilitators may need to remind participants of some of the **simple rules for doing the SWOT analysis**. These rules include the following:

- Be realistic about the strengths and weaknesses of your organization.
- Analysis should distinguish between where your organization is today and where it could be in the future.
- Be specific. Avoid grey areas.
- Always analyze in the context of your competition.
- Keep your SWOT short and simple. Avoid complexity and overanalysis.
- SWOT is subjective!

Have the groups report to the larger group on the process. Have each group share ideas on how the might improve weaknesses and minimize threats.
4.1. Handout: SWOT Analysis

<table>
<thead>
<tr>
<th>SWOT Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRENGTHS</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Module 4B: Collaborators

Guided Discussion and Small-Group Exercise (40 minutes)

Ask participants which entities they think might be considered strategic partners or collaborators for an MFI. List the answers on a flipchart. Answers should include the following:

- International microfinance networks
- International technical assistance providers
- Local networks/associations
- Insurance companies
- Commercial banks.

Ask participants whether there are others that might be considered that play some role in providing information about HIV/AIDS. Possible answers should include the following:

- ASOs
- Legal resource organizations
- Health care organizations and hospitals.

Break participants into small groups and have them complete the exercise in Handout: Strategic Collaborators in the HIV/AIDS Context.

Note

If there are enough people, divide them into six groups and have them start at various points on the matrix so that all points are covered. Have groups list the types of products or services that each collaborator provides and what the benefits to the MFI would be from a strategic collaboration with that organization in an HIV/AIDS context. (This part of the exercise should last about 20 minutes.)

Variation for Different Training Audiences

The facilitator may choose to use the NAMCO case from Module 1 and ask the group to fill out the matrix, giving serious consideration to the types of strategic linkages NAMCO should form as a way to strengthen its market position and its service offering in an HIV/AIDS context.
Bring the small groups back together to discuss how they filled in this matrix. 

**Note:** Facilitators may or may not choose to provide participants with the **Handout: Strategic Collaborators in the HIV/AIDS Context – Potential Answers.** This handout may be used as a guide for the facilitator.
### 4.2. Handout: Strategic Collaborators in the HIV/AIDS Context

<table>
<thead>
<tr>
<th>Collaborator</th>
<th>Collaborator’s Products/Services</th>
<th>Benefits to MFI Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>International microfinance network/technical assistance (TA) provider</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local microfinance network/association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial insurance provider</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial bank/nonbank financial institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS service organization (ASO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal resource organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal associations, burial societies, stokvels, and others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 4.3. Handout: Strategic Collaborators in the HIV/AIDS Context – Potential Answers

<table>
<thead>
<tr>
<th>Collaborator</th>
<th>Collaborator’s Products/Services</th>
<th>Benefits to MFI Partner</th>
</tr>
</thead>
</table>
| International microfinance network/technical assistance (TA) provider     | • Provides technical assistance (TA) to MFI in a variety of operational areas  
• Often provides access to donor grants for loan capital, capacity building, or innovations  
• Often provides access to information on new innovations, research, and best practices being developed in other regions and countries. | • Plays a role in educating donors and investors about the potential impact of HIV/AIDS  
• Assists MFI with developing new products, augmenting internal policies and procedures, reviewing pricing, and undertaking a strategic planning effort. |
| Local microfinance network/association                                    | • Provides training and TA to institutions on best practice topics  
• Provides access to information on new innovations, research, and best practices being developed in other regions/countries  
• Advocates on behalf of MFIs to governments  
• Provides institutions with information on local regulations and local research  
• Sets national benchmarks and performance standards and fosters healthy competition to better serve clients. | • Gives MFI a source of new information on HIV/AIDS research and innovations in financial products, at a lower cost than MFI would incur doing research on its own  
• Assists MFI with developing new products, augmenting internal policies and procedures, reviewing pricing, and undertaking a strategic planning effort. |
| Commercial insurance provider                                             | • Provides different insurance products, including *loan insurance*, which pays the outstanding balance of the client’s loan in the event of death; *health insurance*, to pay medical expenses related to certain diseases and accidents; *death benefit insurance*, which pays for | • Loan insurance pays outstanding balance on behalf of the client, eliminating possible loan default due to death from HIV/AIDS-related illness  
• For institutions offering group loans, loan insurance reduces the incentive for groups to prevent HIV- |
<table>
<thead>
<tr>
<th>Collaborator</th>
<th>Collaborator's Products/Services</th>
<th>Benefits to MFI Partner</th>
</tr>
</thead>
</table>
| Commercial bank/nonbank financial institutions | burial and related funeral costs incurred by the family; and an education trust in the form of an annuity to children orphaned as a result of a parent dying of HIV/AIDS.  
  - Note: Health insurance is often not offered to persons known to be HIV-positive.  
  - Note: Insurance deals need to be mutually beneficial to both parties, and parties will define success differently. | positive people from joining or continuing with the group  
  - Health and death benefit insurance minimize risk of client defaulting when excess income is being absorbed by new medical costs. |
| AIDS service organization (ASO)    | Provides clients and staff with information on the disease, its transmittal and prevention, nutrition guidelines for those who are HIV-infected, counseling, strategies on coping with HIV/AIDS, and household cash flow and budgeting. | For nongovernmental organizations (NGOs) not legally able to mobilize savings, commercial banks or SACCOs/credit union may play a role in allowing MFI clients to save or receive remittances from family members outside of or in other parts of the country. |
| Legal resource organization        | Provides information to clients on wills and inheritance laws (specifically, for land and property) for women to ensure that women and children have full legal protection after a husband dies, collection services, advice on legal issues of HIV/AIDS and discrimination | Teaches clients/MFI staff how to minimize and mitigate risk of infection, which means lower risk for MFI  
  - Provides clients with better money management skills. |
<p>| Informal                          | Provides informal mechanisms                                                                                                                                                                                                     | Ensures that clients continue to have access to productive assets, such as land for operating the business, and/or securing a loan with MFI. |</p>
<table>
<thead>
<tr>
<th>Collaborator</th>
<th>Collaborator's Products/Services</th>
<th>Benefits to MFI Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>associations, burial societies, stokvels and others</td>
<td>for households to save for specific purposes, such as burials, etc.</td>
<td>access to other accumulated assets in the event of the death of a family member, so loans do not get diverted</td>
</tr>
</tbody>
</table>

The facilitator should reiterate a few points:

- Strategic collaboration makes sense in a marketplace that is shrinking and changing because of the financial impact of HIV/AIDS.
- Collaboration can take many forms. There is not just one way to collaborate.
- An MFI should seek linkages that expose it to minimal costs and risks and don’t detract from its core business of providing financial services to poor clients but still produce a stronger clientele that is less likely to drop out or default on loans.
- MFIs are not and should not become HIV/AIDS education organizations. Instead, MFIs can promote greater openness, share valuable HIV/AIDS information with clients, and promote HIV/AIDS resource organizations to clients at little or no cost to the MFI—again while still reaping the benefits of a more-educated clientele.

**Module 4C: Regulatory Factors**

![Lecture and Discussion](5 minutes)

*Note to facilitator:* This submodule may be completely irrelevant in some environments and therefore is optional.

Relay to participants a few points on regulatory factors/changes that could arise in an HIV/AIDS context that might affect MFI operations.

Although there is little anecdotal evidence of regulatory requirements changing because of the economic impact of HIV/AIDS, there are still some regulatory aspects to consider:

- In many countries, mobilization of savings and provision of insurance are regulated by a national government regulatory body. Regulation of these types of activities is meant to protect the public interest (and the public’s money).
- In the case of savings, a central bank sets and enforces regulations regarding who can mobilize savings.
In the case of insurance, licensing and regulations are intended to maintain the insurer's solvency and thus protect consumers who may try to make a claim against an insurer that is insolvent.

Some potential ways in which regulation might affect regulated MFIs include the following:

- New reporting requirements for formal institutions regulated by a central bank
- More stringent provisioning standards/policies (also by a central bank)
- Laws adopted to protect HIV-positive citizens against discrimination related to the disease. This factor could be a major issue for MFIs that are dropping clients because of perceived increased risks.

What Did I Learn?

Allow 5 minutes for participants to fill out handout on what they learned, what challenges the new information poses to their institution, and how they will apply the information.
4.4. What Did I Learn?

Module: _____  Topic: _____________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Module 5: Analyzing Ourselves

Objectives:

- How HIV/AIDS not only affects the external environment of an MFI and its clients but also how it affects the management of risk associated with internal operations.
- How HIV/AIDS affects financial management and performance monitoring and what areas need to be reinforced and monitored more closely.
- How institutions should review products to make decisions and, ultimately, changes and refinements.
- How to consider the various cost implications for human resources and make changes that will motivate staff to perform and mitigate their personal risk in regard to HIV/AIDS.
- Elements to consider, including cost implications, when developing a workplace program.

Description: This module focuses on three internal aspects of an MFI’s operations that will be affected when clients and staff are infected or affected with HIV/AIDS. The module has been broken into submodules that can be used separately or together. It begins with a discussion of the amplified risks experienced by an MFI in an HIV/AIDS context, specifically as they relate to the following subcomponents:

- Financial performance monitoring (Module 5A)
- Credit, savings, and product management (Module 5B)
- Human resource management and workplace policy development (Module 5C).

Time requirement: Approximately six and a half hours in total. Introduction to Risk Management (15 minutes); Module 5A (1 hour and 45 minutes – 2 hours); Module 5B (1 hour and 45 minutes); and Module 5C (1 hour and 50 minutes).

Method: Large-group discussions, small-group discussions, and exercises.

References:


Clarkson, Max, and Michael Deck, *Effective Governance for Micro-Finance Institutions*, Toronto: Clarkson Center for Business Ethics, Faculty of Management, University of Toronto, October 1996. (Also reprinted in the Consultative Group to Assist the Poor’s Focus Note no. 7, March 1997; [www.cgap.org](http://www.cgap.org).)


*Introduction to Product Development (a training course)*, Consultative Group to Assist the Poor, Washington, DC, 2003.


*The MicroBanking Bulletin*, Microfinance Information eXchange (MIX Market, [www.mixmarket.org](http://www.mixmarket.org)).


### Handouts and Overheads

5.1 Overhead: Major Risks to Microfinance Institutions

5.2 Overhead: Impact of HIV/AIDS on a Microfinance Institution

Module 5A: Financial Performance Monitoring

5.3 Overhead: Cost of Delinquency

5.4 Handout and Overhead: Effects on Income Statement

5.5 Handout: Effects on Income Statement (Answer Sheet)

5.6 Handout: Explanation of Ratios to Monitor in an HIV/AIDS Context

5.7 Handout: Ratios to Monitor in the HIV/AIDS Context
Facilitator’s Notes

Introduction: Risk Management (15 minutes)

The next part of the workshop will focus on the area in which MFIs have the greatest amount of control, compared to the areas discussed earlier in the workshop. Show the framework presented before Module 3 to remind participants where they are in the workshop.

To begin the discussion, ask participants about what kinds of risk MFIs face. Lead them to the three most important: financial, operational, and strategic.

Show them the Overhead: Major Risks to Microfinance Institutions.

Financial risks include all risks related to the business of investing and managing money. This is the main risk of any financial services business.
Operational risks are risks associated with potential human or computer error in the business of providing financial services.

Strategic risks are internal risks such as poor leadership but also include external risks from changes in the business and competitive environments.

Ask participants which categories of risk are amplified in the HIV/AIDS context. (Note: Facilitators can check these items off on the overhead once responses are given.)

Facilitators can pose the following questions to participants to assist them in addressing which risks are amplified in the HIV/AIDS context.

Does the MFI have workers or clients in areas of high unemployment and/or poverty?

Does the MFI require employees to travel frequently away from their families?

Is the country or region undergoing rapid economic change?

Has the MFI’s leadership acknowledged the impact of HIV/AIDS on the business environment?

Many of these areas of risk are within the control of the MFI, and we can manage them. Today we’re going to focus on areas of risk that an MFI can manage. This module looks into the internal operations of an MFI and analyzes both the elements of operations that could be affected by HIV/AIDS and the elements that could be changed to (a) guard against the risks that affect the operations and performance of the institution and (b) better serve clients. This module focuses predominantly on transaction risk, credit risk, and liquidity risk.

## 5.1. Overhead: Major Risks to Microfinance Institutions

<table>
<thead>
<tr>
<th>Financial Risks</th>
<th>Operational Risks</th>
<th>Strategic Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td><strong>Transaction Risk</strong></td>
<td><strong>Governance Risk</strong></td>
</tr>
<tr>
<td>• Transaction risk</td>
<td>• Human resources risk</td>
<td>• Ineffective oversight</td>
</tr>
<tr>
<td>• Portfolio risk</td>
<td>• Information and technology risk</td>
<td>• Poor governance structure</td>
</tr>
<tr>
<td><strong>Market Risk</strong></td>
<td><strong>Fraud Risk</strong></td>
<td><strong>Reputation Risk</strong></td>
</tr>
<tr>
<td>• Interest-rate risk</td>
<td></td>
<td><strong>External Business Risk</strong></td>
</tr>
<tr>
<td>• Foreign-exchange risk</td>
<td><strong>Legal and Compliance Risk</strong></td>
<td>• Event risks (political, macroeconomic, natural disaster, health/epidemic)</td>
</tr>
<tr>
<td>• Investment portfolio risk</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This risk framework appears in *A Risk Management Framework for Microfinance Institutions*, published by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and prepared by The Microfinance Network and Shorebank Advisory Services Inc., July 2000.
5.2. Overhead: Impact of HIV/AIDS on a Microfinance Institution

Financial Management and Performance Monitoring

Effective financial management of an MFI requires a keen understanding of how various operational issues affect financial performance. Thus, financial management in the HIV/AIDS context is particularly important because of several key operational issues that are affected in the workplace. Specifically, financial management of MFIs in any context should focus on three key areas:

- Delinquency and asset quality
- Productivity and efficiency
- Risk management.

**Delinquency and Asset Quality**

Pose to participants the following questions:

Why do delinquent loans play a critical role in an MFI’s expenses, cash flow, revenue, and profitability?

Why is delinquency management so important?

Possible answers:

- **Expenses**: Additional efforts to collect delinquent loans mean higher operating expenses for closer monitoring and collection visits, more frequent visits to clients, additional analyses of the portfolio, legal fees for pursuing very delinquent loans, and so forth.
- **Cash flow**: Delinquency usually results in slower turnover of the loan portfolio, which puts pressure on an MFI’s ability to pay its expenses.
- **Revenue**: Delinquent loans often result in delayed or lost interest income (revenue). When interest income is not received, there is a direct impact on the bottom line and hence profitability.
- **Profitability**: Profitability decreases with increased expenses and loan losses.

With participants, complete an analysis of an example of the cost of a delinquent loan (Overhead: Cost of Delinquency). Point out that there is a substantial increase in the number of new loans required to make up the difference the delinquency causes. Other issues to point out or bring up during the discussion:
Note: Participants may ask how variable costs per 1000 of loan is calculated. Variable costs include: cost of funds, operating costs and provisioning. The number in the exercise is a plug number and given as an example that you will always need to consider the variable costs incurred. This exercise shows the true cost of not recovering the loan.

What is the effect on the MFI’s cash flow?

What will the MFI do with lost principal? (Write it off)

How many loans do we need to make in order to make up lost principal? Interest?

If this is a group loan, what are the options? (Consider discussion on client loyalty)

How would your MFI handle the following situation: A widow approaches your MFI and indicates that she is only able to pay off the $2,000 of her deceased husband’s loan.

MFIs may need to look at the middle ground. That is, what else is lost beside principal (potentially other good clients)? An MFI *might* want to consider rescheduling the loan. MFIs need to consider carefully the circumstances under which rescheduled loans are permissible. Either way, an MFI needs to look at the costs of making a loan. The example should make the point that controlling delinquency in the context of HIV/AIDS becomes an important function.

Note

The facilitator may take an extra few minutes to find out how institutions calculate delinquency, recognizing that many may not be following “best practices.” Similarly, the facilitator could take a few minutes to discuss provisioning for bad loans.
### 5.3. Overhead: Cost of Delinquency

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Loan Amount</td>
<td>1000</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>15% Flat</td>
</tr>
<tr>
<td>Loan Term</td>
<td>25 weeks</td>
</tr>
<tr>
<td>Weekly Payment:</td>
<td></td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>6</td>
</tr>
<tr>
<td><strong>Principal</strong></td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>46</td>
</tr>
<tr>
<td>Payments Received</td>
<td>14 weeks</td>
</tr>
<tr>
<td>Payments Overdue</td>
<td>11 weeks</td>
</tr>
<tr>
<td>Lost Income and Principal</td>
<td></td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>66</td>
</tr>
<tr>
<td><strong>Principal</strong></td>
<td>440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>506</td>
</tr>
<tr>
<td>Expected Revenue per 1000 loan for 25 weeks</td>
<td>150</td>
</tr>
<tr>
<td>Variable cost per loan of 1000</td>
<td>90</td>
</tr>
<tr>
<td>Expected Net Revenue</td>
<td>60</td>
</tr>
<tr>
<td>Actual Income Received</td>
<td>84</td>
</tr>
<tr>
<td>Cost per Loan</td>
<td>90</td>
</tr>
<tr>
<td>Actual Net Revenue Received</td>
<td>-6</td>
</tr>
</tbody>
</table>

Number of Loans Required to Earn Lost Principal: 7.3 loans of 1000

Lost Principal/Net Revenue per 1000 Loan: 440/60

Number of Loans Required to Earn Lost Principal + Interest: 8.4 loans of 1000

Lost P+I /Net Revenue per 1000 loan: 506/60

Furthermore, delinquency that goes unmanaged or is overlooked leads to erosion of asset quality. Ask participants what happens when delinquency goes unmanaged?

Possible answers include the following:

- Delinquent loans may be overstated and may need to be written off.
- Delinquency may “poison” the group in a group lending situation or may spread to other groups if word gets out that individuals are not paying.
- Loan officers spend more time (and are thus less productive) trying to repair the damage to the group (in group lending organizations).
- The institution loses performing assets; without proper provisions, this asset loss erodes institutional capital or, worse, member savings (in credit unions and SACCOs).
- The institution needs to consider if it has allocated appropriate provisions to protect the institution (e.g., loan loss provisions).

In the HIV/AIDS context, managers must realize that one essential way delinquency can be managed is through the design and/or augmentation of loan products that are valued by the client. When client needs, preferences, and other factors (such as changing income streams) are considered in the product design, an MFI is less likely to experience major problems with delinquency. (Issues related to product design are discussed more thoroughly later in this module.) At the same time, MFIs need to continue to be vigilant about protecting their own institutions. It’s a delicate balance.

