

Impact of the COVID-19 Pandemic on Microfinance Institutions in Europe

7.10.2020



This webinar 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>

Objectives



- To learn how COVID-19 lockdown impacted microfinance institutions
- To learn what solutions MFIs introduced
- To discuss what solutions could be introduced to support the recovery of microfinance institutions

Speakers



- Kinga Dąbrowska, MFC



- Goran Lazarevski, MFO
North Macedonia



- Herjola Spahiu, NOA
Albania

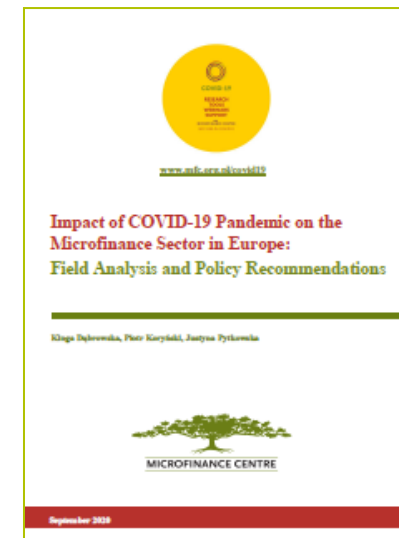


- Dimitrios Niasas, European
Commission

Research methodology



- Desk research & analysis
- 22 in-depth interviews with representatives of the microfinance sector in Europe
 - Albania, Belgium, BiH, France, Greece, Ireland, Italy, Luxemburg, Montenegro, North Macedonia, Poland, Portugal, Romania, Spain
- July – August 2020
- Report available at <http://mfc.org.pl>





www.mfc.org.pl/covid19

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Key findings

Kinga Dabrowska



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Impact on



- Portfolio performance
- Demand for credit
- Product offer
- Working with clients
- Risk management
- Internal operations
- Financial management



Solutions



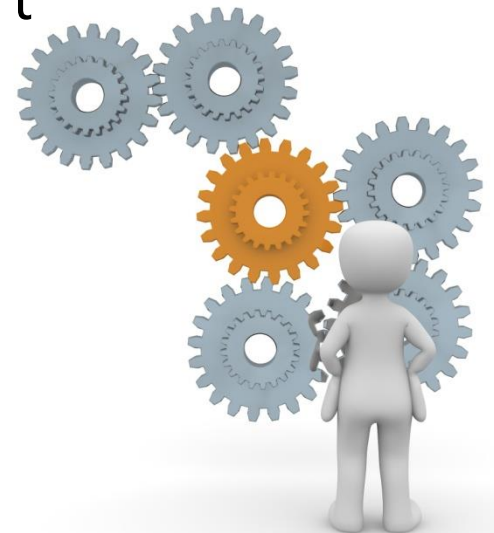
- Internal operations
 - Implementation of a business continuity plan
 - Virtual office
 - Office safety procedures
- New lending process
 - Online loan application
 - Digital disbursements
 - Distance monitoring
- Debt restructuring & emergency lending cost reduction
 - Loan rescheduling & internal moratorium on loans
 - Post crisis loan products



Solutions



- Communication with clients
 - Loan officers contacts
 - Surveys
- Support for clients and their businesses
 - TA: webinars, mentoring
 - Provide information about state support
- Liquidity management



Examples from the field

Goran Lazarevski, Alliance of Microfinance
Organizations in Macedonia, North Macedonia
Herjola Spahiu, NOA Albania



WEBINAR

COVID-19 Pandemic Impact on European MFIs and Their Clients

The Macedonian experience from the
Covid-19 pandemic challenge

October 7, 2020



About the Alliance

Active since 2015

Members

Details about the partners

Legal status of partners





MICROFINANCE CENTRE

The members:

- Savings house Moznosti
- Savings house FULM
- Microcredit foundation Horizonti
- Macedonian Enterprise Development Foundation





The impacts of Covid-19 on the Macedonian financial sector

- Impact on the macroeconomic sector
- impact on savings and loans
- Impact on the non-banking microfinance sector



MICROFINANCE CENTRE



THE DIGITALIZATION EFFORTS: JUST IN TIME?

