QUESTIONS AND ANSWERS

- **Webinar 2: Perspective for the year 2021: what will be the new normal and how can financial institutions continue to offer responsible financial services?**
  
  21st January 2021, 01 pm (Abidjan) / 02 pm (Cotonou, Paris, Frankfurt, Douala, Kinshasa)

Questions to Baobab - Ruben Dieudonné, Regional Director, West and Central Africa Baobab Group, and CEO Baobab Côte d'Ivoire

Can you elaborate a little more on the personalised solutions offered to customers. Apart from the moratorium and the postponement of deadlines, what solutions have you provided in concrete terms?

What was the impact of the customised solutions on the management information system? Have you experienced any difficulties in this area?

The solutions proposed/applied to our clients during the crisis were of several types (depending on each client's situation):

- Various types of payment moratoriums
- Renewals with more flexible processes/conditions and pricing
- Parallel loans
  - Use of customer guarantees, with the customer's agreement, for repayment of certain instalments

What was the strategy put in place to sort doubtful customers before Covid from the customers impacted by the fact of Covid-19?

Reinforcement of proximity despite the Covid situation. We carried out a "rating" of the entire portfolio to measure the impact of the health crisis on each of our customers.

What did the COVID-19 loans consist of? What was special about these loans and their impact compared to other portfolios?

They consisted of premature renewals of certain loans and parallel loans with a different pricing from the others.

In terms of prospects, which services do you think are most optimal in this uncertain environment and given the need for continuity of financing?

Ensuring contact (even at a distance) and proximity with the client

Have you been able to access liquidity to refinance your loans without difficulty in this crisis context?

We did not experience liquidity problems during the crisis.

In light of what the crisis has imposed, don't you think it is now important in the future to continue to manage portfolio risks on a sector-by-sector basis?
Certainly and with as much granularity as possible

Have you had to advise clients on access to possible state aid?
We have not had any such requests.

Questions ECOBANK – Nana Araba Abban, Head of Consumer Banking, Ecobank

Does Ecobank think of doing transfer banking whereby you can transfer from phone carrier to online bank account?
We have a product named bank to wallet or wallet to bank (fully integrated with major Telco’s in most of our market)

What are the main challenges or issues that you’re experiencing in the implementation of your digital solutions with your customers or the population that you’re serving? If there is any, what do you do to address it?
As explained during the webinar, the digital transformation of a business is a journey, then it may occur some challenges related to adoption (both internal and external), technology, regulation etc.
Concerning adoption, the way to address it is increasing staff training and promoting financial education of our customer from youth to mature segments.
To address issues on technology, we massively invested in increasing our platforms capabilities, but also developed the partnership with Fintech’s through API sandbox etc.
Concerning regulation, we are partnering with our regulator in our various markets and giving them insight so that they will support us on our digital projects, to facilitate financial inclusion.
However, we consider overall that opportunities we have to roll out our digital journey (African population dynamic, mobile penetration etc), are more than challenges.
Also the Covid pandemic despite its tragic impact (death, population health and economy) is a great accelerator of the digital transformation.

In terms of prospects, which services do you consider to be the most optimal in this uncertain environment and given the need for continuity of funding?
If the question is related to the sectors for which the current situation has little or no impact, with the aim in particular of obtaining support from the bank, I would say that all sectors can benefit except perhaps a certain caution with regard to sectors linked to the hotel industry, tourism, the airline sector, service real estate (offices etc...).
If the question relates to the banking services offered to customers, I would say that the bank favours the development of transaction channels for customers, advice and education to guide their activities rather than multiplying loans which could be a source of debt difficulties for the customer due to the trend of declining turnover in several activities.

We can see that ECOBANK has led many innovations thanks to digital technology to offer better customer services. But from the point of view of the competitiveness of the financing offer, can you tell us how customer interest rates have evolved in the Covid context?
The essential answer to this question can be found in the previous question, namely that in such a context, where unpaid debts are multiplying and consequently the cost of risk, it is impossible for the bank to make financing offers a major strategic lever.
However, the bank has initiated many innovative financing solutions to support, for example, female entrepreneurship with the most competitive financing conditions.