**Productivity and Efficiency**

Productivity and efficiency management involve both maximizing income and minimizing expenses. Productivity management includes ensuring that staff members are sufficiently motivated to perform efficiently and are provided with timely information to make decisions. Efficiency management focuses on managing and reducing costs wherever possible. As part of this discussion, have participants review a sample income statement (Handout: Effects on the Income Statement). Ask participants to discuss how various elements of the income statement will change in an HIV/AIDS context. Then review the answer sheet (Handout: Effects on Income Statement – Answer Sheet).
The facilitator might mention that not all institutions allow restructuring of loans. Again, this issue is something that MFIs need to consider very carefully in setting or changing credit policies.
## 5.4. Handout: Effects on Income Statement

<table>
<thead>
<tr>
<th>Effect</th>
<th>Comments/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL INCOME</strong> – Includes revenue from interest earned, fees, and commissions (including late fees and penalties) on the gross loan portfolio only. This item includes not only interest paid in cash but also interest accrued but not yet paid.</td>
<td></td>
</tr>
<tr>
<td>Interest, commissions, and fee income from current loans</td>
<td></td>
</tr>
<tr>
<td>Interest and fees from past-due loans</td>
<td></td>
</tr>
<tr>
<td>Income from investments</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL INCOME</strong></td>
<td></td>
</tr>
<tr>
<td><strong>FINANCIAL EXPENSES</strong> – All interest, fees, and commissions incurred on all liabilities, including deposit accounts of clients held by an MFI, commercial and concessional borrowings, mortgages, and other liabilities. It may also include facility fees or credit lines.</td>
<td></td>
</tr>
<tr>
<td>Interest, fees, and commissions paid on deposits</td>
<td></td>
</tr>
<tr>
<td>Interest payable on loans, mortgages, and other liabilities</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>GROSS FINANCIAL MARGIN</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PROVISION FOR LOAN LOSSES</strong> – A noncash expense that is used to create or increase the loan-loss allowance on the balance sheet. The expense is calculated as a percentage of the value of the gross loan portfolio that is at risk of default.</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong> – Includes personnel expense and administrative expense but excludes financial expense and loan-loss provision expense.</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses – Includes staff salaries, bonuses, and benefits, as well as employment taxes incurred by an MFI.</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses (broken out)</td>
<td></td>
</tr>
<tr>
<td>Rent and utilities</td>
<td></td>
</tr>
<tr>
<td>Office materials and supplies</td>
<td></td>
</tr>
<tr>
<td>Transportation and travel</td>
<td></td>
</tr>
<tr>
<td>Legal fees</td>
<td></td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>NET OPERATING PROFIT (LOSS)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>NONOPERATIONAL INCOME</strong></td>
<td></td>
</tr>
<tr>
<td>Cash donations/grants</td>
<td></td>
</tr>
<tr>
<td><strong>NONOPERATING EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CONSOLIDATED PROFIT (LOSS)</strong></td>
<td></td>
</tr>
</tbody>
</table>
## 5.5. Handout: Effects on the Income Statement – Answer Sheet

<table>
<thead>
<tr>
<th><strong>FINANCIAL INCOME</strong> – Includes revenue from interest earned, fees, and commissions (including late fees and penalties) on the gross loan portfolio only. This item includes not only interest paid in cash but also interest accrued but not yet paid.</th>
<th>Effect</th>
<th>Comments/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, commissions, and fee income from current loans</td>
<td>decrease</td>
<td>Clients desire smaller business loan sizes, delinquency and default tend to be higher, and clients are dropping out</td>
</tr>
<tr>
<td>Interest on restructured loans</td>
<td>increase</td>
<td>Depends on MFI policies on restructuring, but likely more loan restructuring in event clients cannot pay</td>
</tr>
<tr>
<td>Income from investments</td>
<td>increase</td>
<td>Financial income portfolio should always outweigh income from investments</td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL INCOME</strong></td>
<td>decrease</td>
<td></td>
</tr>
</tbody>
</table>

**FINANCIAL EXPENSES** – All interest, fees, and commissions incurred on all liabilities, including deposit accounts of clients held by an MFI, commercial and concessional borrowings, mortgages, and other liabilities. It may also include facility fees or credit lines.

| Interest, fees, and commissions paid on deposits | decrease | If savings services offered, more savings withdrawn, thus lower interest expense |
| Interest payable on loans, mortgages, and other liabilities | increase/decrease | Overall portfolio shrinking, there is less need for outside loans, but may borrow more if deposits are shrinking |
| **TOTAL FINANCIAL EXPENSES** | decrease | Net decrease due to above factors |
| **GROSS FINANCIAL MARGIN** | decrease | Net decrease due to above factors |
PROVISION FOR LOAN LOSSES – A noncash expense that is used to create or increase the loan-loss allowance on the balance sheet. The expense is calculated as a percentage of the value of the gross loan portfolio that is at risk of default.

| OPERATING EXPENSES – Includes personnel expense and administrative expense but excludes financial expense and loan-loss provision expense. | increase | Higher delinquency and loan losses, therefore higher provisioning |
| Personnel expenses – Includes staff salaries, bonuses, and benefits, as well as employment taxes incurred by an MFI. | increase | Higher benefits, fluctuation in salaries, therefore increase |
| Administrative expenses (broken out) | | |
| Rent and utilities | same | |
| Office materials and supplies | same | |
| Transportation and travel | increase | More monitoring by loan officers |
| Legal fees | increase | Increased number of court cases for unrecoverable loans, where applicable |
| Bank charges | increase | Increased fees due to increased withdrawals of short-term investments to maintain liquidity |
| Depreciation | same | |
| Other | same | |
| TOTAL OPERATING EXPENSES | increase | Increase due to higher personnel expenses |
| NET OPERATING PROFIT (LOSS) | decrease | Assumes that financial income is more than expenses but that due to lower income and higher expenses, net operating profit is lower |
| NONOPERATIONAL INCOME | same | |
| Cash donations/grants | | |
| NONOPERATING EXPENSES | same | |
| TOTAL CONSOLIDATED PROFIT (LOSS) | decrease | |
Performance Monitoring

Performance monitoring management consists of reviewing and analyzing trends within financial information and other measures of performance. The ability to observe these trends and make appropriate changes demonstrates an effectively operating financial institution. Many volumes have been written on financial performance monitoring, some of which are annotated in the Annex for participants’ future reference. In monitoring performance in an HIV/AIDS environment, MFIs would want to ensure that they review a set of key ratios.

Pose the following questions to participants. (Note to facilitator: How many and which questions are posed should depend on the audience’s familiarity with ratio analysis and performance monitoring. Some audiences will require more discussion of the basic topic.)

Do you calculate performance indicators at your MFI?

What do specific ratios tell you as a manager?

From where does the information for these ratios come?

Which ratios does your MFI use? What do they tell you?

Note

It might be helpful to write these ratios on a flipchart.

Which ratios do you think are more important in the HIV/AIDS context?

After discussing which ratios workshop participants might use, refer participants to the Handout: Explanation of Ratios to Monitor in an HIV/AIDS Context and Handout: Ratios to Monitor in an HIV/AIDS Context. Explain that – for those who have not seen these ratios before – these are ratios (among others) that have been agreed upon by a broad group of industry practitioners and donors.

In pairs, have participants review the ratios. Suggest that these ratios may or may not be the right ones. (Remember that the reason for reviewing these ratios is not to determine the performance or strength of the MFI per se but to measure the effect that HIV/AIDS may be having on clients and hence on the institution.)

Pose the following questions to participants:
Which ratios would go up, and which ones would go down?

(Draw on the overhead arrows depicting the direction of change, up or down. Note answers on the provided answer sheet.)

What are the factors that influence these movements?

Note factors in the numerator and denominator; for example, increases in operating costs such as personnel costs.

How do you differentiate between the economic effect of HIV/AIDS on the institution and other changes in the macroeconomic environment?

Again, note factors in the numerator and denominator. Also, point out that ratios are only one tool for monitoring performance. Also point out that other tools discussed earlier—such as exit surveys, focus groups, and other surveys—when used in conjunction with ratio monitoring, can help point to the causes of deteriorating financial and operational performance. Ratios specifically address the economic or financial impact on the institution.

What changes would these ratios prompt an MFI manager to make?

Write responses on a flipchart.

Variation for Different Training Audiences

Please note: An alternative exercise on performance monitoring for deposit taking institutions using the PEARLS ratios has been created and can be found in Annex III. The exercise on monitoring in Annex III may be a good substitute for savings and credit associations and other cooperative structures that intermediate savings.
### 5.6. Handout: Explanation of Ratios to Monitor in an HIV/AIDS Context

<table>
<thead>
<tr>
<th>Ratio/Indicator</th>
<th>Formula for Calculation</th>
<th>Explanation of Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability/Sustainability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>Operating revenue* / (financial expenses + loan loss provision expenses + operating expenses)</td>
<td>Measures how well an MFI covers its costs through operating revenues. In addition to operating expenses, it is recommended that financial expenses and loan-loss provision expenses are included in this calculation because they are normal (and significant) costs of operations.</td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>Adjusted operating revenue / (financial expense + loan loss provision expense + adjusted operating expenses)</td>
<td>Measures how well an MFI can cover its costs, taking into account several adjustments to operating revenues and expenses. The purpose of most of the adjustments is to model how well the MFI could cover its costs if its operations were unsubsidized and if it were funding its expansion with commercial-cost liabilities.</td>
</tr>
<tr>
<td>Adjusted return on assets (AROA)</td>
<td>(Net adjusted operating income - taxes) / average assets</td>
<td>This ratio may be calculated on an adjusted basis to address the effects of subsidies, inflation, loan-loss provision, and other items that are not included in an MFI’s net income.</td>
</tr>
<tr>
<td>Adjusted return on equity (AROE)</td>
<td>(Adjusted net operating income) / average equity</td>
<td>This ratio may be calculated on an adjusted basis to address the effects of subsidies, inflation, loan-loss provisioning, and other items that are not included in an MFI’s net operating income.</td>
</tr>
<tr>
<td><strong>Productivity/Efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expense ratio</td>
<td>Operating expenses / average gross portfolio***</td>
<td>This ratio is the most commonly used efficiency indicator for MFIs. It includes all administrative and personnel expenses. Therefore, average total assets are the more appropriate denominator for financial intermediaries when calculating the operating expense ratio.</td>
</tr>
<tr>
<td>Cost per client</td>
<td>Operating expenses / average number of active clients</td>
<td>Provides meaningful measure of efficiency for an MFI, by determining the average cost of maintaining an active borrower or client.</td>
</tr>
<tr>
<td>Personnel productivity (borrowers or active clients)</td>
<td>Number of active borrowers / number of personnel or Number of active clients/number of personnel</td>
<td>Measures the overall productivity of total MFI human resources in managing clients who have an outstanding loan balance and therefore contribute to the financial revenue of the MFI.</td>
</tr>
<tr>
<td>Loan officer productivity</td>
<td>Number of active borrowers/number of loan officers</td>
<td>Measures the average caseload of each credit officer. This is a common ratio, but it is difficult to compare across MFIs because the definition of loan officer varies.</td>
</tr>
<tr>
<td>Client retention</td>
<td>Active clients at end of period / (active clients at beginning of period + new clients during period)</td>
<td>Measures the MFI’s retention of existing clients. This measurement is important for MFIs to determine if their clients are dropping out or leaving the MFI.</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>Personnel expenses / average gross loan portfolio</td>
<td>The purpose of this ratio is to allow an MFI to track the growth or decline of a particular expense over time or across a group.</td>
</tr>
<tr>
<td>Ratio/ Indicator</td>
<td>Formula for Calculation</td>
<td>Explanation of Ratio</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Portfolio Quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio at risk (PAR) ratio</td>
<td>Portfolio at risk (30 days**) / gross loan portfolio</td>
<td>The most accepted measure of portfolio quality. PAR is the outstanding amount of all loans that have one or more installments of principal past due by a certain number of days.</td>
</tr>
<tr>
<td>Risk coverage ratio</td>
<td>Loan-loss reserves / portfolio at risk &gt; 30 days**</td>
<td>Shows how much of the portfolio at risk is covered by an MFI’s loan-loss allowance. It is a rough indicator of how prepared an institution is to absorb loan losses in the worst-case scenario.</td>
</tr>
<tr>
<td>Write-off ratio</td>
<td>Value of loans written-off / average gross loan portfolio</td>
<td>Represents the percentage of an MFI’s loans that have been removed from the balance of the gross loan portfolio because they are likely to be unpaid.</td>
</tr>
<tr>
<td><strong>Growth/Outreach</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio growth</td>
<td>(Gross portfolio at end of period – gross portfolio at beginning of period) / gross portfolio at beginning of period</td>
<td>This ratio measures the growth of the MFI’s portfolio.</td>
</tr>
<tr>
<td>Deposit growth</td>
<td>(Deposits at end of period – deposits at beginning of period) / deposits at beginning of period</td>
<td>Measures the growth of deposits.</td>
</tr>
<tr>
<td><strong>Financial Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset productivity</td>
<td>Gross portfolio / total assets</td>
<td>This ratio measures the percentage of the portfolio to total assets. MFIs with the majority of their assets in the portfolio are found to be more productive because the portfolio is the largest source of revenue for the MFI.</td>
</tr>
<tr>
<td>Average deposit account size</td>
<td>Total deposits / number of depositors</td>
<td>Measure of coverage, client retention (Note: may be a useful measure even if savings are required but MFI cannot take deposits and funds are maintained elsewhere).</td>
</tr>
</tbody>
</table>

* Revenue and income may be used interchangeably.
** 30 days is the most common international measure.
*** Average total assets could be used as an alternative denominator.

### 5.7. Handout: Ratios to Monitor in an HIV/AIDS Context

<table>
<thead>
<tr>
<th>Ratio/Indicator</th>
<th>Formula for Calculation</th>
<th>Expected Changes because of HIV/AIDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability/Sustainability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>Operating revenue* / (financial expenses + loan loss provision expenses + operating expenses)</td>
<td></td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>Adjusted operating revenue / (financial expense + loan loss provision expense + adjusted operating expenses)</td>
<td></td>
</tr>
<tr>
<td>Adjusted return on assets (AROA)</td>
<td>(Net adjusted operating income - taxes) / average assets</td>
<td></td>
</tr>
<tr>
<td>Adjusted return on equity (AROE)</td>
<td>(Adjusted net operating income) / average equity</td>
<td></td>
</tr>
<tr>
<td><strong>Productivity/Efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expense ratio</td>
<td>Operating expenses / average gross portfolio***</td>
<td></td>
</tr>
<tr>
<td>Cost per client</td>
<td>Operating expenses / average number of active clients</td>
<td></td>
</tr>
<tr>
<td>Personnel productivity</td>
<td>Number of active borrowers / number of personnel or Number of active clients/number of personnel</td>
<td></td>
</tr>
<tr>
<td>Loan officer productivity</td>
<td>Number of active borrowers/number of loan officers</td>
<td></td>
</tr>
<tr>
<td>Client retention</td>
<td>Active clients at end of period / (active clients at beginning of period + new clients during period)</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>Personnel expenses / average gross loan portfolio</td>
<td></td>
</tr>
<tr>
<td><strong>Portfolio Quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio at risk (PAR) ratio</td>
<td>Portfolio at risk (30 days**) / gross loan portfolio</td>
<td></td>
</tr>
<tr>
<td>Risk coverage ratio</td>
<td>Loan-loss reserves / portfolio at risk &gt; 30 days**</td>
<td></td>
</tr>
<tr>
<td>Write-off ratio</td>
<td>Value of loans written-off / average gross loan portfolio</td>
<td></td>
</tr>
<tr>
<td><strong>Growth/Outreach</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio growth</td>
<td>(Gross portfolio at end of period – gross portfolio at beginning of period) / gross portfolio at beginning of period</td>
<td></td>
</tr>
<tr>
<td>Deposit Growth</td>
<td>(Deposits at end of period – deposits at beginning of period) / deposits at beginning of period</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset productivity</td>
<td>Gross portfolio / total assets</td>
<td></td>
</tr>
<tr>
<td>Average deposit account size</td>
<td>Total deposits / number of depositors</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio/Indicator</th>
<th>Formula for Calculation</th>
<th>Expected Changes Due to HIV/AIDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability/Sustainability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>Operating revenue / (financial expenses + loan loss provision + operating expenses)</td>
<td>↓</td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>Adjusted operating revenue / (financial expenses + loan loss provision + adjusted operating expenses)</td>
<td>↓</td>
</tr>
<tr>
<td>Adjusted return on assets (AROA)</td>
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</tr>
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<td>Adjusted return on equity (AROE)</td>
<td>(Adjusted net operating revenue) / average equity</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Productivity/Efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expense ratio</td>
<td>Operating expenses / average gross portfolio</td>
<td>↑</td>
</tr>
<tr>
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<td>Operating expenses / average number of active clients</td>
<td>↑</td>
</tr>
<tr>
<td>Personnel productivity (borrowers)</td>
<td>Number of active borrowers / number of personnel or Number of active clients/number of personnel</td>
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</tr>
<tr>
<td>Personnel expenses</td>
<td>Personnel expenses / operating expenses</td>
<td>↑</td>
</tr>
<tr>
<td><strong>Portfolio Quality</strong></td>
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</tr>
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</tr>
<tr>
<td><strong>Financial Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset productivity</td>
<td>Gross portfolio / total assets</td>
<td>↓</td>
</tr>
<tr>
<td>Average Deposit Account Size</td>
<td>Total deposits / number of depositors</td>
<td>↓</td>
</tr>
</tbody>
</table>
Lecture: Administration/Management Information Systems (15 minutes)

Let participants know that the discussion of MIS will be short and will essentially highlight best practices and some observations in the HIV/AIDS context but will be in keeping with the discussion of performance monitoring and management.

Managing information in the HIV/AIDS context is really no different than in any other context. Good information systems should:

- Improve the work of field staff, enabling them to better monitor portfolios and thereby provide better services
- Allow managers and supervisors to better monitor their areas of responsibility and allow them to pinpoint priority areas that require attention
- Assist management in coordinating the work of all employees and making well-informed decisions.

To augment an MIS to meet the changing monitoring needs of managers, board members, and loan staff in the HIV/AIDS context, MFIs need to determine their information needs; that is, MFIs need to identify the specific needs of each of these players, by asking the following questions:

- What key information do the users need?
- What key indicators or ratios do the users need to monitor to perform their jobs well?
- What additional information should the users have to be knowledgeable about the organization’s performance and broader goal achievement?
- How might the users’ information needs change in the future, and how might those changes affect the design of the management system?

Most MFI management information systems fall into three main areas:

- An accounting system with the general ledger as its core
- A portfolio monitoring system that captures information and provides reports about the performance of the institution’s various products
- A system designed to gather data on client impact.

Augmentation of the existing MIS to account for HIV/AIDS would probably affect the latter two areas and the types of reports these two systems generate.

