



Albanian microfinance under COVID-19, assuring business continuity

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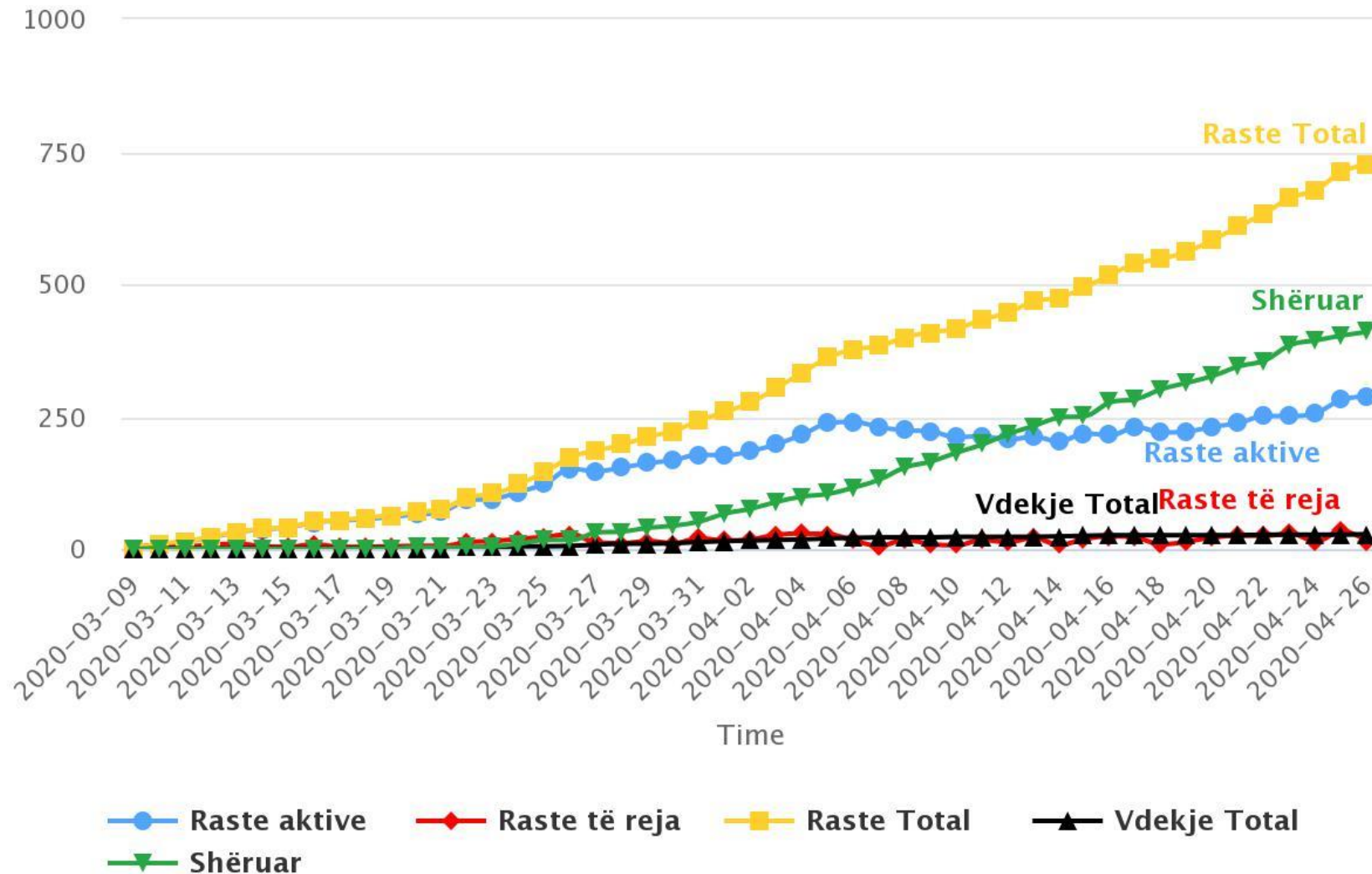
General Secretary - AMA

*) This activity has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult:

<http://ec.europa.eu/social/easi>



How hard has the pandemic stricken Albania?



Just closed 7th week of
COVID – 19 emergence

28
Dead

288
Actively sick

410
Healed

726
Infected

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What was the Government support for families and businesses?