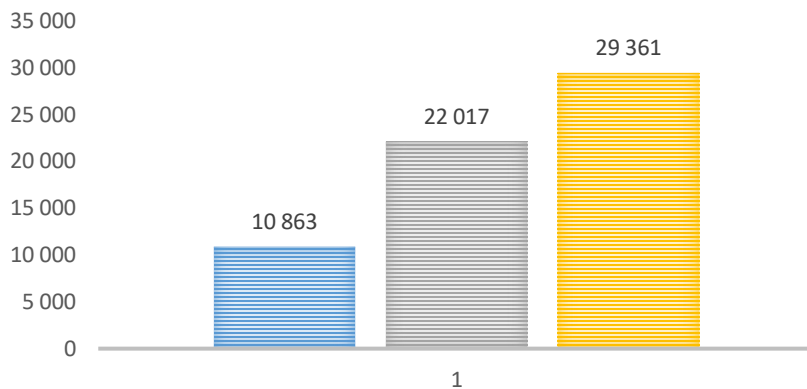
We assisted Microfinance organizations to strengthen their offer for poor and low income people access to basic financial services (loans, savings) and new, innovative services (E-banking, M-banking)

- Establishing new IT platforms for three leading NBFIs for
 - o New services for existent clients
 - o Wider offer of services to gain new clients
 - o Lower operation costs due to less engagement of employees
 - o Compliance with National bank requirements



BEFORE THE PANDEMIC

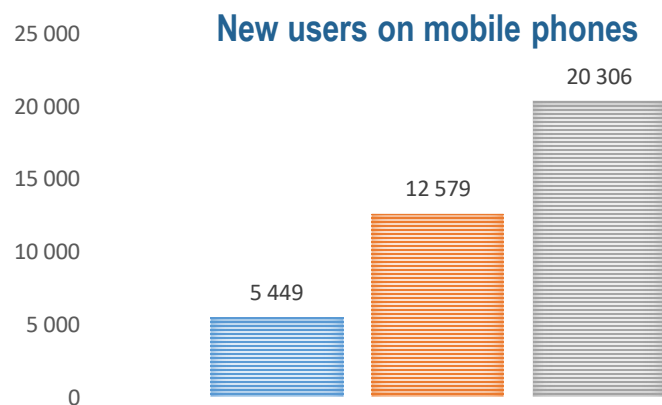
- **29.361** accesses from mobile devices (phones and tablets) vs. 10.863;





BEFORE THE PANDEMIC

- **New IT platforms**
 - **79.438** new users on the web-sites of the microfinance organizations
(44.966 Desktop and 34.472 Mobile device users)



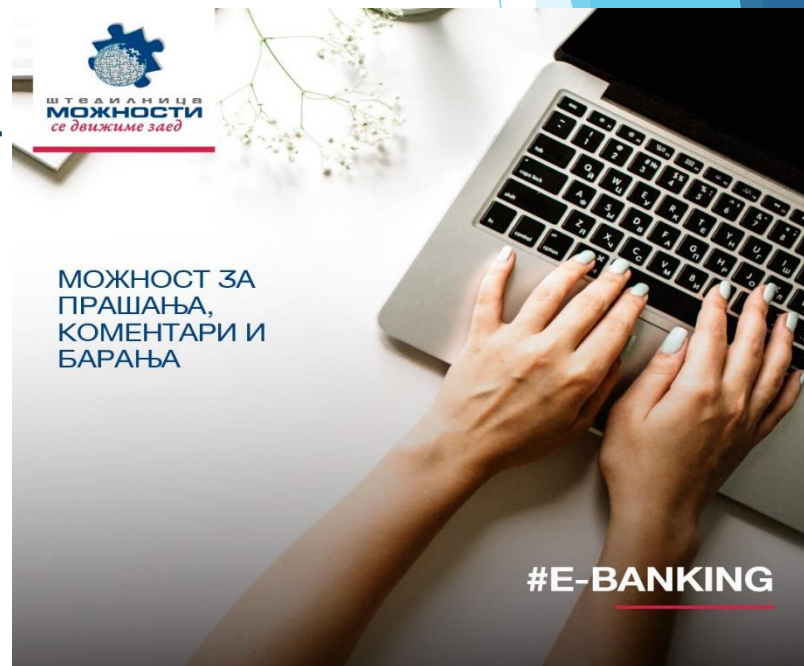


THE DIGITALIZATION EFFORTS: JUST IN TIME?



