

## Virtual Roundtable Series on COVID-19 Mitigation Efforts #12:

### Global Microfinance Networks

June 11, 2020

### Q&A Summary

#### Questions for all:

1. *How can you describe the variety of experiences your affiliates are experiencing throughout Africa, which was hit with COVID-19 later than other regions?*

**Advans:** Our clients in Africa were not all affected at the same time, for while many countries saw what was happening around the world there was a bit of a delayed response to implement precautionary measures. The first country to implement a strict lockdown was Tunisia and many other countries followed suit, however in some countries the lockdown was less intense and bank branches could remain open. As a result, our affiliate experiences have largely been shaped by government response measures and how strictly lockdowns have been enforced. Despite these inconsistent responses, we have seen disruptions of supply chains and changes to businesses operation models across the region.

**Access:** As COVID-19 hit Africa after Germany, we were able to prepare our network banks in advance of hard lockdown measures and provide guidance on preserving liquidity and priorities. In countries like Madagascar, the experience resembled that of what we had seen in Europe, however some countries, such as Tanzania, the lockdown was less strict, shaping our network banks' response. Majority of staff at these banks now works from home, however this is reliant on home access to internet which is not a reality in all settings.

**FINCA:** We were able to guide our policy in Africa based on what we had seen happen in other regions, leading us to direct local branches to reduce lending and limit it to existing clients in order to preserve liquidity. The government response has been the most important factor in shaping business function as of now, yet we have also noticed that microfinance banks with higher proportions of digital outreach channels to clients have had less portfolio issues than those reliant on traditional models.

2. *We've seen that level of digitization has been important in an organization's ability to respond to the crisis. How resilient and adaptable are your institutions? Did digitization shape your response?*

**Accion:** Many of our partners were already embarking on digital transformation initiatives, and the crisis has only reinforced the importance of this work. This has included both innovations around digital product offerings that leverage digital channels and minimize any group gathering requirements, as well as the expansion and reprioritization of customer communication channels and broader e-learning tools to help customers digitally transition their own businesses. Our partners have also largely been working to improve their clients' digital access and encourage digital literacy to ensure that this quick shift doesn't create more of a digital divide among SMEs.

**Baobab:** Digitization impacted our response, however our first priority was to ensure that we were able to stay in contact with customers via phone or text and create a system to bring customers back into payment. We believe personal contact is extremely important to establish relationships with customers and better understand their needs and issues. This allows our institutions to better adapt to the current crisis and remain resilient moving forward.

**Advans:** Similar to Baobab, our first focus was on maintaining the relationships with our clients, however we have also used this crisis as an opportunity to accelerate our digitization. In Tunisia, we were quickly able to roll out a new digital tool to enable CROs to follow up with and record data on clients. In this situation, it is important to maintain both personal connections with clients and provide digital channels for business continuity.

- 3. Many MFI clients in sub-Saharan Africa are women-led SMEs, with some clients lacking strong literacy skills. How do you foresee digital inclusion for women-led SMEs in this region as it becomes an essential business function?*

**Access:** In Africa, almost half of our customers (and staff) are women. Because of their responsibilities for the family and children, women are more interested in financial education programs and savings schemes. As an example, Access' network bank in Zambia is currently preparing a village banking platform targeting in particular women that will be offered through our e-wallet.

**Accion:** Given the gender gap in literacy rates and financial inclusion in sub-Saharan Africa (SSA), it is important to apply a gender-lens approach to designing interventions that empower women and promote access to, and usage of digital financial services offerings. Specifically, these interventions need to address:

1. Addressing legal and regulatory barriers that disadvantage women, such as the additional requirements for women to get formal government IDs, which also restrict women's abilities to get digital IDs – a key foundation for participation in a digital economy.
2. Reducing the cost of digital infrastructure and tools such as smartphones, data charges, etc. The relatively high cost of mobile ownership relative to income in SSA, combined with other barriers such as literacy and cultural norms, means women are disproportionately affected in their ability to access and use digital tools.
3. Using gender-disaggregated data to gain key insights into women's needs, behaviors, cultural norms, preferences, etc.
4. Developing digital capacity building programs that specifically target women – offered in ways that encourage participation, taking prevalent barriers women face into consideration.

