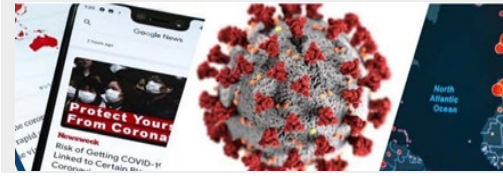


BEST PRACTICE IN MICROFINANCE

Effects and response to the COVID-19 pandemic: European MFIs



In the wake of the COVID-19 outbreak, European microfinance institutions (MFIs) and their clients have faced unprecedented challenges. The impact of the COVID-19 pandemic on MFIs has been strong, requiring an equivalently strong crisis response.

Since the early months of the crisis, the EU Programme for Employment and Social Innovation (EaSI) has been supporting the European microfinance sector with tailored technical assistance and webinar series, as well with EaSI Financial Instruments.

Effects of the COVID-19 pandemic on European MFIs

- Product Offer and Portfolio Performance:** In urgent response to the pandemic's spread, by May 2020, the priority of most active European MFIs was to adapt their lending processes to be compatible with distance monitoring, to comply with new COVID-19 precautions. In addition, use of short-term products with adjusted eligibility criteria increased exposing the credit of new portfolio to risks of low liquidity and low quality of products.
- Demand for Credit:** The COVID-19 pandemic has lowered the overall demand for loans. As a common trend, the majority of European MFIs point out a decrease of up to 60% of reduction in outstanding loans, due to lower disbursements.
- Risk Management:** New risk management strategies have been adopted with the aim to enhance attention to external risks, such as pandemics. To ensure the capacities of their re-designed risk strategies, a majority of institutions relied on practices of 'stress testing' to eventually assess their institution's limits to potential risks and how they could be handled.
- Communication with Clients:** Communication channels between MFIs and their clients have become subjects to changes. Impossibility to meet the clients in person has forced many institutions to transit to digital solutions to stay connected with their clients. The most used applications have been MS Teams, ZOOM, Google Hangouts and WhatsApp used to follow-up with clients on MFIs' services and products.
- Internal Operations:** Affected by lockdowns and social distancing rules, many of the MFIs decided to shut down their regular offices and substitute those with home-office or shared-spaces for on demand group meetings only, hence benefiting from reduction in rental costs, but causing a lack of interpersonal communication.

Crisis response to COVID-19 pandemic: Best practice examples

BCR Social Finance, Romania, at a Glance

- ✓ Target group: micro entrepreneurs and social enterprises
- ✓ Launched in December 2008 as good.bee
- ✓ Over 100 employees
- ✓ 20 000 credits disbursed in total of EUR 380 million
- ✓ 9 credit products
- ✓ 24 branches within the country



Relevant actions in response to COVID-19 pandemic:

Action 1. Actions to support clients

- Adjustment of loan procedures (digital submissions of requested documents via email).
- Loan analysis (assessment of pre-COVID performance and continuity planning).
- EaSI guarantee to support ongoing clients' business activities.
- Massive awareness campaign for agro-producers with an incentive to sell online with 2-month trial costs covered by BCR (partnership with marketplace Taraba Virtuală)

Action 2. Actions to support employees

- Assign a team at the HQ office to secure compliance of COVID-19 safe measures.
- 70 employees enrolled for specialised IT course to create a pool of qualified workers being employed by the company.

Qredits, the Netherlands, at a Glance

- ✓ Branchless approach with an overseas outreach
- ✓ Launched in January 2009
- ✓ Over 100 employees and 600 volunteer mentors
- ✓ 20 000 credits disbursed in total of EUR 450 million
- ✓ 4 credit products and mentoring services
- ✓ Fast-track 2 - 5 days application process



Important additional measures and actions:

Action 1. Provision of special loans and conditions

- Extended grace period of 6 month with lowered interest rate to existing loans.
- Provision of "The Corona Bridge loan" with 2% interest rate for the first 12 months.

Action 2. Helpdesk and enhanced Online Services

- Set-up of a Helpdesk and "Crisis Coach" lines to advise and support their clients.
- E-learning and provision of template materials under the Qredits Academy (in six languages; 15,000 courses available).
- Invention of a 10-week entrepreneurial online training school (with webinars and instructional videos).
- Digital signing of contracts (including overseas and Caribbean region).