Building the ICT-infrastructure must go along with the building of financial and digital literacy of clients...

Otherwise...





MICROFINANCE CENTRE

THE DIGITALIZATION EFFORTS: JUST IN TIME?



With 75% increase of use of digital services, the results show that we digitalized our services on time...





MICROFINANCE CENTRE

THE DIGITALIZATION EFFORTS: JUST IN TIME?

Is the Covid-19 pandemic only bad news ?

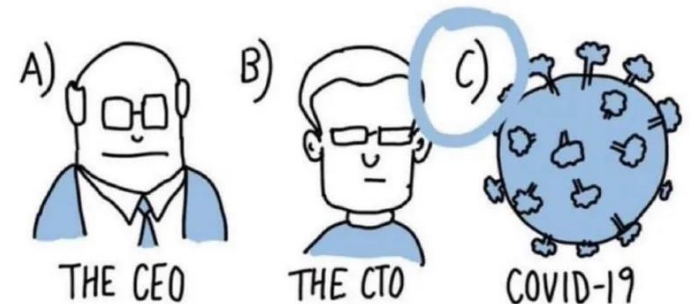
Let's focus on the new opportunities it brings,
among them:

The pandemic is estimated to accelerate the use of e-commerce and digital financial services by 5 times.

How will that effect the financial services?



WHO LED THE DIGITAL TRANSFORMATION
OF YOUR COMPANY ?



BUSINESSILLUSTRATOR.COM

*Let's meet soon, after Covid !
Thank you !*

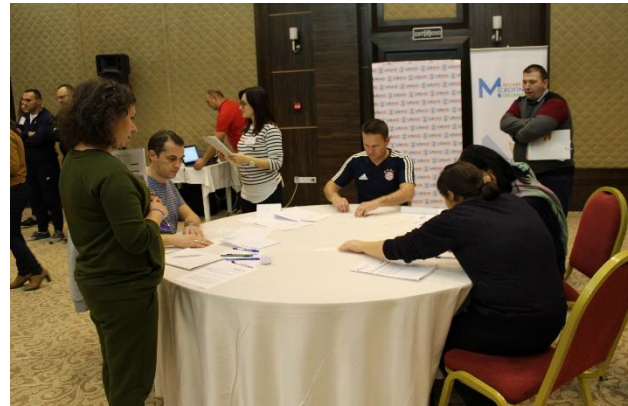
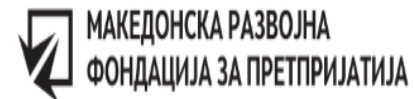
Alliance of microfinance organizations

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Managing NOA under COVID -19

Effects on the business operations and lessons learned

Herjola Spahiu, CEO

MFC webinar, 07 October 2020



NOA action plan designed during Covid – 19

Creation of a Key Task Force team for the period 9 March – 30 May 2020

- Daily update on Government measures
- Daily decisions on 3 main areas below
- Weekly update of stress test scenarios, liquidity position and covenants monitoring

HR focus

1. Define communication plans HO & Branches – define frequency and responsible
2. Take measures to protect staff exposure towards virus (reduce marketing, one customer served within the branch, send vulnerable staff at home, etc)
3. Hygiene & sanitization (ensure equipment of masks, & other protection items)
4. Make full sanitization of offices
5. Freeze recruitment & training processes
6. Do not allow face to face meetings, promoting usage of teams, whats'up, skype

Business Continuity

1. Organize branch staff in two separate teams, to work each week and not meet with each other
2. Reduce working force in HO, as required by operations volume – apply annual leave
- 3. The required workforce to work from home remotely – 25 people**
4. All executive team to work remotely or from office, but combined
5. Revise workflows & user rights related to credit process
- 6. Ensure cash collection through third parties**
7. Adopt branch working hours as per circulation timing
8. Build Credit Risk scenarios

