

The microfinance sector is organising itself in the face of the effects of the health crisis

By the Grameen Crédit Agricole Foundation, March 29, 2020

The COVID-19 virus continues to spread around the world with over 450,000 confirmed cases as of March 26, 2020. Governments, even those who deny it, are taking more and more stringent steps to contain the epidemic. As the situation evolves more quickly every day, **microfinance players are preparing themselves to face this crisis by taking the first salutary steps.**

Following its enquiry launched two weeks ago, the **Grameen Crédit Agricole Foundation has established an observatory** to constantly update the information collected through daily exchanges with its partner microfinance Institutions (MFIs). The goal is to better understand how to support them, but also to share its analysis with other financial players in the inclusive finance and development aid sector.

MFIs quickly realised the health issue of the crisis. They immediately sought to adjust their operating methods to the contamination risks by adopting recommended barrier actions and launched awareness campaigns among customers and employees.

"Hand washing is mandatory in all branches, with the provision of buckets and soap for everyone entering the office. Hand sanitizers are provided over the counter for all customers who transact with cashiers. [...] The process of acquiring protective masks for cashiers is underway. It is strongly recommended that all staff members experiencing symptoms stay at home during the follow-up. We strongly recommended all staff to avoid going to the branches in the light of developments, unless it is absolutely necessary." - **Partner in Sierra Leone**

MFIs also had to adapt to decisions taken by local authorities to curb the spread of the virus. Organisations in the most risky areas were therefore forced to partially or completely cease their operations and to close some of their local agencies.

"All operations will be closed as of 12:00 noon on March 26, 2020, in accordance with the announcement made by the President on Monday, March 23 and to allow personnel to return home for the period of confinement. [...] Disbursements to customers have been postponed until the end of the period of containment." - **Partner in South Africa**

The vast majority of our partners have rapidly implemented **teleworking or staff rotation systems.** Faced with the numerous prohibitions on groupings, institutions are now working with a representative of solidarity-based credit groups and remain in contact with their customers through instant messaging services.

Digital solutions are particularly adapted to this context. They allow the continuation of microcredit disbursement activities and remote recovery. In a dairy in Senegal, for example, the payment for milk collection to breeders has not experienced any disruption because it has been done for a few weeks via a mobile phone payment device.

"We encourage by SMS our customers to use mobile payment platforms for refunds because it is the safest method of payment at this point in time." - **Partner in Uganda**

If MFIs have been able to adapt quickly their operating methods, **it is also the time to prepare for the looming economic slowdown**. Crisis meetings are increasing in head offices, or through video conferences from managers' homes, in order to set up continuity plans.

A growing number of countries are introducing new credit regulations to cushion the economic shock and the likely insolvency risk of vulnerable customers. Regulators are urging financial institutions to grant deferred payments to their crisis-affected customers, as well as to restructure loans. Such decisions are already beginning to be implemented.

"The government is also implementing measures to help local businesses, such as reducing interest rates. For example, the borrowing rate for secured loans has been lowered by 1%" - Partner in Myanmar

"The Central Bank of Kyrgyzstan has taken the following support measures: 1) cancel the accumulation of penalties for all borrowers; 2) review the conditions for repayment of loans and provide for a delay in payment of at least 3 months upon the borrowers request; 3) when restructuring loans related to changes in borrowers' cash flows due to coronavirus, institutions should not consider them as bad debts if the cause is health crisis" - Partner in Kyrgyzstan

"The Central Bank has announced that financial institutions must accept all requests for deferrals until April 30." - Partner in Kosovo

The microfinance sector shows a high degree of responsibility and maturity to face this global crisis. The partner institutions of the Grameen Crédit Agricole Foundation produce regular financial statements and forecast analysis of their financing needs in the coming months. Although we have not yet observed any particular increase, the evolution of portfolio at risk (PAR) levels is systematically subject to a very high degree of vigilance. Multiple exchanges between lenders, specialised non-governmental organisations and microfinance institutions are now organised daily.

The Grameen Crédit Agricole Foundation is in regular contact with its partners and colleagues in a reciprocal effort to pool ideas and resources. We share with our partners, with responsible investment players and with our peers our analysis and best practices implemented by microfinance institutions.

The pooling of available information, analysis and anticipations, and then the concerted implementation of shared decisions are principles that are vital today for our sector. At the cost of this transparency, this concertation and a necessary adaptation of our intervention principles, we should be able to overcome the effects of this exceptional health crisis, which could knock down many microfinance institutions, leaving fragile populations in desperate situations. Because we know the crisis will hit the most deprived populations in the first place. Hard. Let's work together to live up to the issues of this humanitarian challenge.