A few key issues related to augmenting report design are as follows:
Consider who the end users will be (including field staff who have day-to-day needs and board members who review reports for more strategic reasons and less frequently).

Consider frequency and timeliness because timely information allows users to take constructive actions at the moment needed.

Consider performance indicators that are used by managers and board members (as discussed earlier).

Consider the current system’s excess capacity to capture data.

What Did I Learn?

Allow participants 5 minutes to complete the handout on what they have learned, what challenges the new information poses for their institution, and how they will apply the information.
5.9. What Did I Learn?

Module: ____  Topic: ______________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Module 5B: Credit, Savings, and Product Management

Introduction

Three things influence the development of new products and the refinement of existing products:

1. Customer needs
2. Competitors
3. Core competencies/institutional strengths of the MFI.

In the previous modules, we reviewed the ways in which customer needs are determined and how to collect missing information. We also discussed aspects about the competition an MFI would need to analyze and what they are doing (or aren’t doing) about the HIV/AIDS crisis. The third part of looking at products is determining an institution’s core competencies, its institutional strengths vis-à-vis its competitors, and its ability to make internal changes to address refinements in product offerings.

An institution’s product may be well aligned with these three aspects and may need to be refined or augmented only to account for changing client needs (for example, allowing for more infrequent repayment schedules if payments are required weekly or biweekly, sitting out between cycles, and, in some rare instances, grace periods). MFIs need to consider and balance these needs with their own need to manage risk.


In groups of three to four, have participants review the ProFin case (Handout: Progressive Finance [ProFin] Case Study). Have them discuss how ProFin could refine its current products to be more responsive to HIV-affected clients while ensuring that the institution’s bottom line does not suffer. Give groups 30 minutes to consider and answer the following questions:

Which products should the institution refine?

What kinds of refinements would make these products more client-friendly in an HIV/AIDS environment?

What would the impact of these refinements be on the MFI?
What kinds of changes (policies and procedures, MIS, staffing, other) will the MFI have to make in refining its product offering?

Estimate the cost (both financial and time) that these changes will require. (Note: This refers to cost elements that will increase or decrease as a result).

Allow 35 minutes for discussion. Discussion questions may include the following:

- What are the most important refinements?
- What is the impact of these changes (policies/procedures, staffing, MIS) on the institution?
- To whom do these responsibilities generally fall in your own institutions?
- Why would an institution choose to refine a product rather than developing a new product altogether?
- What are the easiest product refinements to make? (This is a subjective question.)
- Why is product refinement preferable to new product development?

Write the answers on a flipchart. Refer to them when discussing Overhead: Financial Products for Different Stages of the HIV/AIDS Crisis. Note: The case studies of NAMCO and MFC in Module 1 can be added to this discussion for comparison.

Variation for Different Training Audiences:

If the audience for this module consists of managers from a single MFI, the internal discussion would be better focused on the institution itself. The NAMCO and MFC cases can also be used as a benchmark or comparison.
5.10. Handout: Progressive Finance (ProFin) Case Study

You are a member of the board of directors of a Malanzimbian MFI, Progressive Finance (ProFin). ProFin has been in operations for nine years, managing four branches located in urban parts of the country only. ProFin currently serves 15,116 active microenterprise clients with solidarity group loans ranging from $80 to $320 for terms ranging from four to six months. Turnaround time on new loans is relatively quick, requiring as little as a week from group formation to disbursement. Repayment on the loans is biweekly. Although no collateral is required on the loans, you do require clients to save 10 percent of the initial loan amount by the end of the term. This amount increases to 15 percent and 20 percent on subsequent loans. ProFin clients have access to these funds only after their fourth loan cycle, or when they leave the institution.

Changes in the Market and Clients

In the past three years, the financial performance of ProFin seems to have plateaued and, in some areas, deteriorated. The executive director has noted an increase in client delinquency and absenteeism because of extended illnesses, which he believes is attributable to HIV/AIDS. This absenteeism has also led to a decrease in repeat clients because clients missing more than four group meetings are no longer eligible for a loan. Six months ago, your institution began surveying clients who had left ProFin; the survey yielded some interesting details:

- 45 percent of surveyed clients who left did so to access their savings.
- 26 percent of surveyed clients simply did not want another loan. The most frequently cited reasons for not wanting another loan included a slowdown in business growth; excessively stringent requirements of the loan group; inability to attend all the meetings; and excess debt.
- 22 percent of surveyed clients who left did not leave voluntarily; they simply missed more than four meetings and were no longer eligible for a repeat loan. Of these, 55 percent had never made a late payment.
- 13 percent of surveyed clients who left reported an interest in a competitor that offered a death benefit life insurance product.
- 10 percent of surveyed clients who left felt that ProFin’s loans were too small or that its loan cycles were too short.
- 4 percent of surveyed clients who left did not specify their reasons for leaving.

Internal Operations

Board and Management

ProFin’s chairman of the board, a wealthy businessman in the mining business, has been quite active with the institution, much more so than you and some of the other
board members, in part because of his strong relationship with the executive director, whom he has known since childhood. Three years ago, the board met more frequently and was actively engaged with several international donors who funded the start-up of the institution. The international affiliate with whom ProFin is associated has tried to promote greater involvement of the board, including spearheading the strategic and operational planning for the MFI. However, other board members have been reluctant to commit more time because the MFI has been functioning well on its own.

**Products and Services**

In addition to its group loan and compulsory savings products, ProFin has been considering offering an individual loan product. ProFin believes that this new credit product would address the needs of clients who want larger loans, and it would require clients to provide collateral, thus offering more security to the institution. Although exit surveys reveal some dissatisfaction with the MFI’s existing loan and savings products, ProFin management believes that offering the new product will be a competitive response to the market. ProFin’s executive director has also considered the addition of a loan insurance product, given the increase in defaults because of client deaths.

**Human Resource Management**

In the past year, the management has had to deal with an increase in employee absenteeism. It has responded by hiring additional loan officers to pick up the slack created by absent employees. The result has been a significant increase in personnel costs—specifically, salary costs and life insurance benefits, which have tripled in the past three years. There has also been a notable decrease in loan officer productivity. Management is aware of this new problem but has yet to identify a workable solution.

**Administration/Management Information Systems**

ProFin is in the process of adopting a new integrated accounting and portfolio management system. The transition is likely to take six months to one year. The current MIS does not allow managers and branch staff to track delinquency accurately on a daily basis. Thus, loan officers continue to rely on manual methods to be vigilant about past-due loans. With delinquency on the rise, however, management is concerned about the informality of the current system, particularly given a recent incident of fraud by a loan officer.
### Illustrative Indicators, ProFin

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001 to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of active clients</td>
<td>11,965</td>
<td>13,806</td>
<td>15,001</td>
<td>15,116</td>
</tr>
<tr>
<td>Average outstanding portfolio</td>
<td>$1,081,875</td>
<td>$1,321,234</td>
<td>$1,408,144</td>
<td>$1,370,527</td>
</tr>
<tr>
<td>Average loan size</td>
<td>$137</td>
<td>$145</td>
<td>$149</td>
<td>$142</td>
</tr>
<tr>
<td>Annual effective interest rate (including fees)</td>
<td>56%</td>
<td>56%</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td>Portfolio at risk (PAR)</td>
<td>1.7%</td>
<td>1.8%</td>
<td>2.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Loan loss</td>
<td>0.8%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Number of loan officers</td>
<td>40</td>
<td>39</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>Personnel costs as percentage of administrative costs</td>
<td>42%</td>
<td>41%</td>
<td>43%</td>
<td>48%</td>
</tr>
<tr>
<td>Operational self-sufficiency</td>
<td>118%</td>
<td>110%</td>
<td>100%</td>
<td>89%</td>
</tr>
<tr>
<td>Financial self-sufficiency</td>
<td>101%</td>
<td>98%</td>
<td>88%</td>
<td>81%</td>
</tr>
</tbody>
</table>

The **Overhead: Financial Products for Different Stages of HIV/AIDS Crisis** is a theoretical representation of client product needs at different stages of HIV/AIDS and is another way for participant MFIs to think about the intersection of client financial needs with an appropriate product response. This chart can be shown as an overhead, and participants can be asked to review their products (or ProFin products) in this context.

Discussion: MFIs can be more specific in their product redesign if they keep in mind the timing of client needs. The horizontal axis of the graph is the same as that on the **Overhead: Household Financial Pressure During HIV/AIDS Crisis** in Module 3, corresponding to the disease’s lifetime and aftermath. In the large group, review the product modifications that were recommended for ProFin and decide where on the graph these modifications belong. As product development and modification are discussed in the course, particularly with respect to actual MFI products, get participants to classify the products and modifications according to this timing matrix.
5.11. Overhead and Handout: Financial Products for Different Stages of HIV/AIDS Crisis

Source: Adapted from Development Alternatives, Inc. 2003
Module 5C: Human Resource Management and Workplace Policy Development

Small-Group Exercise and Guided Discussion (1 hour and 50 minutes)

Thus far the entire training has focused on clients and institutions, not on persons who work within the MFI—the staff. The impact of HIV/AIDS on staff is one of the most important considerations for MFIs. An MFI’s staff is the lynchpin to success because the staff is the institution’s front line, its productive force. Likewise, the staff is one of the key areas affected by HIV/AIDS. This submodule addresses crucial factors that affect MFI staff. The first exercise, an analysis of the effects of absenteeism on the fictitious institution ProFin, will be the starting point to begin to discuss other human resource impacts.

Divide participants into four small groups and have them read the Handout: Analyzing a Major Human Resource Constraint, the second part of the ProFin case study. In addition, give each group one of the four scenarios from the Handout: Human Resource Scenarios. Give groups 15–20 minutes to discuss the scenario and determine how to address the problem. Have each group select one member to report back to the larger group at the end.

Note

Scenarios 1 and 4 do not relate directly to the sketches of the credit process. However, they may be helpful to the groups in making decisions and solving the stated problems.

ProFin Case Study: The Loan Process

ProFin is a MFI engaged in group lending. ProFin’s largest branch, in Zimba, currently serves 8,321 clients. In addition to its 18 loan officers, the branch employs one branch manager, two loan supervisors, and two loan promoters. ProFin is widely known for its quick delivery of new loans, in some cases taking as little as one week from loan group formation to disbursement. The way the institution has been able to do this is as follows:

- Loan promoters spend Fridays out in the community promoting the MFI and its main product, the group loan. Generally, by the end of the one-hour promotion meeting groups are ready to schedule a time to meet with a loan officer on Monday of the following week.
- On Monday mornings, loan officers meet with potential new groups to discuss the role of the groups, responsibilities, group leaders, and the terms of the ProFin loan and fill out initial applications. Groups are asked to meet one more time to finalize the group.
- Loan officers spend Tuesdays and Wednesdays verifying information on loan applications (including paying visits to client businesses and, in some cases, households) and ensuring that all necessary identification and documentation have been received from clients.
- Assuming that all paperwork and verification have been completed, applications are reviewed on Thursday morning with the group by the loan supervisor and the loan officer. Completed paperwork is then submitted to the loan committee.
- The loan committee—which consists of all loan officers, supervisors, and the branch manager—meets each Thursday afternoon at 4 p.m. Applications are reviewed by the branch manager and signed off on by the loan officer managing the group, a loan supervisor, and the manager. If the paperwork is deemed to be incomplete or if the loan officer or loan supervisor is absent, the application will be reviewed at the next scheduled credit committee meeting the following week.
- Loans can be disbursed within 24 hours of approval by the credit committee.
5.13. Handout: Human Resources Scenarios

Scenario 1: Last year, one loan officer died after an extended illness. Staff from the Zimba branch took off three days to attend her funeral. It took another six weeks to recruit and hire a new loan officer. During this time, other loan officers managed the deceased officer’s clients. After eight months, the new loan officer had achieved 75 percent of average loan officer productivity. What costs has the MFI incurred as a result of this death and its impact on the institution? (Name the cost elements.)

Scenario 2: One-sixth of all staff is away on any given day to (1) attend a funeral, (2) care for family members, or (3) care for their own illnesses. How does the institution manage the absenteeism? What changes might the institution make in staffing or existing credit policies and procedures to accommodate potential changes in the credit committee?

Scenario 3: The branch manager is called away frequently to deal with an ill family member. He has missed the last two credit committee meetings. How does the institution improvise in his absence during the credit committee meetings?

Scenario 4: A loan officer in Zimba admits to being HIV-positive. One board member feels that he should be fired. Should he? How should the institution handle this situation?
Once the small groups have regathered in a larger group, have the representatives from each small group read their scenario and discuss how the group approached the problem. Allow 25 minutes for discussion (5 minutes per scenario and an additional 5 minutes for group discussion). Write responses on a flipchart.

**Possible Answers/Considerations for Scenarios:**

**Scenario 1:**

**Costs**

- Funeral costs—in some countries there is an expectation that the MFI will bear all the funeral costs for the employee; for those that don’t, this could become a morale issue
- Employee costs for all staff to attend funeral for three days
- Advertising, recruiting, and training
- Medical costs for deceased loan officer
- Overtime for other loan officers covering for absent staff members
- Opportunity cost of lost clients
- Cost of lost productivity

**Impact on:**

- Customer satisfaction
- Explicit costs
- Drop in income
- Loss of trained personnel

**Scenario 2:**

**Staff absenteeism:**

- Medical insurance – employee and family
- Excused leave – determine how much

**Proposed changes in policies:**

- Hire new employees
- Relax loan processes
- Cross-training, backup training
- Job-sharing
- Form a relief staff or pool of staff who can take on jobs of absent staff – this approach will depend on local labor law
Scenario 3:

Impact on missing credit committee:

- Loss of clients
- Lost of interest income as a result of postponing credit committee
- Dropout of clients
- Damage to reputation

Proposed changes:

- Delegate authority to loan supervisor to deal with credit committee (incentivized) on a short- or long-term basis – delegate authority to loan supervisors
- Rearrange schedule to allow for credit committee to meet on different days
- Change loan officer schedule
- Add more flexibility into loan committee schedule

Scenario 4:

Discussion:

- MFI and individual board members (and management/staff) should not be making moral judgments
- MFI management and board do not want to create a fearful atmosphere in which employees feel they may be penalized or judged
- MFI management and board need to have a policy in place in advance to deal with this and other circumstances that arise because of HIV/AIDS

Summary of Exercise:

Having this information allows participants to make decisions regarding workplace policies. Explain to participants that this exercise and the surrounding discussion was meant not only to show the effects of absenteeism because of HIV/AIDS on the overall business of the MFI but to address other important aspects as well, including:

- The need for internal policies and procedures that deal with absenteeism, workload, and decentralization of authority and responsibilities
- The effects of declining morale among individuals and teams affected by HIV/AIDS
- The need to educate staff on HIV/AIDS, its prevention, and its effects
- Legal and regulatory issues surrounding company policies on HIV/AIDS
- A decline in productivity
- The long-term increase in personnel costs (insurance, overtime, transportation and travel, recruitment and training, medical costs, and others).
The intent of management should be to try to understand as best as possible and in the most cost-effective way possible the main human resource issues related to HIV/AIDS, namely:

- **Human resource cost implications** related to HIV/AIDS
- **Internal workplace policy issues** related to HIV/AIDS
- **Morale issues** dealing with HIV/AIDS.

These three points are discussed in some detail in this module.

*The facilitator can prepare this list on a flipchart or overhead in advance or simply summarize verbally.*

**Guided Discussion: Human Resource Cost Implications (10 minutes)**

Explain to participants that it is common and understandable that businesses, including MFIs, are interested in understanding the impact of HIV/AIDS on their institution. Pose the following question to participants:

**How would you begin to get information on how HIV/AIDS is affecting your staff?**

**How would you begin to determine what the cost of this impact on staff is for the institution?**

Share with participants that three general methods are used to measure the impact of HIV/AIDS on an institution’s staff:

- Using commonly collected company data such as absenteeism, medical expenses, and other staff expenses as indicators of trends affecting the business
- Assuming that prevalence rates for the country apply to the institution and using a computer model to estimate future human resources costs
- Conducting a prevalence survey among all grades of employees.

With such data it is possible to project future human resource costs. Prevalence surveys are detailed and often costly to undertake; they also have disadvantages, in that they can raise concerns among employees about how the information will be used, which can increase tension between staff and management.

Emphasize that the institution should not be trying to determine personal information from staff members (e.g., how HIV/AIDS was contracted, why the staff member has to personally care for sick relatives/why a nursing staff can't do more). The MFI’s interest is in its own smooth operation and in creating as much of a win-win situation as is possible under the circumstances – the MFI wants to be able to continue to use
a trained, experienced employee, and the employee appreciates an employer that allows flexibility.

Review the information on the flipchart from the group exercise. Ask participants:

**What other personnel costs might an MFI might need to consider beyond what has come out in the small-group exercise?**

Possible answers may include the following:

- Increased costs of health, life, and safety insurance coverage
- Shortened accumulation period for retirement funds (depends on country)
- Increased costs of providing medical assistance
- Increased costs of death benefits and funeral costs
- Increased absenteeism
- Decreased productivity because of declining morale
- Loss of technical skills and experiential knowledge
- Increased staff turnover
- Increased cost of staff training.

Show participants the format developed by Family Health International, **Handout: Calculating the Increase in Human Resource Costs Related to HIV/AIDS: Illustrative Format**. Explain that this format is meant to be a starting point for managers who are beginning to look at where the human resource cost implications lie, with human resources generally being the largest operating cost of an MFI.

**Variation for Different Training Audiences**

If the course is being conducted for a single MFI, review the human resource scenarios in small groups, using real cost information from the MFI. In small groups, participants can estimate the cost of making policy changes given the particular scenario.

<table>
<thead>
<tr>
<th>Category of Employee*</th>
<th>Secretary</th>
<th>Cashier</th>
<th>Loan Officer</th>
<th>Loan Supervisor</th>
<th>Branch Manager</th>
<th>Accountant Manager</th>
<th>Credit Manager</th>
<th>MIS specialist</th>
<th>Exec. Director</th>
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</table>

**I. EMPLOYEES/SALARIES**
A. Number of employees in each category
B. Gross weekly salary in each category

**II. LABOR TURNOVER**
C. Number of weeks to hire an employee
D. *Lost Labor Cost* \((C \times B / A)\)

**III. TRAINING**
- Trainer's time in weeks in each staff category
- Trainer's wage per week
- Class size
- Trainees' time
- Weekly training wage per trainee
- Training cost per employee \([E \times F / G]\)
  - Total salary paid employee during training
- Training \([H \times I]\)
- *Total training cost* \([J + K]\)

**IV. REDUCED PRODUCTIVITY**
- # of weeks after training before productivity reaches 100%
- Productivity immediately after training
- Percentage productivity lost \([100 - N]\)
- Total wages paid to employee before productivity reaches 100% \([M \times B / A]\)
- *Total productivity cost* \([(0.5 \times O \times P / 100)]\)
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<th>Category of Employee*</th>
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<th>Cashier</th>
<th>Loan Officer</th>
<th>Loan Supervisor</th>
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<td><strong>V. FUNERAL ATTENDANCE</strong></td>
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<td><strong>VI. ABSENTEEISM</strong></td>
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<td><strong>VII. RECRUITMENT</strong></td>
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<td><strong>VIII. ANNUAL HEALTH COSTS</strong></td>
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<td><strong>IX. BURIAL COSTS/DEATH</strong></td>
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<td>Other costs (not paid to family) excluding lost labor due to funeral attendance</td>
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**X. LIFE INSURANCE COSTS**

Number of employee families paid life insurance benefits

- AC. Number of employee families paid life insurance benefits
- AD. Average cost of life insurance benefits

*Total life insurance benefits paid*

- AE. [AC*AD]
Guided Discussion: Internal Workplace Policy Issues (15 minutes)

Note to facilitator: This section also contains one variation for small-group work. This small-group work would require an additional 30–45 minutes. See specific instructions.