Financial crises

1. Define several stress test scenarios on liquidity considering freezing of 3 months instalment for affected customers
2. PAR ratios estimated to double
3. Prepare several disbursement scenarios by cutting down 50%, 75% the normal level of loans provided
4. Freeze salary review
5. Freeze distribution of bonus
6. Prepare the extreme scenario if full quarantine is applied by state

KEY Task Force created and taking daily decisions

Executive Management Team engaged on key issues:

Overall Coordinator: CEO

Staff and Health Issues: HR Director/Operations Director

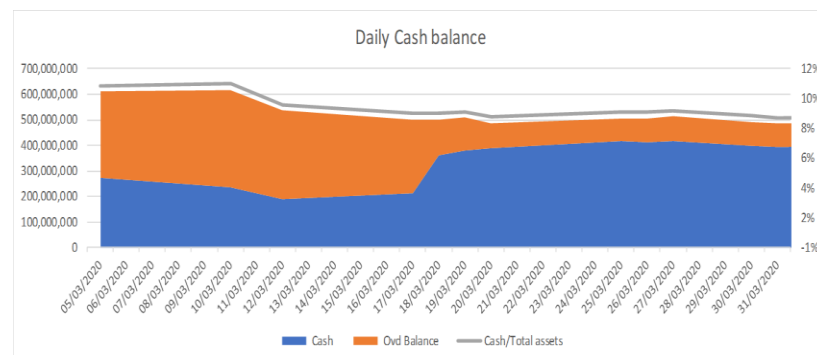
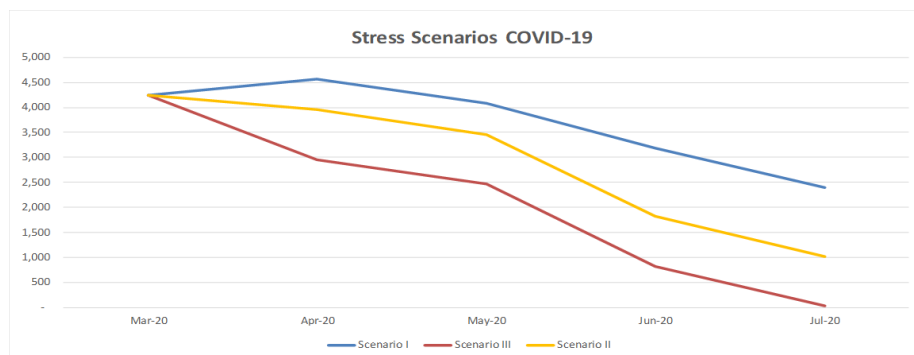
Business Continuity: Risk Director/Operations Director/Business Dev & Projects

Financial risk: Finance Director/Risk Director

- On daily basis the Executive Team had a conference call discussing on the business operations, analyzing the current government measures and taking decisions accordingly.
- On weekly basis, a skype call between CEO and Steering Council Chairman is organized.
- RMC meeting called on 24 March, to approve: a) New lending policy under emergency situation; b) rescheduling of customers directly affected by the measures of the government; c) collection strategy; d) forgiveness of penalties for all customers during the period 1.03.2020 – 31.05.2020
- Extraordinary meetings of the Steering Council organized each month following up the developments and decisions taken