**Advans:** Where digital inclusion is concerned, training is always key. At Advans we put emphasis for example on training our clients when we implement new digital channels, ensuring that they understand how to use them and the benefits of their use. When targeting women or specific populations like rural clients in particular, it is important to understand what specific barriers they are facing to using digital tools and accompany them in overcoming those barriers, often using a mix of traditional and digital

contact, like having field agents to help them use tools, or call centres who are there to assist them. In a context where physical contact is limited, voice tools and having dedicated contacts for clients who are struggling with digital tools can be key.

*4. Europe and Central Asia were impacted by COVID-19 earlier than most other regions. Have you seen any differences in response in this region?*

**Access:** There has been a wide variety of responses in this region, for example Tajikistan and Georgia have had very different reactions to the pandemic. Georgia followed a very European response that was very centralized and managed by the government and central bank, while in Tajikistan very few preventative measures were implemented until COVID-19 began spreading throughout the country. As of now, they have detected more cases there than in our whole Africa network, and with the region anticipating a second wave it will be interesting to see the response.

*5. As mentioned previously, your members and affiliates work in countries with a wide variety of government responses. Can you outline what elements of government response have been most and least helpful?*

**Access:** It has been difficult for governments to balance what level of restriction on everyday life is enough to protect the healthcare system while also permitting business so that people can generate the liquidity needed to sustain life. Many of the negative impacts for low-income populations have come from the restrictions on business and public life because many aren't able to survive for long if they are unable to earn an income.

**FINCA:** Government mandated financial policy has limited the ability of institutions to conduct their own business and differentiate between those who want to pay and are able to and those that cannot. We have restructured our loan portfolio and as of now it is difficult to ascertain the impact of the crisis and repayment moratoriums on our portfolio because the volume of restructuring is so high. We have been working with our peer institutions to better assess the data and impact and have seen a recovery of our portfolio in Eurasia largely due to the government's management of the crisis.

**Accion:** Latin America is now the epicenter of the crisis and we are seeing many countries currently unable to handle the surge in cases and flatten the curve. The Bolivian government for example has implemented a number of strict response policies including lockdown, however our partner which is a commercial bank is able to operate as an essential business. In response, they have been segmenting services and determining who is able and willing to pay versus who cannot, which will be important as COVID-19 continues to spread throughout the region. Additionally, they have been working to leverage digital tools and engaging with staff to support clients through their call center and offering trainings via video conference. The goal is to continue to maintain the trust and confidence of clients through digital services wherever possible.

*6. For those that have active affiliates in Asia, what have you been able to learn from their experiences?*

**Baobab:** Our experience in China was very useful in preparing our response in Africa, as we were able to learn from what was successful and implement these policies earlier in order to prepare for when COVID-19 hit the region.

**Accion:** Our partners in China have been extremely helpful in sharing the importance of early intervention with our other partners, emphasizing the utility of having digital channels already in place in order to maintain easy contact with clients and getting out ahead of the restructuring process.

*7. Can you give examples of countries or regions that you are more or less concerned about and why?*

**Access:** Madagascar is a good example of a country we are less worried about, as it is an island and the bank has a strong capacity for response. In contrast, countries like Rwanda are less protected because there is so much travel and commerce across its borders that it is more vulnerable to the spread of disease. Nigeria is very concerning as of now due to the spread of the virus in the northern region, and the risk that the virus spreads to the rest of the country in particular the large cities including Lagos. In the first phase, the lockdown was the major factor that impacted our work there, yet if there is a second wave, we will be more worried about our staff capacity and their health due to high risks of infection.