What proportion of MSMEs have been impacted by these new channels?
For example, the use of ECOBANK online, the internet banking application for SMEs, has increased from 512 million transactions to 617 million between 2019 and 2020, while the monetary values transiting through this channel have more than tripled from $253 million to more than $950 million.
The C19 crisis has seen a rapid and significant increase in flows via digital channels, have you been confronted with IT security issues?

I would say that digital means new vulnerabilities, but we have invested a lot in security and above all we have taken internal protection measures to strengthen the security of our different platforms.

In this crisis context, have you had no difficulty in accessing liquidity to refinance your loans?

Our liquidity has evolved favourably, as it has for most of our peers in the sector, given the reluctance of clients to make investments or request facilities.

The promotion of digital technology is still facing the problem of Know Your Customer, particularly in Africa. How do you intend to manage this?

Collaboration with regulators in the various markets has facilitated the introduction of eKyc (electronic version) under certain conditions.

How have these channels improved the performance of MSMEs and households?

Obviously, when manual operations are reduced to a minimum, this translates into time savings and organisational agility for clients, which will ultimately reduce some of the operational costs of SMEs.

When you talk about chatboxes, how can this be an added value for the "masses" who do not use smartphones?

Most of our solutions are replicated via USSD to enable the satisfaction of mass customers who do not have a smartphone or who may have difficulties accessing the internet.

The pandemic has been difficult for everyone; isn’t this pandemic now an opportunity to demonstrate that the African banking sector can better serve?

Yes, as previously answered, this is the only positive side of the thing.

What mechanism and/or strategy has been put in place to facilitate cash management in the Xpress points?

The bank does not directly manage the liquidity of the Xpress points which belong to independents, they are however responsible for ensuring the liquidity of their points.

I would like to know how you have managed the front office staff with this level of digitisation of day-to-day operations?

The front office has been assigned more to sales-related actions rather than administrative tasks and some colleagues in the back office have even been deployed at the front office. However, with the pandemic, we were obliged to introduce rotation in most of our subsidiaries, to reduce the exposure of colleagues, but also education and above all the implementation of barrier solutions.

Questions for the EIB - Olivier Edelman, Head of Microfinance Unit, EIB

Hello, from your perspective, has the microfinance sector been more (or less) resilient to the crisis than the banking sector?

This is difficult to assess, especially given the significant differences between African countries and also given the differences, within each country, between banking and microfinance institutions. In general, the largest microfinance institutions have performed well during the crisis, in line with the banks.
Don’t you think that in the microfinance sector; the real crisis will be more and stronger felt after the health crisis? The EIB Group will have to prepare itself to assist microfinance for a better resilience.

Indeed, the crisis may still have further effects, especially in terms of overdue loans and possible payment defaults. As indicated during the webinar, the EIB will do its utmost to support its clients, in particular through financing but also through technical assistance.

What are the financial terms of the EIB’s portfolio guarantee service?
This should be discussed with your contact at the EIB. It all depends on the type of institution and the country in question.

Portfolio guarantee solutions: What kind of concrete solutions do you propose given the fragility of SMEs in this crisis context, and the increase in credit risks that cannot be excluded?
This should be discussed with your contact at the EIB. It depends on the institutions and the country in question. The situations and problems encountered will be very diverse. It is difficult to give a general answer.

Through which vehicles does the EIB offer its guarantee products/credit lines and sub-debt funds to financial institutions?
Guarantees and senior loan operations are usually set up on a bilateral basis. Subordinated loans are typically provided through investment funds.

Is there new thinking of what kind of TA is relevant going forward?
The pandemic certainly has an impact on the type of TA that the EIB will prioritize. One of them is digitization in all possible areas; the most efficient way to reduce transmissions while being able to continue to work. Already before, we advised our customers to incorporate digitization into their business strategy, but the pandemic has incredibly accelerated this progress and we see an increase in requests in this area. The EIB will also increase TA supporting important policy goals like climate action and the financial inclusion of vulnerable groups.

What TA facilities does EIB think is relevant going forward?
EIB aims at providing technical assistance to complement the financial products it offers to financial intermediaries. Technical assistance is offered either under facilities or as separate assignments. In all cases, EIB aims at understanding the specific needs of each client and offering tailored support.