Weekly update on stress test scenarios, liquidity & covenants

Forecasts as of 26 March 2020



List of covenants deviations

Calculation Definition	Required Lim	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
(PAR30+restructured loans -LLR/E equity (PAR 30 + non delinquent restructured loans) / total outstanding loan portfolio	<10%	6.8%	8.2%	10.9%	10.3%	10.2%	9.9%	8.9%	8.5%	8.3%	9.2%	7.8%	6.8%
(PAR30+ restructured loans on the last 12M current& 1-30D late+claims to third parties past due	<=7.5%	6.2%	6.5%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
(PAR30+ restructured loans on the last 12M current& 1-30D late+claims to third parties past due	<=10%	6.2%	7.5%	10.2%	9.7%	9.5%	9.2%	8.3%	7.9%	7.7%	8.6%	7.2%	6.2%
PAR30+ Restructured loans)/GLP	<7%	6.2%	6.53%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
(PAR30+restructured loans 1-30dpd)/GLP	<7%	6.2%	6.5%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
(PAR30+current &1-30dpd restructured loans)/GLP	<=7.5%	6.2%	6.5%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
(PAR30+current &1-30dpd restructured loans)/GLP	<=7.5%	6.2%	6.5%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
(PAR30+ Refinanced loans)/GLP	<=7%	6.2%	6.53%	7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%
PAR30+restructured loans-LLR/Equity	<10%	7%	8%	10.9%	10%	10%	10%	9%	8%	8%	9%	8%	7%
Outstanding balance of portfolio overdue > 30 days + outstanding balance of renegotiated loans	<7.5%			7.5%	7.7%	7.6%	7.7%	7.7%	7.7%	7.7%	8.1%	7.8%	7.7%

HR focus

People health comes first; but operations were not stopped

Measures taken to protect our staff while providing uninterrupted services to customers

- Communications to staff to follow prevention guidelines, instructions on safety and health focusing on instructions from Government/ Ministry of Health/ WHO
- People in each branch and HO departments organized to work on shifts, separated in two teams with not physical contact with each other for a period of 2.5 months
- Daily notification to HR Department for each employee that was showing early signs like cough, temperature, etc. These people were sent home for few days to understand the situation.
- Designed a plan for employees at risk – pregnant staff, aged ones and other vulnerable staff were sent home
- Working hours revised according to the obligatory rules
- All branches & HO staff equipped with masks, gloves and disinfection materials within few days
- On 21.03.20 started disinfection of branches, and completed in all network & HO within 3 business days. It is a process that is repeated now every month almost
- All business trips and field marketing activities were stopped for the period 11.03.2020 – 30.04.2020. HO meetings still are incurring through Microsoft teams and not using meeting rooms physically
- Recruitment processes and induction trainings are being performed on-line
- Training center now transformed into working place environment in order to create bigger space in HO

HR focus

Facing the situation is far more difficult than just in our thoughts

Despite measures, we had COVID -19 presence amongst our staff – 2 branches affected only

- The first staff suspected with signs of COVID was part of a branch, but without test confirmation yet due to low availability of tests in cities
- The staff was sent home same day and asked to keep us informed on daily basis – fortunately recovered very soon
- The branch was disinfected within same day and the other staff was advised to remain home for at least one week to see whether they were having any symptoms or not
- The situation was treated with a very smooth communication with all the staff – it was not easy to sent them home only upon the doubt that they might be infected.
- We sent replacement of the staff from the closest branch and HO to continue with the operations for customers.
- We run a general test for all our staff on September, considering the post vacation period

We have only 9 identified staff and 3 suspects in the overall company – they all passed through a mild situation and without serious problems, all of them returned normally at work upon recovery

Business Continuity and Operations

How to manage loan repayments under restricted circulation

Repayment of loan instalments



Our customers were no priority



Yes, but only in 4 hours and not for distant customers

Alternative solution needed immediately



Payment Operator



Yes, interested in our customers, 450 branches

Why choosing them?

- Licensed by Bank of Albania
- More than 450 offices in overall Albania, almost in each village, very close to our customers
- Experienced in performing payments for more than 50 State & private Institutions
- Working hours 08.00 – 20.00
- Affordable costs for the customer, starting from 0.35 cent

Challenges

- 2 weeks for developing the web portal for the partner, in order to register customer payments on real time
- On-line training with all their regional sales managers to explain our product
- Visits of our Branch Manager in remote areas to train most distant offices
- Explaining to our customers the reasons for such service introduced to facilitate them

Currently we are extending such service with the Albanian Post Office, UnionNET

Business Continuity and Operations

Under the new virtual reality we have a lot of lessons learned

- **PEOPLE** - the only BCP that always fail – we should increase independence on peoples' tasks or at least to be ready to activate background operations under crises period
- **DIGITALIZATION** – should be embraced as a way to optimize peoples' services, it does not mean UNHUMAN but automated processes operated in smart way by humans
- **CUSTOMERS** – they are resistant to changes, but they accept situations and listen. It depend on us how we provide the storytelling to them!
- **FLEXIBILITY** – out of control situations require flexible decisions and high understanding and goodwill. Same difficulties are faced by us, by customers, by partners, we run on the same boat!
- **SEE THE CRISES AS AN OPPORTUNITY** - we did it and we are seeing the outcome!