Pose the following question to participants:

What types of policies would be needed to address some of the issues brought out in scenarios 2, 3, and 4?

Possible answers include the following:

- Policies on staff absences for funerals
- Policies on staff absences to care for sick family members
- Policies on staff absences for illness
- Policies that allow for decentralized decision-making in the absence of branch manager or other senior staff
- HIV/AIDS policies that address workplace nondiscrimination.

Note

Some of the items on the list may be covered by local labor law. MFIs may wish to think about what is needed above and beyond areas stipulated by the law. HIV/AIDS is a labor issue that all MFIs operating in high-prevalence countries must confront. It is a major drain on family savings and resources and has increased costs for their employers.

Pose the following question to participants:

How many organizations present have an HIV/AIDS policy?

If any organization has one, ask the participant to tell the group more about the policy, highlighting how it was formed, who was involved in creating the policy, and what the policy covers.

Employees and employers do not often agree on all aspects of HIV/AIDS workplace policies. However, there are several common interests. MFIs should also consider adding policies that are specific to HIV/AIDS. Research has shown that HIV/AIDS policies:

Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change
New institutional workplace policies on HIV/AIDS should consider five key factors (Handout: Key Factors for Human Resources in an HIV/AIDS Context). Choose five participants and have each read one of these factors aloud. In addition, in 2001 the ILO issued a new Code of Practice on HIV/AIDS for businesses. The Code of Practice was developed on the basis of extensive discussions with businesses, worker organizations, and governments around the world. MFIs should consider the Code’s basic principles when adopting their own workplace policies. Explain to participants that their training materials include a handout (Handout: Basic Principles of the International Labor Organization’s (ILO) Code of Practice on HIV/AIDS and the World of Work) containing the basic principles of the Code. The Code itself can be downloaded from the ILO’s website.

Mention that not all companies have written HIV/AIDS policies, particularly smaller ones. Research has shown, however, that written HIV/AIDS policies:

- Allow companies to plan and control results before they occur.
- Provide clarity and certainty to a topic that many people find confusing and uncertain
- Provide a framework for dealing with HIV/AIDS in ways that are best for the bottom line.

Pose the following question to participants:

How would you begin to create an HIV/AIDS-responsive workplace policy?
If any participants have a workplace policy that responds to HIV/AIDS, ask them to speak about where their organization began.

A starting point to creating workplace policies is providing basic prevention education to staff. When the staff understands the issues, they can better contribute to the development and revision of workplace policies. This education also promotes greater communication between staff and management on the issue and can improve morale.

Let participants know that a variety of resources are available to guide them in developing a workplace policy and program around HIV/AIDS for their MFI. Each MFI needs to consider what level of workplace policy it can undertake given current resources (financial and staff). For many MFIs, an extensive workplace program around HIV/AIDS is simply not feasible. Provide the Handout: Workplace Policy Checklist to participants. Give participants a few minutes to look over and consider the list.

Disseminating the policy: Emphasize that dissemination must occur at all levels of the MFI – at the board level, at the management level, and at the employee/staff/loan officer level. In introducing the policy, a small team of management or the human resources department can introduce the policy and its components to staff members during regular meetings or at a special organized gathering. Supervisors should have more information to answer any question from their staff. Depending on length, the policy can be distributed to employees in its entirety or in segments. It can also be posted in public areas. There is a tendency to forget the details, so intermittent reminders are important.

Implementation of the policy will occur as it is applied to the institution’s staff. The value of the policy is that it guides decisionmaking in difficult situations. Finally, because knowledge of and experience in HIV/AIDS and the costs of prevention and care are always changing, an effective policy will need to be periodically updated and amended for gaps, changes in the law, or other changes.

**Variation for Different Training Audiences**

If the audience for the training is from a single MFI, an additional exercise to be completed in a small group might be to review the MFI’s human resource policy and discuss the implications of the checklist (Handout: Workplace Policy Checklist). This exercise would require 30–45 minutes of additional time.
5.15. Handout: Key Factors for Human Resources in an HIV/AIDS Context

**Awareness**

Raising awareness among employees about the worldwide and local spread of AIDS and its devastating effects on individuals and families, as well as its impact on organizational effectiveness.

**Nondiscrimination**

In accordance with policies of the World Health Organization, employees and clients with the disease should be treated the same as other employees and clients. Medical assessment of prospective new employees will be made on the basis of expected physical and mental fitness to work without being required to undergo an AIDS screening. However, ill health, like any other serious illness, may lead to medical advice not to promote/transfer an employee in the interest of his or her health.

**Support**

The institution should consider offering support and counseling to staff or their immediate family who are HIV-positive or have developed AIDS. Information about these employees should remain in the strictest of confidence. In addition, where possible the institution should provide referrals to ASOs, voluntary counseling and testing organizations, and so forth.

Employees with HIV/AIDS should not be denied the same benefits as other employees.

**Workplace Behavior**

Because HIV/AIDS is not an infectious risk in the workplace, staff members are expected to cooperate and share a workplace with colleagues who may be HIV-positive.

**Review**

The MFI should continue to review its internal policies as they relate to new information about HIV/AIDS, to comply with public health regulations and other changing laws and regulations.

The ILO Code of Practice’s basic guidelines provide a sound basis for shaping companies policies on HIV/AIDS.

1. **Recognition of HIV/AIDS as a workplace issue.** HIV/AIDS is a workplace issue because it threatens productivity, profitability, and the welfare of all employees and their families. Recognition is necessary not only because it affects the workforce but also because the workplace, as part of the local community, has a role to play in the wider struggle to limit the spread and effects of the epidemic.

2. **Nondiscrimination.** Discrimination against workers on the basis of real or perceived HIV status is to be actively discouraged. Discrimination against and stigmatization of people living with HIV/AIDS inhibits efforts to promote HIV/AIDS prevention and can easily lead to disruptions in the workplace.

3. **Gender Equality.** Discrimination against and exploitation of women promotes the spread of HIV/AIDS. Also, women are more likely to become infected and are more adversely affected by the HIV/AIDS epidemic than men, as a result of biological, sociocultural, and economic factors. Proactive efforts by companies and workers’ organizations to prevent gender discrimination and sexual coercion and abuse greatly aid prevention efforts.

4. **Healthy Workplace Environment.** The workplace should be healthy and safe, in line with national regulations and negotiated agreements, to reduce the risk of on-the-job transmission of HIV.

5. **Social dialogue.** Successful implementation of an HIV/AIDS workplace policy and program requires cooperation and trust among government, employers, and workers and their representatives.

6. **Screening for the Purpose of Exclusion from Employment and Work Processes.** Mandatory HIV/AIDS screening is unnecessary and inappropriate for either job applicants or persons already employed. Companies and unions should encourage employees to obtain a voluntary and confidential HIV test and pretest and post-test counseling off-site.

7. **Confidentiality:** Confidentiality regarding all medical information, including HIV/AIDS status, must be maintained. There is no justification for asking job applicants or workers to disclose HIV-related personal information. Breaches of confidentiality erode employee morale, can disrupt production, and can lead to legal action.

8. **Continuation of Employment Relationship.** HIV infection is not a cause for termination of employment. As with many chronic conditions, persons with HIV-related illnesses should be able to work as long as they are medically fit.

9. **Prevention.** HIV infection is preventable. Prevention of all means of transmission can be achieved through a variety of strategies that are appropriately targeted to national conditions and are culturally sensitive.
Prevention can be furthered through changes in behavior, knowledge and treatment, and creation of a nondiscriminatory work environment.

10. **Communication and Leadership.** Employers, unions, and workers’ representatives must communicate HIV/AIDS policies to employees in simple, clear and unambiguous terms and continue to demonstrate their support for HIV/AIDS prevention and care efforts. Communication of clear messages will reinforce established business practices, assure consistent implementation of the policy, and reinforce low-risk worker behaviors.

11. **Care and Support.** Solidarity, care, and support of HIV-positive individuals and their family members should guide the response to HIV/AIDS in the world of work. All workers, including workers with HIV, are entitled to affordable health services, whether within the company or through private and public facilities. There should be no discrimination against HIV-positive employees and their dependents regarding access to and receipt of benefits from social security programs and occupational schemes.
5.17. Handout: Workplace Policy Checklist

The following checklist is taken from “FHI Workplace HIV/AIDS Programs: An Action Guide for Managers.” This checklist can be used as a guide in preparing a company HIV/AIDS policy. The points of the checklist can be considered paragraphs or provisions in the policy.

Introduction

- Reason(s) the company has an HIV/AIDS policy
- Persons covered by the policy (some or all employees or different provisions for different categories of employees)
- Policy compliance with national and local laws and trade agreements
- How the policy will be applied

General Considerations

- Statement regarding the intent of the company to have an HIV/AIDS policy for application to company operations
- Statement about whether the policy is specific to HIV/AIDS or whether it incorporates HIV/AIDS into existing section on life-threatening illnesses

Elements Relating to Employment Criteria

- Statement that applicants and employees will not be screened for HIV as a condition of continued employment or promotion
- Provision on circumstances in which an employee would be asked to be tested for HIV, including:3
  - Explanation of the reasons a request would be made for an HIV test
  - Statement regarding whether the employer or employee would be responsible for paying for an HIV test
  - Statement that off-site, confidential, pretest and post-test counseling would be provided to any employee who is asked (or asks) to take an HIV test
  - Statement regarding company response if an employee refuses to be tested
  - Statement regarding the company’s intention to keep all medical information, including the results of an HIV test, confidential
  - Statement regarding the company’s intentions toward employees who, if required to be tested, are found to be HIV-positive
  - Statement regarding appeal, arbitration, and resolution options for employees who refuse to be tested or who, if tested, are found to be HIV-positive

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3 Note: In some countries, HIV testing as a condition of employment is not illegal. These provisions may be included in circumstances where the requirement of an HIV test is not illegal.
– Statement regarding the company’s position toward insurance companies that may require an HIV test for various forms of coverage

β Statement that the company is willing to make accommodations (such as less rigorous work or a different work environment) for employees who request such accommodations because of HIV infection

β Provision that the company will maintain and enforce legal, acceptable, and recognized occupational safety precautions to minimize the risk of workplace exposure to HIV

β Provision relating to the privacy of employee personnel records, including medical records

β Statement prohibiting stigmatization of and discrimination against employees who are (or who are suspected of being) HIV-positive

**Elements Relating to Benefits and Treatment of HIV-infected and HIV-affected Employees**

β Provision of benefits related to HIV infection is likely to be an extension of existing benefit provisions. As part of an overall prevention program, an HIV policy can explicitly refer to assistance in the treatment of STIs. As implied in the previous section of this checklist, workers with HIV/AIDS should receive the same type, level, and form of benefits as other employees with a serious illness.

**Provisions include:**

β Statement about company and employee contributions to health and medical care, life and disability insurance, workers’ compensation, social security and other retirement benefits, compassionate leave (for caregiving, funerals), death benefits for beneficiaries, treatment for opportunistic infections related to HIV and treatment for HIV

β Coverage for dependents

β Statement about company provision of or support for assistance in gaining access to life-saving treatments and drugs for HIV and opportunistic infections

β Provision of or support for counseling and related social and psychological support services for HIV-infected and HIV-affected employees (and dependents)

β Statement that the company recognizes the importance of peer support groups and permits such groups to be formed and to meet on company property (during or outside of work hours)

β Legal support services. Although companies may worry about legal challenges, company support for employees (in-house or contracted out) to access legal advice can assist in safeguarding dependents through the preparation of wills, transfer of property, and leveraging public services.
Elements Relating to Workplace Prevention

- Statement that HIV/AIDS prevention is the responsibility of all employees, including senior management and supervisors
- Statement about the leadership role of management and worker representatives, both in the company and in the wider community, in addressing HIV/AIDS
- Statement emphasizing the importance of (and company expectations for) employees avoiding risky sexual behavior
- Statement referring to company and union responsibilities for maintaining an environment that reinforces safe sexual behaviors
- Statement of company and union responsibility for providing all employees with timely, accurate, clear, and adequate information about HIV prevention, community support services, treatment options, and changes in company prevention activities
- Description of HIV prevention components that will be available to employees. Recommended components include easy and regular access to male and female condoms, access to diagnosis and treatment of STIs, training of peer educators who will be accessible to employees, and information about prevention and care services that exist in the community.
Guided Discussion: Morale Issues (10 minutes)

Many morale issues can be alleviated by adjusting internal policies or creating an HIV workplace policy. These changes show employees that they are valued by the MFI.

In addition, MFIs can consider strategic collaborations with ASOs that provide education on HIV/AIDS. Employee prevention programs educate staff about the risks of the disease, dispel myths about how it is transmitted and how it progresses, and teach strategies for coping with sick family members. Education programs sponsored by the institution vary in cost and intensity. Handout: Determining the Cost of Workplace HIV/AIDS Prevention Programs provides some basic guidelines on calculating the cost of different types of prevention programs that the MFI might sponsor.

In concluding the session, ask participants about their experience with HIV-positive employees and dealing with HIV issues. How has having an HIV-positive employee or employees affected the institution, other employees, the institution’s financial picture, staff morale, etc.? Have participant institutions sought outside assistance in dealing with HIV/AIDS?

What Did I Learn?

Allow 5–10 minutes for participants to fill out the handout on what they learned, what challenges the new information poses to their institution, and how they will apply the information.
### 5.18 Handout: Determining the Cost of Workplace HIV/AIDS Prevention Programs

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<thead>
<tr>
<th>I. FORMAL EDUCATION</th>
<th>Formula or Suggested Figure</th>
<th>Data</th>
<th>Total</th>
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<tr>
<td><strong>Employee Leave Time</strong></td>
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<tr>
<td>A. Average hourly employee wage</td>
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<td>B. Total number of employees</td>
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<tr>
<td>C. Average # of house per month of formal HIV/AIDS prevention education</td>
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<td>D. Total annual cost of leave time to attend formal education</td>
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<td><strong>Educator’s Time</strong></td>
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<td>E. Average educator hourly wage</td>
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<tr>
<td>F. Average # of hours per month each educator devotes to formal education</td>
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<td>G. # of paid educators</td>
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<td>H. Total annual cost of educator's time</td>
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<td><strong>Materials used for Formal Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Average monthly cost per employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J. Total annual cost of materials used for education</td>
<td>[I<em>B</em>12]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. INFORMAL EDUCATION</th>
<th>Formula or Suggested Figure</th>
<th>Data</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Peer Educator’s Time</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Average peer educator hourly wage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L. Average # of hours per month each peer educator spends on education</td>
<td>20 hours per month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Average # of hours per year each peer educator spends on education</td>
<td>[L*12]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. # of peer educators</td>
<td>2 per 100 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O. Total # of peer educators</td>
<td>[N*B/100, round to whole #]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P. Total annual cost of peer educators' time</td>
<td>[K<em>M</em>O]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Materials used for Informal Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q. Average monthly cost of informal education materials per employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Total annual cost of materials used for informal education</td>
<td>[Q<em>B</em>12]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III. COUNSELING AND SUPPORT SERVICES</th>
<th>Formula or Suggested Figure</th>
<th>Data</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S. Counselor hourly wage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T. Average # of hours employee and family counseled on HIV/AIDS</td>
<td>12 hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. Total # of employees or family members with HIV/AIDS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V. Total annual cost of counseling/support services</td>
<td>[S<em>T</em>U]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.19. What Did I Learn?

Module: _____  Topic: ______________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Microfinance and HIV/AIDS: Defining Options for Strategic and Operational Change

A Workshop for MFI Managers and Decision makers

Facilitator’s Manual

Part III: Moving Forward—Strategic and Operational Planning to Mitigate the impact of HIV/AIDS in the workplace
Module 6: Next Steps Toward Operational Change

Objectives:
- Learn to evaluate an institution’s ability to make change happen
- Evaluate the priorities of participants’ own institutions and start to think critically about whom to involve to make change happen
- Review new responsibilities of an MFI’s board members with respect to coping with HIV/AIDS.

Description: This module is the synthesis of all the information presented in the preceding modules. Keeping in mind that this training course will vary from environment to environment, this module provides different options for completing the course. The module contains two exercises that are meant to help institutions take the next steps. The first exercise focuses on the two fictitious institutions described in Module 1, NAMCO and MFC. (Depending on the audience, the same exercise can be done using real institutions. This decision is left to the trainer’s discretion.)

The second exercise is internal and allows participants to take stock of what they have learned and figure out how they will apply it to their own institutions. The module also discusses the leadership role of the board and management in making product and policy changes to deal with HIV/AIDS. This discussion is appropriately done before the internal stock-taking exercise because accepting responsibility for making changes will be a critical element of planning for the future.

Time requirement: 1–2 hours.

Method: Group exercises and group discussion.

Handouts and Overheads
- 6.1 Handout: Questionnaire for Evaluating the Capacity for Institutional Change Related to HIV/AIDS
- 6.2 Overhead: Importance of Identifying the Impact of HIV/AIDS on MFI Operations
- 6.3 Handout and Overhead: Board Member Responsibilities
- 6.4 Handout and Overhead: Stock-taking and Getting Ready
6.5 What Did I Learn?
Other Supplies:

β Training certificates for completion of course

Facilitator’s Notes

Group Exercise and Discussion: Evaluating Institutional Readiness and Capacity for Change (30 minutes)

Match up the participants so that participants from noncompeting MFIs are working in pairs. One participant describes how his or her institution is operating or handling certain issues, per the questionnaire in Handout: Questionnaire for Evaluating the Capacity for Institutional Change Related to HIV/AIDS, and the other rates the response on a 1 – 5 basis. Roles are then reversed.

Variation for Different Training Audiences:

Review the original case studies on NAMCO and MFC presented in Module 1. Working in small groups, have participants rate their performance and then discuss.