**Advans:** Overall in Africa, people were in a bit of disbelief as the initial lockdowns began and now, as the virus spreads, we are seeing more fear spread about the health risks and long-term economic impact in these countries. Pakistan is a concern as it faces the struggle between health concerns and the impact of lockdown on the economy, and while the government is taking serious measures to stop the spread of COVID-19, it is difficult to implement due to the size and geography of the country. Ghana had a smart response in regards to implementing lockdown measures and testing which has allowed the impact there to be somewhat manageable. Cambodia is another good example, as the government managed to contain the pandemic without implementing strict measures for lockdowns and moratoriums, instead issuing guidelines and allowing each industry to implement them as they saw fit.

*8. The holding group structure has been seen as a strength for global microfinance institutions. As we witness this global crisis, has it caused you to reflect on the problems and opportunities that come with this structure?*

**FINCA:** The COVID-19 crisis has proven the value of a network, as our holding company structure has allowed us to issue a quick response programmatically in order to respond to the pandemic and protect staff and clients and long-term liquidity. Having partners in multiple regions provided a birds eye view on how to respond to the crisis and has provided significant data on how responses are impacting partners, which has allowed us to have informed conversations about trends and what the future might look like. Our holding company structure has added value to individual institutions by streamlining responses and making them more efficient, signaling the need for efficiency and broad digitalization as we move forward.

**Accion:** Accion functions as a network of independent partners rather than an owner-operator, supporting both companies where we have minority investment stakes but also non portfolio companies. Yet our network provides many of the same benefits as a holding company, for we are able to share experiences and learn from the impacts of COVID-19 in different countries. In this sense, the network structure has been incredibly valuable in response to the pandemic.

**Baobab:** Baobab is currently on a journey of streamlining our holding structure and we are working to think of the holding company as the glue that keeps the institutions running. As we start to organize our subsidiaries along functional lines, we've been able to react to the crisis as the center of this dialogue, enforcing best practices across the subsidiaries and sharing insights from members. Previously, our subsidiaries were relatively autonomous and there was limited information sharing between institutions. Now we are looking to encourage institution sharing and to push them to become leaner and smarter about lending in order to strengthen the group as a whole.

**Access:** We are refocusing our Holding services to focus on assurance of high-quality standards in our network banks in particular with regards to internal controls, information security, risk management and performance orientation. In addition, the Holding ensures exchange of knowledge and experiences and leads large projects that include various banks. When Corona arrived in Europe, we set up a Task Force at Holding level that is managed like a project. It includes standard setting as well as knowledge exchange.

**Advans:** The holding structure has been invaluable as a setting for learning and sharing experiences, and setting guidelines and standards, yet we are also trying to remain relatively decentralized and allow learning to move to and from subsidiaries. Our holding group is also instrumental in funding debt, equity, and grants to accelerate some important initiatives for the post-COVID phase and also in providing moral support to each other and colleagues at our holdings.

#### ***Resources provided during the session:***

- Accion response policies:

<https://www.accion.org/covid19>

<http://content.accion.org/wp-content/uploads/2020/03/COVID-19-Briefing-1.pdf>

- Atlas Data MFI Pulse Survey

[www.atlasdata.org/pulse](http://www.atlasdata.org/pulse)

- CGAP Global Survey of Microfinance Institutions

[www.cgap.org/pulse](http://www.cgap.org/pulse)

- Access Holding COVID-19 Response

<https://accessholding.com/a-pragmatic-solution-to-a-business-continuity-problem-arising-out-of-the-covid-19-crisis-the-monitoring-application-that-allows-customers-to-be-served-at-a-distance/>

➤ Advan's COVID-19 Response

**Blog articles**

[Advans' response to Covid-19 #strongertogether](#)

[Advans Top Management on protecting Advans' staff and clients during the Covid-19 crisis](#)

[Engaging and taking care of our staff through the Covid-19 crisis](#)

[Stay home, Stay digital, Stay safe: Accelerating digital transformation during the Coronavirus crisis](#)

[Perspectives from the frontline: how Advans CI in Cote d'Ivoire is dealing with the covid-19 crisis](#)

**Videos**

[#BeSafe: Protecting yourself and your family during the Coronavirus crisis](#)

[#BeSafe: wearing a mask during the Coronavirus epidemic](#)

[#StaySmart: Managing your business during the Coronavirus crisis](#)