

ADDRESSING THE ECONOMIC IMPACT OF HIV/AIDS IN SOUTH AFRICA



Borrowers consider how Beehive's new financial services may better meet their needs.

In South Africa, where more than twenty percent of the population is living with HIV, the economic toll of the epidemic is mounting. Increasingly, the vast number of South Africans infected and affected by HIV/AIDS are struggling to cope with illness and death while trying to manage increased financial burdens, a major consequence of the epidemic. The impact of HIV/AIDS is particularly striking among small business owners in the informal or microenterprise sector, where the desperate cycle of increasing medical bills and declining productivity often plunges already vulnerable households into economic ruin.

In this changing environment, organizations that provide loans and other financial services to the very poor (known as microfinance institutions or MFIs) are under intense pressure to adapt their services in ways that meet the demands of their HIV/AIDS affected clients. In order to better understand both the epidemic's impact and the ways in which improved financial services might strengthen economic safety nets, World

Education and Beehive Entrepreneurial Development Centre, a microfinance institution based in rural Mpumalanga Province, designed a study to assess the impact of HIV/AIDS on Beehive's clients.

After receiving training on basic HIV/AIDS issues and the epidemic's impact on poor clients, a team of Beehive staff interviewed and moderated focus group discussions with more than 450 clients. As expected, the research confirmed that HIV/AIDS is of growing concern to Beehive clients, with individuals citing increased illnesses and deaths over the past five years among community members, the majority of whom were economically active breadwinners. Many affected clients experience frequent absences from work and others have had to close their business or liquidate assets to meet their financial obligations. In one case, a client reported that one member of the Makhahlela credit group buried three family members in a year and was eventually forced to close her business when she ran into debt.

Using the research findings as a basis for a thorough analysis, World Education and Beehive carried out a review of Beehive's existing loan, insurance, and other financial service offerings. With the goal of exploring ways for Beehive services to better accommodate the needs of HIV/AIDS affected clients, this joint evaluation activity matched potentially useful services with various stages of the HIV/AIDS "lifecycle." For example, clients who find themselves affected by the advanced stages of AIDS can benefit most from insurance services that trade in small but regular savings for coverage



WORLD EDUCATION

"Many of those who get sick eventually die. In most cases they are ill for a long period before they die. If they are our clients, then our businesses suffer. For cultural and compassionate reasons, we find it difficult to collect or follow-up on clients who are sick or deceased."

— LETTY KHUMALO FROM TJAKASTAD

of significant medical or funeral expenses. Other recommendations focus on the needs of clients coping with long-term loss, such as the financial burden of supporting children orphaned by the epidemic. For these households, a flexible loan product, distinct from the client's existing business loan, may represent the most appropriate service for meeting demands for school fees and other basic costs.

While some recommendations focused on adapting actual financial product offerings to meet client needs, others emphasized a more holistic approach to "doing business." For example, Beehive could utilize closer collaboration with local AIDS Service Organizations in order to educate clients on HIV/AIDS prevention and to help arrange for child support grants for clients who have inherited orphans. Additionally, intentional efforts to build a sense of community

among client groups could pay off by enabling clients to help each other, both emotionally and materially, in the event of death.

With these recommendations in hand, Beehive and World Education are committed to finding the most appropriate opportunities to adapt and introduce new financial services that are better suited to HIV/AIDS affected client needs.

For more information about World Education projects that address the HIV/AIDS epidemic in South Africa and elsewhere, please visit www.worlded.org or contact:

***Jill Harmsworth
World Education, Inc.,
44 Farnsworth St.,
Boston, MA 02210-1211***

Telephone: 617.482.9485 / Fax: 617.482.0617 / E-mail: jharmsworth@worlded.org



WORLD EDUCATION