Answer the questions below. At the end of each of the five sections, rank the institution on a scale of 1 to 5 (with 5 being outstanding and 1 poor), based on the responses to the questions.

I. Board and Management Issues

1. Does the management of the institution promote open channels of communication between it and other staff members, such as through:
   - staff meetings Yes/No
   - newsletters/memos Yes/No
   - e-mail system Yes/No
   - intranet Yes/No
   - other

2. Is the institution’s board of directors aware of the impact of the HIV/AIDS crisis on clients and staff, and are board members willing to speak candidly about the crisis and its potential effects on the institution? Yes/No

3. Are board members open to advice about changes that might need to take place as a result of an increased prevalence of PLWHA and clients affected by HIV/AIDS? Yes/No

4. Are board members paying attention to the effects of HIV/AIDS on portfolio quality and the financial performance of the institution? Yes/No

5. Is the board providing guidance to and oversight of management in addressing any adverse effects on the institution? Yes/No

6. Is the board supportive or active in identifying potential strategic collaborators for the MFI (for example, HIV/AIDS education and support institutions)? Yes/No

7. Do loan officers and other staff communicate with management about the effects of HIV/AIDS on clients and client repayment? Yes/No

   Score: ______

II. Product and Client Management

8. Does the institution have a customer service orientation that takes into account changing client needs in an HIV/AIDS environment? (For example, does the MFI monitor client needs through periodic focus groups, surveys, interviews, and other mechanisms?) Yes/No
9. Does the institution regularly review its product terms and conditions, including processing time, convenience of working hours and service locations, and client transaction costs? Yes/No

10. Does the institution monitor its competitors and their products? Yes/No
   If yes, how often? Frequently ____ Occasionally ____ Sometimes ____
   Almost  Never ______

11. Has the institution ever developed a new product or refined an existing product to meet client needs? Yes/No

12. What is the institution’s client desertion rate? Over time, has it increased _____, decreased _____, or remained constant______?

   Score: ______

III. Human Resources Management

13. Does the institution have a clear set of personnel policies and a personnel manual? Yes/No

14. If yes, has the content of these policies and the manual been reviewed and/or adapted to consider the potential impact of HIV/AIDS on staff? Yes/No

15. Has the institution sought to identify risks within the workplace that put staff at risk vis-à-vis HIV/AIDS? Yes/No

16. Are staff members knowledgeable about the disease and its effects? Yes/No

17. Have staff productivity levels increased _____, decreased _____, or remained constant____ over the past 24 months?

18. What is the institution’s staff turnover? Over time, has it increased _____, decreased ___, or remained constant _____?

   Score: ______

IV. Administration

Credit Processes, Policies, and Procedures

19. Are operational procedures standardized (across branches, for example)?
   Yes/No

20. Does the institution have the ability to grant exceptions with respect to its credit policies? Yes/No

21. Do practices at the branch and loan officer levels conform to policies set at the institutional level (for example, with regard to delinquency and collections)? Yes/No

22. Are operational decisions, such as loan approval, decentralized? Yes/No

23. Have policies and procedures regarding loan promotion, group formation, loan approval, processing, disbursement, and monitoring been reviewed and augmented in the past? Yes/No
**Management Information Systems**

24. Does the MIS capture data about clients that can be used to generate useful reports for the board, management, and staff? Yes/No

25. Does the MIS produce reports in an efficient, timely manner? Yes/No

26. Is the institution using this information? Yes/No

27. Does the MIS have excess capacity to capture new data? Yes/No

28. Does the MIS calculate client retention rates? Yes/No

**Policies on Fraud**

29. Are credit operations audited or controlled for fraud? Yes/No

---

**V. Financial Management and Viability**

30. Over time, has the portfolio quality, measured by portfolio at risk (PAR), declined ______, improved _____, or remained constant _____?

31. Does the institution monitor changes in financial performance through ratios or other mechanisms? Yes/No

32. Have there been changes in the institution’s operational or financial sustainability? Yes/No

33. If yes, does the institution know the factors accounting for these changes? Yes/No

34. Is the institution looking at variances in budget and cash flow projections? Yes/No

35. Does the institution regularly review provisioning policies or changes in liquidity ratios? Yes/No

36. How often does the institution review its pricing policies? Frequently _____ Occasionally _____ Sometimes _____ Never ______

---

Score: 

Score: 

**Combined score for all sections:** _____
Bring the larger group back together and ask the pairs to report back.

**How did the institutions rate?**

**What is the value of getting a high score?**

**What does a high score say about the institution? What does it allow the institution to do?**

Hint for the facilitator: This exercise is meant to highlight an institution’s strengths or weaknesses regarding change. Note that the scores on the individual sections are more important than the overall score because these individual scores highlight weak areas that need attention.

**What is the danger of getting a low score? What could happen?**

Use the questionnaire as a starting point to discuss the next steps the institution should take. As discussed earlier, there are many options for institutions to take: the “business as usual” approach (do nothing), the financial services approach (steps of which have been highlighted in this training), and the activist approach (going above and beyond the call of duty to forge alliances with ASOs, taking an active role in educating and helping clients with the specifics of the disease and its impact). A high score on the questionnaire is likely to ensure that an institution is ready to move away from “business as usual.”

**Role of Board and Management**

Early research has shown that the key to innovation and refinement of products to account for HIV/AIDS is leadership. Leadership at the national level has raised the level of openness about HIV/AIDS and has allowed MFIs and the larger business community to respond appropriately.

Briefly show the **Overhead: Importance of Identifying the Impact of HIV/AIDS on MFI Operations.** Although leadership from the board and management is fundamental to making any changes within the institution, the board also plays an ongoing role in monitoring those changes in the future. It is certainly the hope that both board members and managing directors have gained new insight into HIV/AIDS during the past day of discussions and that they will understand the need to take leadership in the area of HIV/AIDS as well.

Pose the following questions to participants:

**How do board member responsibilities change in the HIV/AIDS context?**
Which areas of responsibility are enhanced?

Show the Handout and Overhead: Board Member Responsibilities, which illustrates board member responsibilities. Review with participants the roles of board members—namely, their fiduciary, strategic, and supervisory responsibilities, as well as their duty to assess management and ensure its accountability. (Note: In an HIV/AIDS context, board members must pay particularly close attention to aspects of operations in which there is likely to be a high incidence of fraud and legal compliance risk, in addition to monitoring how management is handling transaction risks—namely, risks related to human resources.)
6.2. Overhead: Importance of Identifying the Impact of HIV/AIDS on MFI Operations

“Long-term sustainable responses will only be achieved if all stakeholders (leadership, managers, personnel, shareholders) within [MFIs] are convinced of the real business rationale for action. In particular, a committed and knowledgeable leadership is paramount.”

“A clear understanding of the specific impacts of HIV/AIDS on a company and of the context in which these occur is a critical factor in the development of effective and appropriate policy and program responses.”

### Board Member Responsibilities

<table>
<thead>
<tr>
<th>Fiduciary</th>
<th>Enhanced Responsibilities in an HIV/AIDS Context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiduciary</strong></td>
<td><strong>Fiduciary</strong></td>
</tr>
<tr>
<td>• Ensure the financial health of the MFI</td>
<td>• Monitor the overall financial health of the MFI, ensuring that the MFI is managing its liquidity and safeguarding institutional equity in an environment with increased pressure on the bottom line and profitability.</td>
</tr>
<tr>
<td>• Safeguard the interests of all the institution’s stakeholders (particularly when MFI intermediates funds from commercial banks or depositors or has outside private investments)</td>
<td></td>
</tr>
<tr>
<td>• Serve as a check and balance to instill confidence in the company’s investors, staff, customers, and other key stakeholders that the managers will operate in the best interests of the institution.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Strategic</th>
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<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td><strong>Strategic</strong></td>
</tr>
<tr>
<td>• Participate in the organization’s planning process, including the development of its three components: a strategic plan, an operational plan, and an annual budget, focusing predominantly on the strategic plan</td>
<td>• Ensure that the new operational plan and budget consider the potential costs and financial impact of HIV/AIDS</td>
</tr>
<tr>
<td>• Review and annually assess progress toward stated strategic goals</td>
<td>• Monitor financial reports and ratios, analyzing trends that may be affected by HIV/AIDS.</td>
</tr>
<tr>
<td>• Monitor progress toward annual quantitative objectives of the operational plan and budget, reviewing both expenditures and revenue</td>
<td></td>
</tr>
<tr>
<td>• Monitor financial projections, including, at a minimum, loan disbursements, loan portfolio, active clients, and deposits (if applicable).</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Supervisory</th>
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<tbody>
<tr>
<td><strong>Supervisory</strong></td>
<td><strong>Supervisory</strong></td>
</tr>
<tr>
<td>• Ensure that the significant risks—including financial, operational, and strategic risks—the MFI faces have been identified</td>
<td>• Ensure that the health/epidemic risk of HIV/AIDS has been identified</td>
</tr>
<tr>
<td>• Confirm that strategies are in place to manage risks or that there are a plan</td>
<td>• Confirm that strategies to deal with the impact of HIV/AIDS are in place, including a plan and a timeline</td>
</tr>
<tr>
<td>• Hold management accountable for</td>
<td>• Hold management accountable for</td>
</tr>
<tr>
<td>Board Member Responsibilities</td>
<td>Enhanced Responsibilities in an HIV/AIDS Context</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>and timeline for implementation</td>
<td>implementing a risk management framework that includes HIV/AIDS</td>
</tr>
<tr>
<td>• Review management reports and information from internal and external auditors to determine whether those strategies are working effectively</td>
<td>• Review internal audit reports thoroughly because the incidence of fraud is often higher in an HIV/AIDS context, and perform occasional spot checks of the institution.</td>
</tr>
<tr>
<td>• Hold management accountable for identifying appropriate risks and implementing the risk management framework.</td>
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</table>

**Management Assessment and Accountability**

<table>
<thead>
<tr>
<th>Management Assessment and Accountability</th>
<th>Management Assessment and Accountability</th>
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<tbody>
<tr>
<td>• Supervise selection, evaluation, and compensation of senior management</td>
<td>• Evaluate performance of management in managing new risks related to HIV/AIDS</td>
</tr>
<tr>
<td>• In the transition from a small, growing, entrepreneurial organization to an established institution, ensure that the company survives.</td>
<td>• Move the institution beyond dependency despite the economic impact of HIV/AIDS.</td>
</tr>
</tbody>
</table>
6 N

Stock-Taking Exercise/Individual Exercise (30 minutes)

As a final exercise, have participants complete the Handout: Stock-Taking and Getting Ready. Note: Let participants know that they are not expected to share this exercise with the group, although discussion of plans on a volunteered basis is appropriate.

At this point the trainer should summarize the main points of the training and use them to pose several questions to participants about next steps:

What's next? How do you redefine your MFI’s strategy to consider the implications of the HIV/AIDS crisis?

How can you help move this from a discussion about issues and potential impact to action?

How can the Board and management be engaged?
### 6.4. Handout: Stock-Taking and Getting Ready

<table>
<thead>
<tr>
<th></th>
<th>What Are the Priorities in This Area?</th>
<th>Who from My Institution Do I Need to Involve?</th>
<th>Who Should Take Responsibility?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Environment</td>
<td>(competition, collaborators, legal and regulatory factors)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Management/Performance Monitoring by Board and Management</td>
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<td></td>
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<tr>
<td>Administration/MIS</td>
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<tr>
<td>Credit, Savings, and Product Management</td>
<td></td>
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<tr>
<td>Human Resource Management and Workplace Policy Development</td>
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</tbody>
</table>
What Did I Learn?

Concluding Remarks

Let participants know that there are a lot of resources available to assisting them in making many of the organizational changes. Where possible, provide them with the Family Health International (FHI) “Guide to Workplace HIV/AIDS Programs.” This guide can be obtained from FHI at no cost. Where possible, alert them to in-country ASOs. Facilitators should attempt to put together a list of various local/in-country ASOs prior to the training to provide to participants, or invite various organizations to present their materials at a mini–trade show.
6.5. What Did I Learn?

Module: _____  Topic: ______________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Appendix I: References for HIV/AIDS and Microfinance

Microenterprise Finance References


Glossary of Financial Terms, Ratios and Adjustments for Microfinance Institutions. SEEP Network, with Consultative Group to Assist the Poor (CGAP), 2003.


“Microfinance Effectively Serves the Poor; the Poorest are the Next Frontier.” Unpublished letter to the editor submitted to New York Times (30 April 2004).


**HIV/AIDS and Microfinance References**


The MBP Reader on Microfinance and HIV/AIDS: First Steps in Speaking Out. USAID MBP Project, October 2000. Contents include:


Training Products

A Microfinance Training Simulation: Client Risk and HIV/AIDS and the Challenges of Mutual Guarantee-Based Programs. UNCDF/Special Unit for Microfinance (SUM); USAID MBP Project, 2001. www.microlinks.org

Presentation Materials


HIV/AIDS Organizational Resources

Workplace Program Advice and Guidance

- Academy for Educational Development
  http://www.aed.org/HIVAIDS/

- AIDS Control and Prevention Project
  In the United States: 1-703-516-9779
  services@fhi.org

- AIDS mark (Population Services International)
  www.psiwash.org

- American Refugee Committee (ARC)
  http://www.archq.org/

- Bill and Melinda Gates Foundation
  www.gatesfoundation.org

- Centers for Disease Control and Prevention
  In the United States: 1-800-458-5231
  Hivmail@cdc.gov
  www.brta-lrta.org

- Family Health International (FHI)
  www.fhi.org

- Freedom from Hunger
  www.freedomfromhunger.com

- Global Business Council on HIV/AIDS
  www.businessfightsaids.org

- Global Health Council
  www.globalhealth.org

- International AIDS Economics Network (IAEN)
  http://www.iaen.org/

- International HIV/AIDS alliance
  www.aidsalliance.org
β International Labor Organization (ILO)  
www.ilo.org

β International Labour Organization  
www.ilo.org

β International Medical Corps  
http://www.imc-la.com/programs/microfinance.html

β Microenterprise Best Practices: Managing Risks and Emergencies  
www.microlinks.org

β National AIDS Trust  
In the United Kingdom: 44-20-7814-6767  
Julian.hussey@nat.org.uk  
www.nat.org.uk

β National AIDS Fund  
www.aidsfund.org/workplac.htm

β South African Business Coalition for HIV/AIDS (SABCOHA)  
http://www.redribbon.co.za/business/default.asp

β UNAIDS  
In Switzerland: 41-22-791-3666  
www.unaids.org

β World Health Organization  
www.who.org

β World Relief  
www.worldrelief.org

**Workplace Program and Policy Experience/Materials**

β Microfinance and HIV/AIDS e-mail list (hosted by CMF/Asia Pacific):  
www.cmfnepal.org

β Business Exchange on AIDS and Development  
In the United Kingdom: 44-20-7404-2027  
Beadwork@dircon.co.uk

β European AIDS and Enterprise Network  
In Belgium: 33-142-65-5123  
http://eaen.org
Appendix II: Additional Awareness-Building Exercises

Module A: HIV/AIDS from the Borrower’s Perspective

Description: This exercise is the UNCDF/MBP microfinance training simulation Client Risk and HIV-AIDS. Although it can be used as a stand-alone simulation (as originally designed), it leads naturally to follow-up exercises, which the rest of the Defining Options course is. A copy of it can be found on www.microlinks.org.

The exercise is designed to raise awareness about the impact of HIV/AIDS where it most extensively affects both the MFI’s clients and other clients: in the behavior of clients affected by HIV/AIDS. It drives home the realization that “risk-sharing”—which conceptually is a benefit to all members of a group—in fact draws most heavily on the resources of the most economically able and active to cushion the events in the lives of the most vulnerable. The exercise is particularly powerful in countries where AIDS prevalence is growing steadily and where MFIs are just beginning to confront the impact of the disease. Its message becomes amplified as the number and magnitude of crises multiply.

This exercise also points out that HIV/AIDS introduces a level of uncertainty that did not exist before, in which affected households may not understand their own vulnerability until they are in an advanced stage of crisis. If a significant number of participants underestimates the risk and consequences of an event, the group structure eventually collapses or requires significant modification.

Time requirement: One hour.

Method: Simulation of four-round solidarity group meetings and repayments.

Audience: This exercise is particularly useful for a survey audience but also serves as a good starting point for a specific MFI (as long as that MFI employs a group-based lending methodology).
A microfinance training simulation: Client Risk and HIV/AIDS

This module is designed to stimulate thinking and discussion about how risks and costs are shared through mutual guarantee mechanisms used in microfinance. It illustrates that risks and costs are transferred to neighbors, friends, and the most economically active (but also poor) members of the community. Moreover, the lesson illustrates vividly how the risks and costs facing borrowers increases in an HIV/AIDS-affected environment, where households face extreme and often unanticipated changes in their financial capabilities and needs.

This training packet contains the following sections:

- **Section I** provides a brief description of the Simulation: its structure, lessons, and required preparation.
- **Section II** provides the trainer with important background information needed to prepare for the Simulation.
- **Section III** describes how the Simulation is actually conducted: it outlines the facilitator tasks from start to finish, and provides a view of what happens in each round of play.
- **Section IV** provides suggested information for the facilitator to use in introducing the Simulation, and then in leading a discussion after the Simulation ends.
- **Section V** briefly describes modifications and extensions to the Simulation.
- **Section VI** provides the “hardware” for the Simulation: instructions in preparing player envelopes, scripts for each part in the simulation, money templates needed to create the player envelopes, and the master math worksheet.

**Section I**

DESCRIPTION OF THE SIMULATION

<table>
<thead>
<tr>
<th>The Exercise</th>
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<tbody>
<tr>
<td>The Simulation places participants in the role of borrowers in a microfinance program using a mutual guarantee mechanism, and operating in a fictitious currency, denoted as “K”. Each team of six includes a borrower group of five members – each owing K.80 – and their loan officer who is in charge of collecting K.100 in on-time repayments at each group meeting. The team goes through four rounds of payment cycles, during which they are charged with paying off their entire debt to the microfinance organization. Each player has a set of events that take place during those four rounds, to which the group must respond. Some of the events are related to HIV/AIDS. Others are every-day risks facing the poor, such as illness, theft, or fire.</td>
</tr>
</tbody>
</table>
The simulation ends when the group finds – because of the number and magnitude of crises – that it does not have sufficient income to meet the group’s collective debt. At this stage, the group realizes it has to progress to emergency measures: liquidation of assets, secondary loans, or other behaviors which are not in the borrowers’ best long-term interests.

Key Lessons:

The exercise drives home the realization that “risk-sharing” – which conceptually is a benefit to all members of a group – in fact draws most heavily on the resources of the most economically able and active to cushion the events in the lives of the most vulnerable. The exercise is particularly powerful in the HIV/AIDS context: its message becomes amplified as the number and magnitude of crises multiply.