Voice from the European Commission

Research results summary & Looking into future

Winners



- Larger, better established, have supportive stakeholders
- Entered the pandemic with a comfortable liquidity cushion
- Have completed their digital transformation
- Have a healthy exposure to sectors which are less affected by the COVID-19 pandemic
- Have operated in an environment with strong government support for micro- and small businesses



Institutional responses - investors



- Continuation of lending to MFIs
- Debt rescheduling for MFIs
- Technical assistance
- Coordinated/joint communication



Institutional responses - regulators



- New rules for risk management and loan risk classification



Future challenges



Operational challenges

- Digitalization
- Risk management adjustment

Market challenges

- Demand for credit products
- Competitors - fintechs

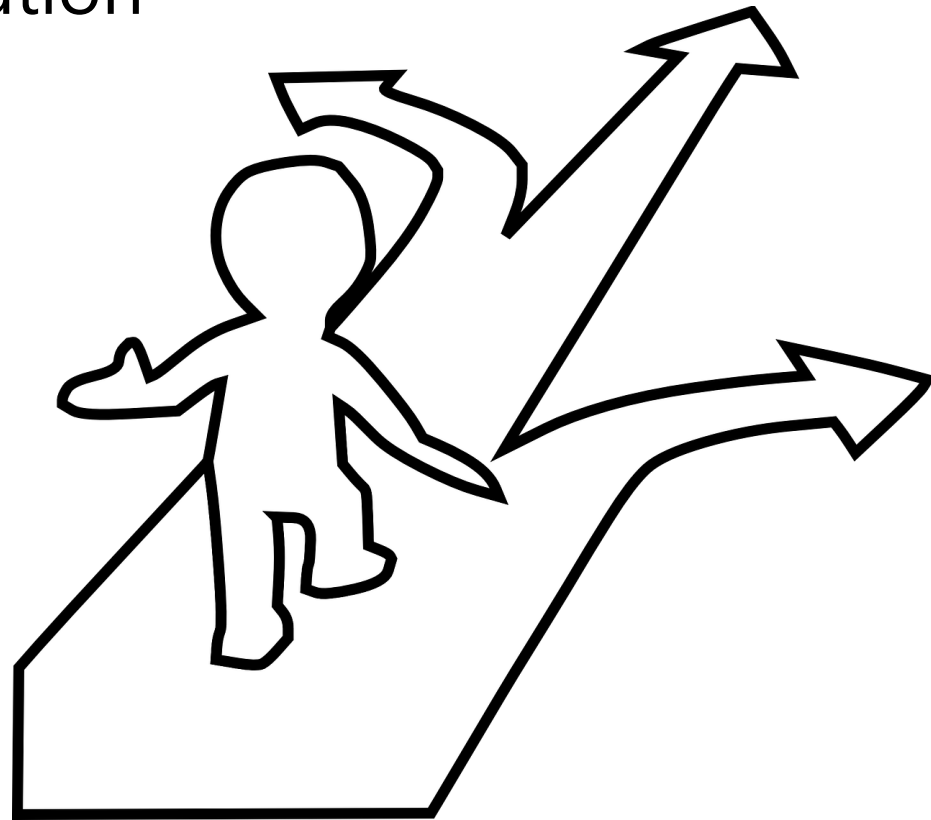


Future challenges



Financial challenges

- Increased cost of funding
- Costly digital transformation



Solutions



- Access to liquidity
- Develop appropriate risk strategies - use different sources to understand the broader COVID-related risks implications
- Digital technology application
- Introduce payment systems



Next webinars



- 8.10, 11.00 CET - Leaders in the digital era: always a winning team



EaSI Technical Assistance

- 13.10, 11.00 CET – **Introduction to Data Management Platforms**



#DigLitBootcamp

Thank you!



Contact us!

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