Financial Aid Package 1

Health sector 2.5 billion lek

Financial support for self employed or SME employees that lost their jobs 6.5 billion lek

Food and other material support for retired people 2 billion Lek

Reserve Fund 1 billion Lek

In order to ease the burden on businesses, a sovereign guarantee was approved in favor of local businesses, to the amount of 11 billion Lek (100 million USD approx.) The guarantee serves as a collateral for bank financing to the limit of 3 month staff salaries, for the applying businesses

Financial Aid Package 2

One monthly salary to the amount of ALL 40,000 Lek (USD 400 approx.) to be granted to:

100,000 self-employed that shut down their activity as a result of COVID-19

66,000 employees of Large businesses

10,000 employed in the tourism sector

Financial Aid Package 3

Sovereign Guarantee to the amount of 15 billion Lek (USD 150 million approx.) to be issued shortly to cover business working capital needs. Possible subsidizing of interest rate 50%-50% with the banking system

Other economy sectors under monitoring with possible other financial aid moving forward

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Other measures taken by Government in order to help families and businesses face the pandemic

individuals

3 month postponement of loan repayments

3 month postponement of all rents

Small businesses *

Postponement of tax on profit prepayment until 31.12.2020

3 month postponement of loan repayments

3 month postponement of all rents

Large businesses **

Postponement of tax on profit prepayment until 30.09.2020

*) apart from banking system, telecommunications, call centers.

*) Small business – annual turnover up to 14 million lek or 140,000 USD

***) Large business – annual turnover above 14 million Lek

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Government cooperation with the Bank of Albania and the banking system

Moratorium on loan repayments

Consulted and signed
in cooperation with
Bank of Albania and
Association of Banks

Announced as a
massive benefit for all
borrowers *

Sovereign guarantee of 11 million Lek

Consulted and signed
in cooperation with
Bank of Albania and
Association of Banks

It does not apply to
MFI-s neither on a
partnership dimension
or beneficiary
dimension

* In a later announcement Bank of Albania stated that it was at banks' discretion if the restructuring of facilities would be offered, based on the evidence brought by the customers

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Business getting out of lockdown is planned in 3 phases

Opening up the vital sectors

- Production
- Trade of alimentary articles
- Some services that can be offered through a safe physical distance, such as financial services, postal, consultancy, etc.

Opening up of businesses with moderate risk

- Retail shops of clothes, shoes, electronic materials, furniture, sport accessories, etc.
- Taxies

High risk activities remain suspended

- Dental clinics
- Bars and restaurants
- Gyms
- Beauty and esthetic centers

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What COVID-19 pandemic means for the microfinance?

Liquidity reduction at sharp levels

- Repayments delays and postponements
- Forced restructuring of existing loans

Almost total freeze of new lending

- Reduction by 80% - 90% of disbursed volumes
- Freeze of loan demand in the conditions of unemployment and lockdown