Second, the lesson points out that HIV/AIDS introduces a level of uncertainty that did not exist before, where affected households may not understand their own vulnerability until they are in an advanced stage of the crisis. If a significant number of participants underestimate the risk and consequences of an event, the group structure eventually collapses or requires significant modification.

Time Requirements:

The Simulation requires roughly one hour for introduction, play, and follow-up discussion. This is divided as follows: 35 minutes for the actual simulation; 25 minutes for the introduction and follow-up discussion.

Preparation:

Each team has an envelope containing six confidential envelopes for team members. Each individual envelope contains the team member’s identity and “script” for the four rounds, as well as the total amount of money the person will be able to pay or use during the simulation. Scripts and “money” sheets are attached for the facilitator to photocopy and distribute. The amount of money in for each player is described in Section VI.

The room should be set up to allow the teams to gather their chairs in small clusters. The facilitator will need a table at the front of the room for collecting money, watching the time, etc. Because the level of noise is significant, a microphone is a helpful addition. Likewise, a bell is a useful tool to signal time for payment.
Section II

BACKGROUND INFORMATION FOR THE FACILITATOR

This section begins by providing background on the role and limitations of mutual guarantees in microfinance. This is followed by a discussion of HIV/AIDS, which is the “context” for the simulation, and describes, in brief, the effects of HIV/AIDS on the microfinance client’s household. Both of these topics are critical for the facilitator to understand before embarking on the Simulation, as they provide the background for the events that transpire.

Why Use Mutual Guarantees For Microfinance?

One of the great innovations of microfinance is the system of mutual guarantees, as practiced in solidarity groups, and village or community banks. A mutual guarantee is where a group of individuals – typically ranging from five to 30 individuals – receive individual loans, but where all members of the group bear mutual responsibility to repay each others’ loans in case of default or delinquency.

This system of mutual guarantees has worked well for many poor households, allowing them to access financial resources without the burden of collateral. In its best form, the mutual guarantee system has also provided entrepreneurs with mutual support in times of unexpected crisis – where the group can informally cover an affected member’s obligations until she can recover.

But the primary beneficiaries of mutual guarantees have been the microfinance institutions themselves. Mutual guarantees reduce the risk facing microfinance institutions (MFIs) by shifting the risk not only onto the borrower, but also onto the borrower’s co-guarantors. Moreover, by tying repayment to access to future credit, MFIs provide the co-guarantors an incentive to “pay up” if a borrower falls short – in the interest of maintaining the group’s long-term access to credit.

Mutual guarantees also reduce MFIs’ costs of serving many clients with very small loans, by shifting the time-consuming task of due diligence from the lender onto the group. Because they will be assuming a mutual risk, group members have a strong incentive to examine the ability and willingness of co-borrowers’ to repay. In so doing, they weed out individuals perceived to be poor credit risks, and choose to collaborate with those who are better credit risks.

Overall, mutual guarantees have traditionally been seen as an acceptable cost to clients of gaining access to credit, and a critical component of risk management and financial sustainability for the MFI.
The Down-Side Of Mutual Guarantees

What are the negative aspects of mutual guarantees? First, they are not a “first best” solution for borrowers. If given the option, borrowers would rather be responsible for their own debts only, not the debts of others. Moreover, the process of assessing others’ credit-worthiness requires time and energy on the part of the borrower. This time and energy must be reinvested every time a group member drops out, as most MFIs require that group size remain relatively constant. All of these requirements translate into higher risk and higher cost to a borrower than would be assumed under an individual loan.

Second, mutual guarantees, by their nature, encourage groups to exclude the most vulnerable, and instead choose those with a certain level of financial security. This is a rational decision, which ensures that one’s co-borrowers have sufficient assets or other sources of income to draw upon if their own business lags or if another group member defaults.

Third, mutual guarantees do not work well when large numbers of the community face similar risks. Agriculture is a classic example: if all borrowers are fully specialized in maize, and the maize crop fails, co-guarantors will not have the resources to cover for each other, and all will need assistance at the same time. Similar situations apply when other types of disasters strike: floods, earthquakes, civil unrest, or national economic or financial crises. In most of these cases, the disasters strike many or all borrowers in the same way at the same time: they are called “co-variant” events since the individual outcomes all vary in the same direction at the same time. Mutual guarantees are particularly vulnerable to these “co-variant” risks. When co-variant risks appear, MFIs have typically been required to reschedule all group members’ loans until the crisis is passed, thereby eliminating payment requirements of co-guarantors that none can meet.

ENTER HIV/AIDS

Now comes a new sort of emergency: the human immunodeficiency virus, or HIV, which causes AIDS. As of December 2000, 36.1 million people were infected with HIV worldwide, and over 22 million had already died. The majority of the new infections – and the anticipated future infections – will be in poor communities in developing countries.

HIV/AIDS is different from other deadly diseases that continue to plague poor communities. First, it is largely invisible. Only 10% of all HIV cases are ever diagnosed. Moreover, HIV shows no symptoms for years, giving infected individuals ample opportunity to spread it unwittingly. This early dormancy allows it to spread from high-risk groups into the general population, where it is very difficult to stop. Two characteristics – its link to a basic human drive (sexual activity) and the overwhelming stigma attached to HIV and AIDS – make it particularly difficult to discuss HIV or to change behaviors. All of these characteristics combine to allow
HIV to enter a community and spread widely before a community recognizes it for what it is, much less agrees to address it openly.

HIV/AIDS takes a tremendous economic and financial toll on affected households. Because of the slow, progressive nature of HIV and AIDS, households must invest heavily in medical services at the same time that productive adults have fallen ill. For this reason, the most vulnerable households are likely to enter a period of dis-saving, during which they reduce food consumption, liquidate assets, and may even withdraw children from school. Care for the sick or orphans means less time to do business; personal infection means bouts of illness, progressively less energy, and a gloomy long-term outlook for business continuity. [An important note about the progression of HIV: an HIV-positive person remains productive for several years after becoming infected. The longer the individual has access to nutritious food and medical care for secondary infections, the longer the person can remain productive. Therefore there is a strong rationale to keep infected individuals engaged in their productive work as long as they are able, if for no other reason than to extend the period before his/her children are orphaned. The practical implication for microfinance programs: it is neither necessary nor appropriate to exclude HIV-positive individuals from microfinance programs. Only at the point where an individual has symptoms of advanced HIV or AIDS does the person become unproductive at work and therefore a “poor risk” from the MFI’s perspective.]

In areas where the HIV-prevalence rate has passed 10%, the majority of households may eventually be affected by the disease: either they will have one or more family members sick with HIV/AIDS, or they will have experienced the death of a productive adult due to HIV/AIDS, or they will have absorbed orphans from other households where adults have died of AIDS. All of these events have significant consequences for households’ income flows, time allocation, and immediate financial priorities. For these reasons, microfinance programs need to consider the extent to which their clientele is “affected” by HIV/AIDS – a much larger segment than those “infected” with the disease.

Certain communities are particularly hit hard by HIV/AIDS, while others appear to have been spared. For hard-hit communities, HIV/AIDS acts like a “slow motion natural disaster” – gradually sweeping through and hitting nearly all households in some way. This is the type of emergency described above as hardest for mutual guarantee mechanisms to cope with: a “co-variant” disaster. Moreover, for a hard-hit community, this emergency is likely to remain longer than a flood, a financial crisis, or even a drought: it is likely to be part of the equation for 10-15 years.
Section III

RUNNING THE SIMULATION

This section provides two sets of guidance. First, it provides a step-by-step guide to the Facilitator’s tasks, with time estimates for each activity. Second, it provides the Facilitator with a round-by-round description of the events that transpire in the Simulation, and the teams’ likely responses.

Facilitator Tasks:

The facilitator – who also plays the role of the “Credit Manager” – runs the simulation as follows:

1. Introduce and set up the Simulation:

   - Provide an introduction to the exercise (5 minutes) (see Section IV below)
   - Ensure that the group is divided into teams of six individuals (5 minutes)
   - Instruct each team to choose a credit officer (1 minute)
   - Introduce yourself as the “Credit Manager” – and remind them that you strictly require full, on-time repayment
   - Provide each team with a group envelope, within which are six individual envelopes, and ask them to distribute (with each reading his/her own envelope only) (2 minutes)

2. Strictly keep time for the Simulation:

   - After they receive their envelopes but before the simulation begins, allow the teams 5 minutes to get to know each other and build rapport.
   - Round 1: 3 minutes to play; 2 minutes to pay (5 minutes total)
   - Round 2: 3 minutes to play; 2 minutes to pay (5 minutes total)
   - Round 3: 5 minutes to play, 2 minutes to pay (7 minutes total)
   - Round 4: 5 minutes to play; 5-7 minutes to pay (12 minutes total)

3. Collect and COUNT the money delivered by each credit officer each round, ensuring that each team pays K.100 each round (K.20 per each borrower; 5 borrowers each).

   - If the credit officer does not have enough money, send him/her back to the group to collect it.
   - Insist that the group must find a solution that somehow makes up K.100 immediately.
   - If the group is ultimately unable to make the payment, decide on a penalty (such as collecting their coats, pencils, or other “collateral” – temporarily of course!).
4. Announce the end of the Simulation, thereby transforming back from Credit Manager to Facilitator.

5. Lead the post-Simulation Discussion (15 minutes) (see Section IV below)

**What is Actually Happening Each Round?**

The first round. In the first round, everybody pays on time. The credit officer collects K.100 from the group.

The second round. The second round will require a short discussion as the group decides what to do about the two borrowers (#2 and #3) who have temporary problems, creating a repayment short-fall. Luckily a departing borrower (#1) has paid in advance, so the groups will most likely use the advance to make up for the other two borrowers’ short-fall. Again, the credit officer will be able to pay K.100 for the group.

The third round. In the third round, the group faces increasing difficulty. One borrower (#2) continues to be sick and pays even less than the previous round. Another borrower (#4) experiences a fire, completely destroying his business and inventory. He can only pay K.5. Because of the requirement for full, on-time repayment, the group must find a way to make the K.100 payment. While difficult, this is still possible due to the fact that other borrowers have extra cash in hand (should they be willing to share it). The problem is confounded by the fact that one borrower (#1) has temporarily left the group, so that the current problems must be resolved among a smaller group of 4 individuals.

The fourth round. The fourth round reveals the long-term, cumulative nature of HIV/AIDS pressure on the group. Borrower #1 is still absent. The sick borrower (#2) can no longer pay at all: she is officially in default. The borrower who experienced the fire (#4) can only partially repay what he owes. Even those with extra cash are unable to completely repay the group’s obligation to the MFI. Despite the credit officer’s insistence on on-time repayment, the group will find this very difficult: they have K.80 to make a K.100 payment. The group will need time to find another solution to this sobering reality.

The game ends here.
Section IV

INTRODUCTION and DISCUSSION QUESTIONS

This section provides basic points for the Facilitator to raise in introducing the Simulation, and in debriefing participants afterwards.

Pre-Simulation Introduction:

The Facilitator may wish to begin by asking participants two identifying questions: (1) how many work in microfinance retail institutions? (2) how many come from programs that use a mutual guarantee system (including “solidarity group” or “village banking”, etc.)? The facilitator can then point out that this is the credit method under examination in the Simulation. The Facilitator should also make sure that the participants understand the four points below.

Point #1:

Often there are misconceptions about just how borrower groups deal with shocks, risk, and loss; HIV/AIDS is just one more crisis thrown into the mix of other challenges constantly faced by members. This Simulation is designed to help us sort out what our borrowers – and their borrower groups – are actually doing to respond to crises in general, and specifically when dealing with prolonged illness and death of family members.

Point #2:

When talking about HIV/AIDS and microfinance, there is much confusion between being “infected with HIV/AIDS” and being “affected by HIV/AIDS.” Before we embark on the Simulation, it is important to understand the difference.

Those who are HIV-positive are “HIV-infected”.

- They are unlikely to know that they are infected – only 10% find out that they have HIV.
- After becoming HIV-positive, they are productive in their homes and businesses for years. This means that being HIV-positive does not imply that an individual is a bad credit risk or no longer to run their business.
- We don’t really know how many people are HIV-positive in a given community, and it is not appropriate to find out, given the stigma attached to the disease.

We do know that while a small fraction of our clients are HIV-positive, many more may be dealing with HIV/AIDS in their extended family. We call these people “affected” (but not necessarily “infected”) by HIV/AIDS. Clients affected by HIV/AIDS may be:
caring for someone in their immediate or extended family who is chronically ill; sometimes even moving into the sick family member’s home

- taking on (or preparing to take on) additional children of relatives who have died or who are so ill that they can no longer care for them

- contributing for medical or funeral expenses within the immediate and extended family, and in one’s broader social network.

- Experiencing chronic periods of AIDS-related illnesses

The Simulation will show how being “affected” by HIV/AIDS causes significant setbacks to the borrower, and to the borrower’s group.

**Point #3:**

Clients probably don’t use different coping strategies for these shocks than they do from other shocks such as non-HIV-related illness, a family death, or a non-health crisis. But HIV/AIDS is different in that crises accumulate and go on and on. This is what makes HIV/AIDS particularly difficult, and particularly dangerous for microfinance, as you will see. [Note: The facilitator may wish to “table” this point until the post-simulation discussion. At the end of the simulation, the facilitator can review each of the crises, and say “Which of these events could be connected to HIV/AIDS – and how (if at all) does this differ from the usual crises facing clients?”]

**Point #4:**

This Simulation is – by design and necessity – very simplistic. We will all assume that:

- Borrowers only have a fixed amount of money to use for repayment: this is not their “loan money” – it is simply the money they have available from all household sources. (This is the amount of money players will find in their envelope.)

- The borrower cannot draw on savings. (Alternatively, assume that any savings are held in a compulsory account and the borrower does not have access to the money.)

A final note to participants before the Simulation begins: suggest that they find a name for their character, and “step into the character’s shoes”. Remind them to begin by sharing only their identify and background, not what will happen to them in the future.

**Post-Simulation Discussion Questions:**

After the Simulation, emotions may be running high – particularly for those who had “extra money” needed by the group. The Facilitator may ask them to begin by
expressing their emotions. The questions below may help the participants to move from the exercise to its implications for microfinance:

β How did the borrower groups make up the shortfall in the final round?

β What do you think might happen during the next loan cycle (if the group continued)?

β How did those in crisis feel about not being able to meet their obligations?

β How did borrower groups cope with clients’ crises? Is whose interest was it to support these coping strategies? Who benefited and who didn’t? Who should be responsible for the debt — the MFI, the borrowers?

β Did members behave differently or make distinctions between the crises? Did the group see these as “HIV/AIDS crises” or as standard crises? If “HIV/AIDS,” what did that distinction mean to group members?

β Do you believe that the Simulation reflects dynamics in your microfinance program?

β In what ways did groups manage increasing risks?

β What are some practical ways MFIs see to address this situation? (Possible ideas/answers: encouraging a family member to take over the member’s business; taking turns running the business of someone in temporary trouble; looking for emergency assistance that might be available from other organizations; setting up emergency funds (loan insurance); setting up savings that would provide an extra cushion for emergencies.

Illustrative comments from observers or participants:

“A simple microfinance project became a perverse burden and additional pressure in a community already crippled by poverty and AIDS. It was the straw that broke the camel's back.” (Gaye Burpee, CRS)

“The simulation was excellent…. It really drove home the importance of understanding what's happening in the individual lives of clients and in the internal dynamics of the borrower groups.” (Chris Dunford, Freedom from Hunger)
Section V

POSSIBLE MODIFICATIONS AND EXTENSIONS

Possible Modifications:

Even when teaching the same lesson, all trainers modify a training product in some way to best fit his or her training style, the audience, or the context. Moreover, the game presented here simplifies financial decision-making and options of households dramatically – for example, by assuming no household savings. This section points to a few ideas on how the Simulation could be modified.

A simple modification is to make the currency reflect local units. Even more powerful, the borrowers may be given names and stories that reflect local customs and conditions. Catholic Relief Services (CRS) changed the names and stories to reflect local clients and their experiences. The Facilitator reported that it made the game “uncomfortably relevant to our country directors and staff” (Gaye Burpee, CRS, e-mail correspondence, 11/28/2000).

A more complex modification of increasing the number of borrowers in a group has been considered. Some participants suggested increasing the group size to reflect the structure of a Village Bank, which raises the team size from 5 to 25-30 borrowers. Such a change requires care in refining the mathematics of the simulation to ensure neither too much nor too little capital in the system, as well as significant additional time for each round.

Possible Extensions:

The post-Simulation discussion often unearths excellent practical ideas for how MFIs can modify their methods or products to better deal with the increased risks and costs introduced by HIV/AIDS. As documented in a companion USAID training tool, the Simulation can be followed by a second exercise, in which participants take off their “borrower hats” and all become credit officers. Each credit officer has been deputized by the MFI’s Executive Director to serve on a Task Force reviewing MFI policies, products, and client services in an HIV/AIDS environment. By changing perspective, and by immediately capturing and examining the ideas practical recommendations generated in the Simulation, this exercise ensures that the participants connect the lessons to programmatic implications.
Section VI

SIMULATION “HARDWARE”: FOR PREPARATION OF THE SIMULATION

Preparation on Simulation Packets for Each Team and Participant

Each six-person team has a “team envelope”, within which are six individual envelopes. Each individual envelope corresponds to one role in the simulation. Two items are included in each individual envelope: a description of their individual role, and a pre-determined amount of cash. The cash must reflect the denominations provided in the third column below.

<table>
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<tr>
<th>Simulation Role</th>
<th>Envelope Includes:</th>
<th>Denominations of Cash In Envelope:</th>
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<tbody>
<tr>
<td>Borrower 1</td>
<td>Description of Borrower #1’s Role; K.80</td>
<td>4 K.20 bills</td>
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<tr>
<td>Borrower 2</td>
<td>Description of Borrower #2’s Role; K.35</td>
<td>1 K.20 bill</td>
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<tr>
<td>Borrower 3</td>
<td>Description of Borrower #3’s Role; K.100</td>
<td>3 K.20 bills; 4 K.10 bills</td>
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<tr>
<td>Borrower 4</td>
<td>Description of Borrower #4’s Role; K.65</td>
<td>3 K.20 bills; 1 K.5 bill</td>
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<tr>
<td>Borrower 5</td>
<td>Description of Borrower #5’s Role; K.100</td>
<td>4 K.20 bills; 2 K.10 bills</td>
</tr>
<tr>
<td>Credit Officer</td>
<td>Description of Credit Officer’s Role; No money</td>
<td>Not applicable</td>
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In sum, for each team involved in the simulation, you will need the following supplies:

- 1 team envelope (large enough to hold the 6 individual envelopes)
- 6 individual envelopes
- 6 individual role descriptions
- 15 K.20 bills
- 5 K.10 bills
- 2 K.5 bills
Use the *Cash Templates* on the following pages to make sufficient bills to serve as many teams as are playing.

