

Financial Inclusion Short Guidance on COVID-19 Response

This document is an annex to the Livelihoods Short Guidance on COVID-19 Response and is specifically addressed to UNHCR operations which have established partnerships with financial service providers (FSPs) for microfinance activities, are partnering with investors or development financial institutions to set-up microfinance programs or are implementing Savings Groups.

Below are some points to take into consideration during the response:

1. Throughout the emergency phase it is important that FSPs reduce cash demands on low-income households' by delaying and/or reducing loan repayments and services fees on financial transactions, to ensure that the cash these households have available can focus on smoothing consumption and supporting health care costs. Most socially responsible FSPs are expected to develop plans for restructuring loans for clients who may be unable to pay. This could go in the form of:
 - Moratorium on loans (no loan payment collections for a period, no penalties or fines and suspension of operations for a period);
 - Loan restructuring/rescheduling: adjustment of the original loan repayment schedule with different conditions in terms of interest rate, amount paid per month, frequency of loan repayments, terms and/or collateral. FSPs usually choose between having clients continue to pay interest while the principal payments are postponed or stop the accumulation of interest until after the principal repayment has resumed;
 - Loan refinancing: disbursement of a new, usually larger loan to enable repayment of the prior loan by a client who otherwise would have been unable to pay the originally scheduled installments.

These interventions are different from loan write-offs (unrepaid loans declared uncollectable) and many FSPs during an economic crisis change their normal policy to allow more time before loans are written off.

UNHCR should assess with existing FSPs partners which measures they are undertaking to support their clients during this time.

2. With the on-going emergency it is possible that recently engaged FSPs with no previous experience in lending to refugees will choose to lower risk appetite for specific new client segments such as refugees and decide to focus on loan disbursement to known client segments in the short term. This may result in a delay of loan disbursements and other financial products and services to refugees. FSPs may also review loan renewals to businesses that could be severely affected by the crisis (i.e. non-essential retail, beauty salons, restaurants..) where supplies of inputs may be unavailable or key markets may

be closed. In this case they may be planning to segment customers to determine the levels of vulnerability of business and lend accordingly. UNHCR should assess with FSPs whether and how their refugees' targeting plans are going to be affected.

3. In some regions, particularly in some African countries, many FSPs work with digital channels. The expectation is that these FSPs are now encouraging disbursements and repayments through mobile banking to avoid refugee clients going to bank branches and expose them and staff to further health risk. UNHCR should check among their FSPs partners whether they are educating refugee customers about alternate digital channels. If digital channels are undeveloped, FSPs can explore utilizing digital channels of commercial bank for some client segments (such as those used by some UNHCR Operations for cash disbursements).
4. Many FSPs are expected to be affected in terms of liquidity, due to rising provisions for risk and potential losses due to non-repayments. Those with loans in foreign currencies that are appreciating in value will be exposed to currency risks and hedging costs, which will affect the numbers of loans they can disburse. Some FSPs may try to renegotiate funding cost levels with their respective lenders. Equity and debt fundraising activities may face severe delay due to restricted people movements, which may leave institutions with funding gaps. UNHCR should assess with its microfinance investors and development financial institutions partners funding FSPs (through debt funding, equity or guarantees) what actions they plan to implement to adapt to the needs of FSPs.
5. Many UNHCR operations, mostly in Africa, have implemented Savings Groups (SGs) for refugees. The pandemic poses serious health and economic risks for Savings Groups and at this time it is crucial to protect the safety and health of SGs members and of the staff of implementing partners. At the same time, it is possible to support SGs to find solutions that will allow them to continue benefitting from SGs. Our partner SEEP issued a short [guidance](#) on how to work with Savings Groups in the time of Covid-19 which should be consulted by UNHCR operations which have established Savings Groups.

For any additional support please contact the Senior Financial Inclusion Coordinator
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Resources

- [Responding to the COVID-19 Pandemic: Guidance for Financial Service Providers \(Accion\)](#)
- [The Role of Financial Services in Humanitarian Crises \(CGAP\)](#)
- [Savings Group and Covid-19 \(SEEP\)](#)
- [Savings Group Risk Mitigation, Support, and Engagement in Relation to COVID-19 \(Care International\)](#)
- [Microfinance Disasters and Conflict: FAQs \(CGAP\)](#)
- [Surviving Disasters and Supporting Recovery: Guidebook for Microfinance Institutions \(World Bank\)](#)
- [Covid-19 & Inclusive Finance: Lessons from Past Crises \(CGAP\)](#)