Difficulty into serving institutional debt

- Towards banks
- Towards other financing entities or investors

Difficulties into facing operational expenses

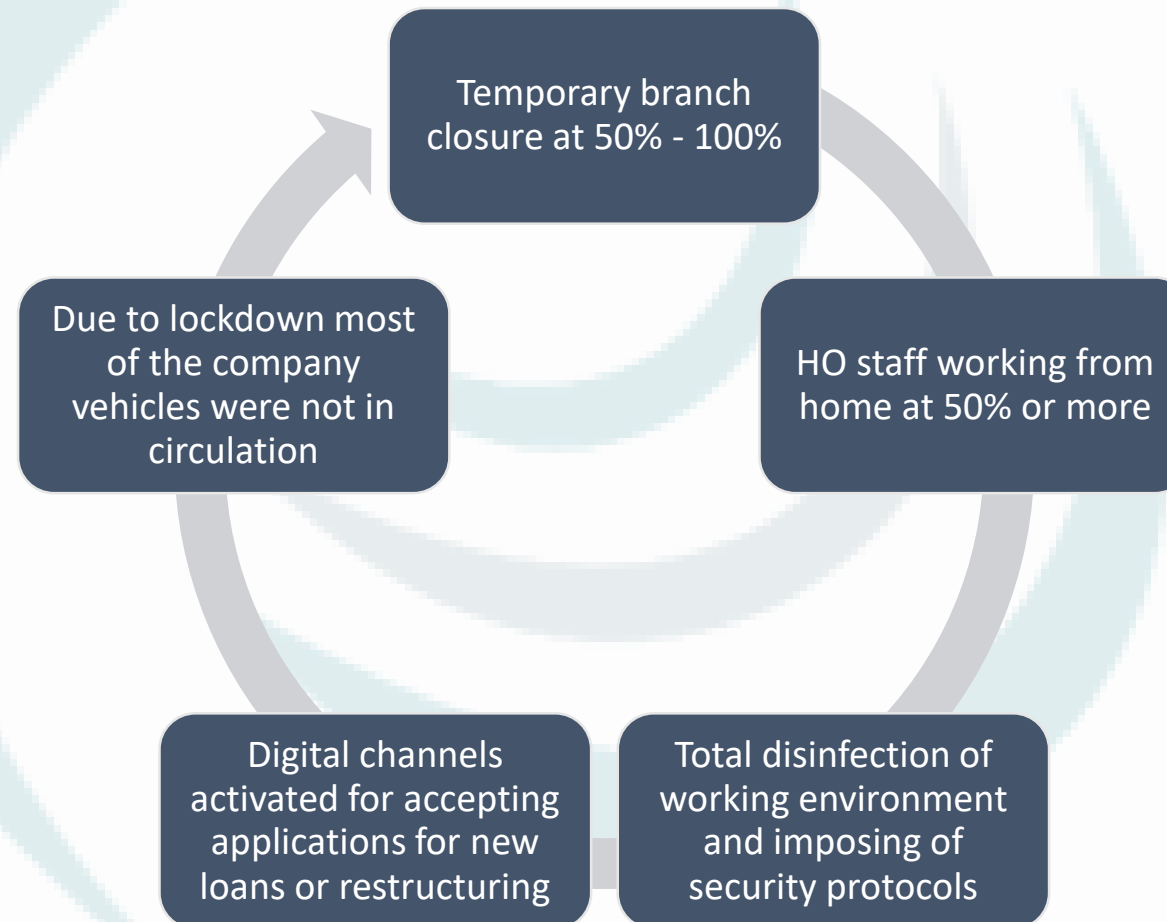
- Staff salaries
- Lease payments
- Others

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Administrative and logistic measures taken during the pandemic



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How did Albanian Microfinance Association respond to such a situation?

Communicating with Regulators

- Continuous communication has been established with Bank of Albania due to the necessary clarifications associating the loan moratorium. As a result of the input and suggestions provided, Bank of Albania drafted a supporting material that helped address the process in the right manner.
- We have also communicated with Bank of Albania in writing in order to get support in our efforts to raise liquidity for AMA members, especially from the Government or other actors, such as EBRD or other regional banks. Such support has been confirmed continuously.

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How did Albanian Microfinance Association respond to such a situation?

Communication with the Government

- Two official letters have been addressed to the Prime Minister in an attempt to get Government attention towards sector needs for liquidity and financing lines. So far, no reaction has been delivered.
- We have also addressed the Ministry of Finance and Economy and State Minister for Reconstruction, who is responsible for the financial management of COVID-19 crisis, wherein we request to be a part of the second Sovereign Guarantee, in order to be able to get support from the banking system through soft lending and start providing financing to our customers.

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Communicating with Institutional Lenders

- I kemi drejtuar **Bankes Europiane per Rindertim dhe Zhvillim** kerkese per t'u perfshire ne Paketën e tyre te Solidaritetit prej **1 miliarde EURO**, e cila do aplikohet edhe ne rajon.
- **Microfinance Center and European Microfinance Network** have also addressed a letter to the Commissioner for Jobs and Social rights at the European Commission, wherein additional budget has been requested in the framework of **Easi Programme**, and also more accommodating features of this programme that would enable a higher number of applicants to benefit. The additional budget is estimated to the amount of **EUR 100 million**.

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Media coverage and public relations

- AMA has published a detailed article related to the difficult situation created by the COVID-19 crisis, especially the liquidity crisis coming as a result of loan repayment delays and massive restructurings. The article has been published by the most important on-line media, and has received a lot of public attention in social media.
- The co-branded Newsletter for April 2020, in cooperation with MFC, has also made public our viewpoints related to the situation, as well as measures taken by the sector for an optimal management of the pandemic and its consequences in all society layers.

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- ❖ Restarting of a group of business activities is expected to revive the demand for loans, albeit at modest levels, for separate industries and customer segments
- ❖ Employee return to working full time is also expected to somehow reactivate the demand for personal consumer loans
- ❖ A possible extension of loan moratorium, for an additional 3 month period, would create irreversible damage in the way MFI-s operate, with long term consequences from the financial point of view
- ❖ Continuous lack of liquidity and support with institutional financing would bring about even more consequences, and would place under discussion the very existence of some MFI-s
- ❖ Let's discuss on the above and your input and suggestions in order to address these critical issues for the Albanian microfinance sector...

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Thank you for your attention!

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