Use the *Role Descriptions* on the subsequent pages to provide each player with a description of his/her role.

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Appendix II: Additional Awareness-Building Exercises

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Borrower #1

Who are you??
You are a micro entrepreneur who is well respected in your community. You are part of a large, tightly knit, extended family. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Your role is that of a borrower who decides to drop out after the second round, however you want to honor your obligation and pay off your debt. You are dropping out because your brother just died and you need to travel to his town, make arrangements for his children and attend the funeral. You plan on being back for the next loan cycle. Your MONEY: You have four notes each worth K.20.

Round One:
You face no unusual circumstances. You can pay K.20 with no problems.

Round Two:
You break the news to the group that you have to drop out. You’ve already paid K.20 and know that you still owe K.60. So you pay K.40 this round and you promise that one of your relatives will deliver the last K.20 next round. You then leave the group and remain an observer for the rest of the simulation.

Round Three:
Your relative brings the last payment of K.20.
Borrower #2

Who are you??
You are an entrepreneur who was recently widowed. You have a reputation as a hard worker who meets her responsibilities. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Over the last few months, your health has not been the best. Your will fall ill between the 1st and 2nd rounds. You have not been able to spend much time at your business and you begin to have problems repaying at the second round. These problems become more acute as time passes. Your MONEY: You have three notes: a K.20, a K.10 and a K.5.

Round One:
You pay K.20.

Round Two:
You attend the meeting and announce that you can only pay K.10. (You have one note of K.5 left, but you cannot use that until the third round). You explain that you haven’t been feeling well and couldn’t attend to your business. You are sure that you will be better by next time and ask for a second chance.

Round Three:
Things did not get better and you are only able to pay K.5. You don’t know what more you can do, you really don’t have the money.

Round Four:
You are too ill to go to the meeting. And you still don’t have the money.
Borrower #3

Who are you??

You are a busy woman entrepreneur. You and your husband have several children and you each come from large extended families. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Your role in the group is that of a borrower who suddenly has to cope with one of your sister’s four children. She is near death and can no longer care for them; you have agreed to take them in. This will cause a temporary setback to your business while you divert your time to establishing the new children into your household. But you are a very good businesswoman and you are able to recover quickly. Your MONEY: You have three notes of K.20, and four notes of K.10.

Round One:

You pay K.20 with no problem.

Round Two:

You explain that you had a surprise visit from your sisters’ four children. She is too sick to care for them, so you are doing so. You were a bit overwhelmed with getting them settled and can only pay K.10 this round. But you promise to be up to date the next round.

Round Three:

During the third round, you are able to recoup and make the normal K.20 payment plus the K.10 you should’ve paid during Round 2.

Round Four:

Round four finds you back on track. You pay your K.20.
Borrower #4

Who are you??

You have been in the general store business for 10 years. The loans you’ve been receiving and paying back on time have allowed you to expand your store. You now carry paraffin and large drums of cooking oil. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Although all is well in Rounds 1 and 2, you will experience a temporary crisis in Round 3. Your MONEY: you have three notes of K.20 and one note of K.5.

Round One:

You pay K.20 with no problems

Round Two:

You pay K.20 again with no problems.

Round Three:

This time you explain to you group the sad news that your shop was burned to the ground. Some one must have tried to break in and knocked over the paraffin. You do have enough to pay K.5. You know you will be able to recover, but it really is a disaster. Since you are a good member with no problems otherwise you ask for understanding and help.

Round Four:

You are able to pay K.20, but still owe K.15 from last round. You explain that you have gotten some help and will be back on your feet in no time.
Borrower #5

Who are you??

You have the most business experience in your group. The others often ask you for advice, and you are known for being a helpful person when other need it. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: You will not experience any crises during the four rounds. Your

MONEY: You get four K.20s and 2 K.10s.

Round One through Four: you pay K.20 each time. You have an extra two notes of K.10.

Credit Officer

Your role is to make sure there is on time payment. You also make sure the full amount is paid.

You have a good relationship with your members; there is mutual self-respect. You often give advice to your members.

You know that everyone is hard working, but life is hard and there are set backs. However, microfinance is not charity and the loans still have to be paid on time or there will be no future access to credit.
Module B: Defining Target Group Options for Microfinance

Description: This module builds directly on Module A to examine the different AIDS-related situations of the five group members described in the Module A simulation. The focus of the exercise is to explore the implications for microfinance serving both infected (people living with HIV/AIDS) and clients affected by HIV/AIDS. This module was added specifically to address misunderstandings among participants leaving Module A, who tended to advocate targeting of microfinance toward people living with HIV/AIDS (PLWHA). The session steps back and discusses what “infected” and “affected” imply about client productivity and therefore the appropriateness of microfinance. It also provides an opportunity for participants to begin to identify MFIs' choices in responding to these populations.

Time requirement: One hour.

Method: Three rounds of small-group discussion and reporting.

Module details: Described below.

Facilitator’s Notes

Round 1

Guided Discussion and Small-Group Work:

In Round 1, participants will examine Borrower #2 from Module A (who was terminally ill, unable to pay, and dropped out of the program).

Brief Guided Discussion

Before beginning small-group work, conduct a guided discussion on the following questions:

- What was this borrower’s problem?
- Do we expect her to rejoin her borrowing group?
- How will her loan get paid?
Small-Group Assignment

List three ways the MFI could assist this borrower and/or ensure that her loan is paid.

4 Report

This exercise is likely to produce a wide range of answers, some of which may provide a suitable basis for further discussion. In general, however, two points should emerge:

- Preventive action (such as credit life insurance) would have to have been established long before this moment.
- The MFI cannot help this infected, ill person, and loan repayment will come only from the rest of the group.

One of the points of this exercise is to show that an MFI is not equipped to deal with sick people and that the MFI will not benefit much from trying to do so. (Note: If time is short, it may be more meaningful to limit Round 1 to a guided discussion about dealing with sick clients and concentrate the module’s time on Round 2.)

Round 2

Guided Discussion and Small-Group Work

In Round 2, participants will examine Borrowers #1, #3, and #4 (recall that #1 and #3 are affected by family problems that may or may not be HIV/AIDS-related, causing them to delay payments or drop out of the group temporarily, whereas #4 has a one-time problem).

Brief Guided Discussion

Before beginning small-group work, discuss the following issues:

- What were these borrowers’ problems?
- Are they likely to resume paying?
- Which of these borrowers has chronic problems and may be affected by the same problem in the future?
- Do you think that many of your customers are likely to be affected by similar problems?
- What are the costs to the MFI of losing these customers? (Answers to this particular question may be listed on a flipchart.)
Likely outcomes of discussion: In all three cases, the borrower is likely to pay his loan either because the problems did not directly affect the borrower’s ability to pay (#1 and #3) or because they entailed a one-time problem from which the borrower can recover (#4). From the MFI's perspective, however, there may be more concerns about Borrowers #1 and #3 because they are facing chronic problems unrelated to their businesses that may cause them to drop out as borrowers, which has cost implications because of the new customers required to take their place.

Small-Group Assignment

List three ways the MFI could assist borrowers dealing with chronic problems unrelated to their businesses so that they would be less likely to drop out. (As appropriate, this assignment can be made more specific, asking for changes in an MFI’s group-borrowing policy and procedures.)

4 Report

A wide range of answers is again expected and can be recorded as the basis for additional planning and development work. The following points should emerge:

- The MFI wants to accommodate borrowers who have temporary problems, especially when they are unrelated to their businesses.
- Known customers are proven quantities and thus are reliable. It is better to keep old, good customers than to try to recruit new customers.
- Our primary aim is for the MFI to be profitable/sustainable, so that it can continue to serve its market. Keeping costs down by keeping existing customers (thus not incurring costs to replace them) is just good business.

Round 3

Guided Discussion and Small-Group Work

This round may depend on time availability and whether these points have already emerged in the preceding discussions. It is designed to break down the myth that HIV-positive individuals are no longer productive members of society or good microcredit clients, based on the reality that in most cases only a small fraction of HIV-positive people are aware that they are infected.
Small-Group Assignment

Would the following additional information change anything you have proposed? One of the clients (#1, #3, #4, or #5) is indeed HIV-positive. We don’t know which one; he or she shows no symptoms, and the individual may not know he or she is infected.

4 Report

The core goal of this round is to illustrate that HIV status is not a reason for excluding people from microfinance programs; instead, the ability to undertake productive activities is the key threshold for participation or nonparticipation.

? Notes on Facilitation

In conducting the reporting, remember that all groups will have similar answers and solutions. Instead of getting one group to report fully, ask each group to make one point or suggestion and then go on to the next group and ask for a new point or idea. Go around sequentially to all groups until all points have been mentioned. Write all points on a flipchart. It may be appropriate to compile these points later as a handout.
Appendix III: Alternative Exercise on Financial Performance Monitoring

Module 5A: Financial Performance Monitoring

Description: This exercise is intended for a credit union or SACCO audience that is familiar with the PEARLS ratios and uses them to measure financial performance in their institutions. In addition, this exercise can be used in a mixed-audience format where many of the MFIs present mobilize and intermediate savings. This exercise should be used in lieu of Module 5A: Financial Performance Monitoring.

Time Requirement: 1 hour and 30 minutes

Method: Lecture for the introduction to PEARLS and small-group work

Audience: Credit union or SACCO managers; mixed audience of MFI managers whose institutions intermediate savings

Handouts and Overheads:

- Overheads: Six of each of the PEARLS areas
- Handout: Key PEARLS Indicators
- Handout: Key PEARLS Indicators 2
- Handout: SICOMU Credit and Savings Cooperative
- Handout: SICOMU SACCO Ratio Exercise

Other Supplies:

- Flipchart and pen

Facilitator Notes

PEARLS is a financial performance monitoring system that is designed to offer management guidance for credit unions and other savings institutions. PEARLS can be used to compare and rank institutions. PEARLS can provide comparisons among peer groups; it can provide comparisons among peer institutions in one country and across countries.

PEARLS is a set of financial ratios or indicators that help to standardize the terminology between institutions. In total, there are 44 quantitative financial indicators that facilitate an integral analysis of the financial condition of any financial institution. The purpose of including a number of ratios is to illustrate how change in one indicator has ramifications for several other indicators. Each indicator has a prudential norm or “standard of excellence” goal associated with it.

PEARLS, which is primarily a management tool for institutions, can also be used as a supervisory tool by regulators. As a management tool, PEARLS signals problems to managers before the problems become detrimental. For boards of directors, PEARLS provides a tool to monitor management’s progress toward financial goals. For regulators, PEARLS offers indicators and standards to supervise the performance of savings institutions.

The PEARLS system monitors six areas:

- Protection
- Effective Financial Structure
- Asset Quality
- Rates of Return and Costs
- Liquidity
- Signs of Growth

**Protection**

The primary goal of evaluating Protection ratios is to ensure that the financial institution offers its depositors a safe place to save their money. The most critical ratio under Protection is P1. The goal of P1 is to have 100% provisions for loan losses for loans that are greater than 12 months delinquent. Accurate measurement of delinquency (total outstanding balance of portfolio at risk at 30 days), indicator A1, is integrally linked to the creation of adequate allowances for loan losses.
Effective Financial Structure

The financial structure is the most important variable that affects growth, profitability, and efficiency. Financial structure is always changing and requires careful management, especially in cases of rapid growth. The Effective Financial Structure area of PEARLS focuses on an institution’s sources of funds (savings, shares, external credit, and institutional capital) and its use of funds (loans, liquid investments, financial investments, and nonearning assets).

Asset Quality

Asset Quality is the main variable that affects institutional profitability. An excess of defaulted or delayed repayment of loans and high percentages of other nonearning assets has a negative effect on credit union earnings because these assets are not earning income. Delinquency is a measure of institutional weakness because if delinquency is high, other key areas of credit union operations could be weak—e.g. loan loss provisions, institutional capital and net income.

Rates of Return and Costs

The Rates of Return and Costs indicators monitor the return earned on each type of asset (use of funds) and the cost of each type of liability (source of funds). On the assets side, one can determine what types of assets earn the highest return. On the liability side, one can determine the least and most expensive sources of funds. Yields and costs directly affect the growth rates of an institution. The intent is for an institution to pay real rates of return on savings and shares, charge rates on loans that recover all costs, and pay competitive salaries for employees.

Liquidity

Managing liquidity is an essential component of administering a savings institution. The goal of L1—15% of short-term investments minus liquid assets minus short-term payables over total savings deposits—serves to maintain short-term investment liquidity to respond to member-client withdrawal and disbursement demands.

Signs of Growth

Signs of Growth reflect member-client satisfaction with an institution’s quality of service, appropriateness of product offerings, and financial strength. Growth directly affects an institution’s financial structure and requires close monitoring because there must be balance in growth; for example, growth in savings drives growth in assets, but if loans are not growing as quickly as savings, the institution will have high liquidity and low earnings. The growth indicators of PEARLS can help managers maintain an effective financial structure.
What are the key PEARLS indicators?

The following key indicators provide a snapshot of the institution’s financial performance. The standard of excellence for each indicator is put forth by WOCCU on the basis of its field experience in working to strengthen and modernize credit unions and promote savings-based growth.

**WOCCU Key Pearls Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Standards of Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1. Allowance for Loan Losses/ Delinquency &gt; 12 months</td>
<td>100%</td>
</tr>
<tr>
<td>P2. Net Allowance for Loan Losses/ Delinquency of 1–12 months</td>
<td>35%</td>
</tr>
<tr>
<td>E1. Net Loans/ Total Assets</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>E5. Savings Deposits/ Total Assets</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>E6. External Credit/ Total Assets</td>
<td>Maximum 5%</td>
</tr>
<tr>
<td>E9. Net Institutional Capital/ Total Assets</td>
<td>Minimum 10%</td>
</tr>
<tr>
<td>A1. Total Loan Delinquency/ Gross Loan Portfolio</td>
<td>&lt;= 5%</td>
</tr>
<tr>
<td>A2. Nonearning Assets/ Total Assets</td>
<td>&lt;= 5%</td>
</tr>
<tr>
<td>R7. Total Interest (Dividend) Cost on Shares/ Average Member Shares</td>
<td>Market Rates &gt;= R5</td>
</tr>
<tr>
<td>R9. Total Operating Expenses/ Average Total Assets</td>
<td>5%</td>
</tr>
<tr>
<td>R12. Net Income/ Average Total Assets</td>
<td>Linked to E9</td>
</tr>
<tr>
<td>L1. ST Investments + Liquid Assets – ST Payables/ Savings Deposits</td>
<td>Minimum 15%</td>
</tr>
<tr>
<td>S11. Growth in Total Assets</td>
<td>&gt; Inflation</td>
</tr>
</tbody>
</table>

Pose the following question:

**Which key indicators would be different for non–credit union and nonsavings institutions?**

Answers include the following:

- E7 – Institutions that are not financial cooperatives will not have share capital (*nor will they need to pay dividends on shares R7*).
- E5 and E6 – Institutions that are not authorized to mobilize savings will not have the same target goals as savings institutions.
- L1 – Similarly, institutions that are not authorized to capture savings will not have the same liquidity concerns as savings institutions.
## Handout: Key PEARLS Indicators

**WOCCU INTERNATIONAL CREDIT UNION PRUDENTIAL STANDARDS OF EXCELLENCE**

### P-E-A-R-L-S RATIOS

<table>
<thead>
<tr>
<th>P</th>
<th>PROTECTION</th>
<th>GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Allowances for Loan Losses / Delinq. &gt;12 Mo.</td>
<td>100%</td>
</tr>
<tr>
<td>2.</td>
<td>Net Allowance for Loan Losses / Delinq. 1-12 Mo.</td>
<td>35%</td>
</tr>
<tr>
<td>3.</td>
<td>Total Write-off of Delinquency &gt; 12 Mo.</td>
<td>100%</td>
</tr>
<tr>
<td>4.</td>
<td>Annual Loan Write-offs / Average Loan Portfolio</td>
<td>Minimal</td>
</tr>
<tr>
<td>5.</td>
<td>Accum. Loan Recoveries/ Accum Loan Write-offs</td>
<td>100%</td>
</tr>
<tr>
<td>6.</td>
<td>Solvency (Net Value of Assets/Total Shares &amp; Deposits)</td>
<td>&gt;=110%</td>
</tr>
</tbody>
</table>

### E | EFFECTIVE FINANCIAL STRUCTURE | GOALS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Net Loans / Total Assets</td>
<td>Between 70 - 80%</td>
</tr>
<tr>
<td>2.</td>
<td>Liquid Investments / Total Assets</td>
<td>Max 20%</td>
</tr>
<tr>
<td>3.</td>
<td>Financial Investments / Total Assets</td>
<td>Max 10%</td>
</tr>
<tr>
<td>4.</td>
<td>Non-financial Investments / Total Assets</td>
<td>0%</td>
</tr>
<tr>
<td>5.</td>
<td>Savings Deposits / Total Assets</td>
<td>Between 70 - 80%</td>
</tr>
<tr>
<td>6.</td>
<td>External Credit / Total Assets</td>
<td>Max 5%</td>
</tr>
<tr>
<td>7.</td>
<td>Member Share Capital / Total Assets</td>
<td>10-20%</td>
</tr>
<tr>
<td>8.</td>
<td>Institutional Capital / Total Assets</td>
<td>Min 10%</td>
</tr>
<tr>
<td>9.</td>
<td>Net Institutional Capital / Total Assets</td>
<td>Min 10% - Same as E8</td>
</tr>
</tbody>
</table>

### A | ASSET QUALITY | GOALS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Loan Delinquency / Gross Loan Portfolio</td>
<td>&lt;= 5%</td>
</tr>
<tr>
<td>2.</td>
<td>Non-earning Assets / Total Assets</td>
<td>&lt;= 5%</td>
</tr>
<tr>
<td>3.</td>
<td>Net Zero Cost Funds / Non-earning Assets</td>
<td>&gt;200%</td>
</tr>
</tbody>
</table>

### R | RATES OF RETURN AND COSTS | GOALS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Net Loan Income / Average Net Loan Portfolio</td>
<td>Entrepreneurial Rate</td>
</tr>
<tr>
<td>2.</td>
<td>Total Liquid Inv. Income /Avg. Liquid Investments</td>
<td>Market Rates</td>
</tr>
<tr>
<td>3.</td>
<td>Fin. Investment Income / Avg. Fin. Investments</td>
<td>Market Rates</td>
</tr>
<tr>
<td>5.</td>
<td>Total Int. Cost on Savings Deposits / Avg. Savings Dep.</td>
<td>Market Rates &gt; Inflation</td>
</tr>
<tr>
<td>6.</td>
<td>Total Int. Cost on External Credit / Avg. External Credit</td>
<td>Market Rates</td>
</tr>
<tr>
<td>7.</td>
<td>Total Int. (Dividend) Cost on Shares/Avg. Member Shares</td>
<td>Market Rates &gt;= R5</td>
</tr>
<tr>
<td>8.</td>
<td>Total Gross Income Margin / Average Total Assets</td>
<td>Variable - Linked to R9, R11, R12</td>
</tr>
<tr>
<td>9.</td>
<td>Total Operating Expenses / Average Total Assets</td>
<td>5%</td>
</tr>
<tr>
<td>10.</td>
<td>Total Loan Loss Provision Exp. Assets / Avg. Total Assets</td>
<td>Dependent on Delinquent Loans</td>
</tr>
<tr>
<td>11.</td>
<td>Non-recurring Income or Expense / Avg. Total Assets</td>
<td>Minimal</td>
</tr>
<tr>
<td>12.</td>
<td>Net Income / Average Total Assets</td>
<td>Linked to E9</td>
</tr>
</tbody>
</table>

### L | LIQUIDITY | GOALS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ST Inv. + Liq. Assets - ST Payables / Savings Deposits</td>
<td>Minimum 15%</td>
</tr>
<tr>
<td>2.</td>
<td>Liquidity Reserves / Savings Deposits</td>
<td>10%</td>
</tr>
<tr>
<td>3.</td>
<td>Non-earning Liquid Assets / Total Assets</td>
<td>&lt; 1%</td>
</tr>
</tbody>
</table>

### S | SIGNS OF GROWTH (Year-to-Date Growth) | GOALS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Growth in Net Loans</td>
<td>Dependent on E1</td>
</tr>
<tr>
<td>2.</td>
<td>Growth in Liquid Investments</td>
<td>Dependent on E2</td>
</tr>
<tr>
<td>3.</td>
<td>Growth in Financial Investments</td>
<td>Dependent on E3</td>
</tr>
<tr>
<td>4.</td>
<td>Growth in Non-financial Investments</td>
<td>Dependent on E4</td>
</tr>
<tr>
<td>5.</td>
<td>Growth in Savings Deposits</td>
<td>Dependent on E5</td>
</tr>
<tr>
<td>6.</td>
<td>Growth in External Credit</td>
<td>Dependent on E6</td>
</tr>
<tr>
<td>7.</td>
<td>Growth in Member Shares</td>
<td>Dependent on E7</td>
</tr>
<tr>
<td>8.</td>
<td>Growth in Institutional Capital</td>
<td>Dependent on E8</td>
</tr>
<tr>
<td>9.</td>
<td>Growth in Net Institutional Capital</td>
<td>Dependent on E9</td>
</tr>
<tr>
<td>10.</td>
<td>Growth in Membership</td>
<td>&gt;12%</td>
</tr>
<tr>
<td>11.</td>
<td>Growth in Total Assets</td>
<td>&gt; Inflation</td>
</tr>
</tbody>
</table>
Small-Group Work (45 minutes to 1 hour)

Break audience into small groups to study fictitious “SICOMU” credit union performance. Give participants the Handout: SICOMU Savings and Credit Cooperative and Worksheet: SICOMU SACCO Ratio and ask them to report on what may be the HIV/AIDS-related financial problems. Give the group 20–25 minutes to read the case and determine the problems.

After 20 minutes, gather the larger group to share ideas, writing participant answers on the flipchart.

What is happening at SICOMU?

Possible answers may include the following:

- Appearance of Delinquency (A1)
- Lack of loan loss provisions to cover delinquency (P1 and P2)
- Decreases in voluntary savings and shares (E5 and E7)
- Increase in external credit (E6)
- Cost of provisioning for loans and increased external borrowing to make up for decreased voluntary savings and shares have led to negative net income (R12)
- Increase in operating expenses (R9) also contributes to negative net income
- Insufficient earnings and lack of provisions have resulted in negative net institutional capital (E9)
- Solvency has decreased (P6).

Facilitators may point out the relationships between indicators; e.g., as Delinquency increases (A1), loan loss provisions may become inadequate (P1 and P2), earnings are reduced, and net income decreases (R12), and because of a lack of positive net income, institutional capital (E9) is weakened.

Which indicators, if any, may be relevant to monitor in an HIV/AIDS context?

Possible answers may include the following:

- Membership Growth (increase or decrease) (S10)
- Net Loan Income/Average Net Loan Portfolio (S1)
- Total Interest Cost on Savings Deposits/Average Savings Deposit (R5)
As the MFI general manager, what actions do you think the MFI should take to address what is happening?

Possible answers may include the following:

- Loan pricing needs to be increased (R1) – currently SICOMU is borrowing externally at an expensive rate to lend at an inexpensive rate (a losing proposition).
- Board members/managers should request for further information on membership trends (S10) – what is the turnover rate of members versus the rate of new member-clients?
- Board members/managers should request a breakdown of operating expenses (R9) – what is the reason for the increase (employee benefits, staff turnover, etc.)?
- Board members/managers should look at credit policies and procedures because delinquency is increasing (A1).
- Board members/managers could examine why savings are being withdrawn (R5), resulting in the institution needing to increase external credit (E6) to fund its loan portfolio.
- Board members/managers need to better manage liquidity to bring liquidity (L1) levels up to a safe level.
**Handout: SICOMU Savings and Credit Cooperative**

SICOMU serves 29,031 members. Founded in 1974, the institution has gone through significant structural changes to move from being dependent on external credit to mobilizing the deposits of its members to finance the borrowing needs of other members. SICOMU was originally an employer-based SACCO, but in 2001 it changed its bylaws to serve the broader community through its three service points. The headquarters office is in a peri-urban area; it has one rural branch and one urban branch. Three-quarters of the membership is composed of employees of the SICOMU welding factories, and the other quarter is composed of self-employed traders, farmers, and low-wage public employees.

Every SICOMU member has a share account. In addition, the SICOMU credit union offers passbook savings accounts (authorized by the Department of Cooperatives) and three types of individual loans: development loans (for productive purposes), school fees loans, and emergency loans. Development loans are for a maximum term of three years. School fees loans are for a 10-month term, and emergency loans are for 10- to 12-month terms. SICOMU management has also noticed that more members are borrowing for emergencies than for development loans.

The credit union has noticed that during the past three years total membership has been slowly declining. Similarly, there has been increasing staff absenteeism.
### Worksheet: SICOMU SACCO Ratio

**WOCCU P-E-A-R-L-S RATIOS**

<table>
<thead>
<tr>
<th>GOALS</th>
<th>12/31/2002</th>
<th>12/31/2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>PROTECTION</td>
<td></td>
</tr>
<tr>
<td>1. Allowances for Loan Losses / Delinq. &gt; 12 Mo.</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2. Net Allowance for Loan Losses / Delinq. 1-12 Mo.</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>3. Total Write-off of Delinquency &gt; 12 Mo.</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>4. Annual Loan Write-offs / Average Loan Portfolio</td>
<td>Minimal</td>
<td>0%</td>
</tr>
<tr>
<td>5. Accum. Loan Recoveries / Accum. Loan Write-offs</td>
<td>100%</td>
<td>NA</td>
</tr>
<tr>
<td>6. Solvency (Net Value of Assets/Total Shares &amp; Deposits)</td>
<td>&gt;110%</td>
<td>105%</td>
</tr>
<tr>
<td>E</td>
<td>EFFECTIVE FINANCIAL STRUCTURE</td>
<td></td>
</tr>
<tr>
<td>1. Net Loans / Total Assets</td>
<td>Between 70 - 80%</td>
<td>71%</td>
</tr>
<tr>
<td>2. Liquid Investments / Total Assets</td>
<td>Max 20%</td>
<td>1%</td>
</tr>
<tr>
<td>3. Financial Investments / Total Assets</td>
<td>Max 10%</td>
<td>14%</td>
</tr>
<tr>
<td>4. Non-financial Investments / Total Assets</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>5. Total Write-offs of Delinquency &gt; 12 Mo.</td>
<td>Between 70 - 80%</td>
<td>60%</td>
</tr>
<tr>
<td>6. External Credit / Total Assets</td>
<td>Max 5%</td>
<td>6%</td>
</tr>
<tr>
<td>7. Member Share Capital / Total Assets</td>
<td>10-20%</td>
<td>30%</td>
</tr>
<tr>
<td>8. Institutional Capital / Total Assets</td>
<td>Min 10%</td>
<td>4%</td>
</tr>
<tr>
<td>9. Net Institutional Capital / Total Assets</td>
<td>Min 10% - Same as E8</td>
<td>4%</td>
</tr>
<tr>
<td>A</td>
<td>ASSET QUALITY</td>
<td></td>
</tr>
<tr>
<td>1. Total Loan Delinquency / Gross Loan Portfolio</td>
<td>&lt;= 5%</td>
<td>0%</td>
</tr>
<tr>
<td>2. Non-earning Assets / Total Assets</td>
<td>&lt;= 5%</td>
<td>9%</td>
</tr>
<tr>
<td>3. Net Zero Cost Funds / Non-earning Assets</td>
<td>&gt;200%</td>
<td>90%</td>
</tr>
<tr>
<td>R</td>
<td>RATES OF RETURN AND COSTS</td>
<td></td>
</tr>
<tr>
<td>1. Net Loan Income / Average Net Loan Portfolio</td>
<td>Entrepreneurial Rate</td>
<td>14%</td>
</tr>
<tr>
<td>2. Total Liquid Inv. Income /Avg. Liquid Investments</td>
<td>Market Rates</td>
<td>1%</td>
</tr>
<tr>
<td>3. Fin. Investment Income / Avg. Fin. Investments</td>
<td>Market Rates</td>
<td>3%</td>
</tr>
<tr>
<td>5. Total Int. Cost on Savings Deposits / Avg. Savings Dep.</td>
<td>Market Rates &gt; Inflation</td>
<td>4%</td>
</tr>
<tr>
<td>6. Total Int. Cost on External Credit / Avg. External Credit</td>
<td>Market Rates</td>
<td>30%</td>
</tr>
<tr>
<td>7. Total Int. (Dividend) Cost on Shares/Avg. Member Shares</td>
<td>Market Rates &gt;= R5</td>
<td>6%</td>
</tr>
<tr>
<td>8. Total Gross Income Margin / Average Total Assets</td>
<td>Variable - Linked to R9, R11, R12</td>
<td>4%</td>
</tr>
<tr>
<td>9. Total Operating Expenses / Average Total Assets</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>10. Total Loan Loss Provision Exp. Assets / Avg. Total Assets</td>
<td>Dependent on Delinquent Loans</td>
<td>0%</td>
</tr>
<tr>
<td>11. Non-recurring Income or Expense / Avg. Total Assets</td>
<td>Minimal</td>
<td>0%</td>
</tr>
<tr>
<td>12. Net Income / Average Total Assets</td>
<td>Linked to E9</td>
<td>0%</td>
</tr>
<tr>
<td>L</td>
<td>LIQUIDITY</td>
<td></td>
</tr>
<tr>
<td>1. ST Inv. + Liq.Assets - ST Payables / Savings Deposits</td>
<td>Minimum 15%</td>
<td>12%</td>
</tr>
<tr>
<td>2. Liquidity Reserves / Savings Deposits</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>3. Non-earning Liquid Assets / Total Assets</td>
<td>&lt; 1%</td>
<td>4%</td>
</tr>
<tr>
<td>S</td>
<td>SIGNS OF GROWTH (Year-to-Date Growth)</td>
<td></td>
</tr>
<tr>
<td>1. Growth in Net Loans</td>
<td>Dependent on E1</td>
<td>4%</td>
</tr>
<tr>
<td>2. Growth in Liquid Investments</td>
<td>Dependent on E2</td>
<td>0%</td>
</tr>
<tr>
<td>3. Growth in Financial Investments</td>
<td>Dependent on E3</td>
<td>-1%</td>
</tr>
<tr>
<td>4. Growth in Non-financial Investments</td>
<td>Dependent on E4</td>
<td>0%</td>
</tr>
<tr>
<td>5. Growth in Savings Deposits</td>
<td>Dependent on E5</td>
<td>0%</td>
</tr>
<tr>
<td>6. Growth in External Credit</td>
<td>Dependent on E6</td>
<td>0%</td>
</tr>
<tr>
<td>7. Growth in Member Shares</td>
<td>Dependent on E7</td>
<td>-5%</td>
</tr>
<tr>
<td>8. Growth in Institutional Capital</td>
<td>Dependent on E8</td>
<td>10%</td>
</tr>
<tr>
<td>9. Growth in Net Institutional Capital</td>
<td>Dependent on E9</td>
<td>10%</td>
</tr>
<tr>
<td>10. Growth in Membership</td>
<td>&gt;12%</td>
<td>5%</td>
</tr>
<tr>
<td>11. Growth in Total Assets</td>
<td>&gt; Inflation</td>
<td>9%</td>
</tr>
</tbody>
</table>

Local Inflation Rate (Annualized) 4% - 9%
What Did I Learn?

At the end of this module, give participants a handout to fill out about what they learned from the module, what challenges the information poses for their institution, and how they might apply the information. Allow 5 minutes for participants to complete this information.
What Did I Learn?

Module: ______  Topic: ______________________________________________

Notes:

What Did I Learn?

Challenges for my institution:

How do I apply this information?
Glossary

Absenteism: Pattern of repeated absences from work over several months. Absenteism may occur when an employee is HIV-infected and is frequently ill and/or when someone in his or her family is infected and needs a lot of care.

AIDS (Acquired Immune Deficiency Syndrome): AIDS is the later and most severe stage of infection with human immunodeficiency virus (HIV). HIV gradually destroys the body’s ability to fight off disease. AIDS occurs when the body can no longer protect itself and develops several different kinds of illnesses. The most common of these illnesses are diarrhea, weight loss, lung infections (including tuberculosis), itchy skin infections and rashes, and painful sores in the mouth.

AIDS Service Organization (ASO): An organization that provides care, education, and/or other services to people with HIV/AIDS. Alternatively ASO is commonly used to refer to AIDS support organizations.

Antibodies: Antibodies are special kinds of cells produced by the body to destroy a germ or virus that causes disease. After a person is infected with HIV, he or she begins to develop antibodies to HIV, usually within four to seven weeks. Blood and saliva tests detect these antibodies.

ART (antiretroviral therapy): ARTs are the newest drugs that can reduce the buildup of HIV in the body and slow the progress of the disease. People with HIV usually take a combination of two or more ARTs. Some ARTs can cause side effects, so one should talk with a health care provider before taking any pills to prevent HIV/AIDS. ARTs are also referred to as ARVs in some instances.

Asymptomatic: Without signs or symptoms of disease or illness (e.g., the patient does not complain of any symptoms). Most people who are HIV-positive are asymptomatic for 5–10 years or more.

Confidentiality: Confidentiality refers to the ethical and sometimes legal obligation of a health care provider or other professional to keep secret any information about a patient or client obtained on the job. Confidentiality also refers to the expectation of the client or patient that anything discussed with a professional (for example, HIV status or problems repaying a loan) will not be discussed with anyone else.

Cure: A cure means that the virus or germ that causes disease is completely gone from the body. There is no cure now for HIV or AIDS. The new antiretroviral drugs can reduce the amount of virus in the body and make people feel better, but they cannot kill all the virus.
**Discrimination**: Denial of opportunities or benefits (otherwise available to everyone) to a person or group because of real or assumed features or conditions of that person or group.

**Epidemic**: A sudden, unusual increase in an illness that exceeds the number expected on the basis of experience.

**HIV (human immunodeficiency virus)**: HIV is a new virus, first discovered by scientists in France and the United States in 1983. HIV gradually destroys the body's immune system and makes people susceptible to many diseases. HIV causes AIDS.

**Immune system**: The body's natural defense against disease. The immune system produces special fluids in the body that destroy bacteria and viruses that make us sick. HIV gradually destroys the body's immune system.

**Incidence**: The proportion of new cases of a disease in a given time period, usually one year.

**Informed consent**: Providing people with sufficient information to make a reasonable and educated decision about a course of action, such as participating in a research project, taking an HIV test, or accepting a kind of medical treatment.

**Living positively**: People who are infected with HIV can live well for many years. Living positively is a kind of treatment that includes a healthy diet, hopeful attitudes, and prevention of additional exposure to HIV or transmission of HIV to others. People living with HIV/AIDS should eat nutritious foods (sufficient intake of meat and other proteins, vegetables, and fruit), avoid alcohol and tobacco, and get plenty of rest and exercise. Getting support and comfort from family, friends, and religious advisors also prolongs and improves life.

**Maternal-to-child transmission**: Women infected with HIV can transmit the virus to their children in several ways—during pregnancy, childbirth, and breastfeeding. Women can reduce the risk of transmitting HIV to their babies by asking their health care providers for special drugs (Nevirapine and AZT) during pregnancy and delivery, by bottle-feeding exclusively, and by practicing safe sex.

**Opportunistic infection**: Illnesses that affect people with weak immune systems, as occurs with HIV. Common opportunistic infections in people with HIV/AIDS include tuberculosis (TB), certain kinds of pneumonia, fungal infections, viral infections, and lymphoma.

**OVC**: Orphans and vulnerable children.

**PLWHA**: Person living with HIV/AIDS.
Prevalence: The proportion of people with HIV or AIDS present in a population at a specific time. Prevalence includes people who have just been infected as well as people who have been infected for a long time.

Safe sex: This term refers to sexual practices that are less likely to spread HIV. Safe sex means sexual activity that does not include contact with semen, vaginal fluids, or blood. Safe sex includes kissing, intercourse with a condom, and sexual practices aside from intercourse.

Seropositive: The term used to describe someone who is infected with HIV.

Stigma: Stigma refers to shame, prejudice, discrimination, and fear that make people afraid to talk about HIV, get tested for HIV, or admit to anyone that they have HIV. The stigma against AIDS is particularly strong because the disease is associated with blood, sex, death, and behavior that is often illegal or taboo, such as commercial sex, injected-drug use, infidelity, and homosexuality.

Treatment: Treatment is using medicine (for example, a pill or an injection or other intervention) that makes some symptoms of illness go away for a while. Treatment for HIV/AIDS can make people much more comfortable, but it cannot cure the disease.

VCT (voluntary counseling and testing): VCT is a three-step process: receiving pretest counseling and information about the HIV test; taking the HIV test (either a blood or saliva test); and receiving post-test counseling to discuss test results and next steps.

Western blot: A blood test to confirm the results of an enzyme-linked immunosorbent assay (ELISA) test for HIV antibodies, used because it is much more specific.

Window period: People do not know exactly when they have become infected with HIV. They may not show any signs of illness and may not have signs of HIV show up in medical tests. It takes about four to seven weeks after infection for a blood or a saliva test to show signs of infection. This period of time is called the window period. The window period usually lasts four to seven weeks but occasionally can last as long as six months.