



COVID-19 RESPONSE

GUIDELINES FOR FINANCIAL SERVICE PROVIDERS IN MOZAMBIQUE

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The Guidelines are complemented by a Toolkit which comprises tools aimed at supporting financial services providers in implementing the Guidelines. Visit the GIZ webpage to download the [Toolkit](#).

Name of tool	Purpose/description	Output
1. Self-diagnostic	Assess where your institution is with regards to responding to the Covid-19 crisis and ensuring business continuity.	Score, which rates readiness & emergency response to date.
2. Business Impact Analysis & Emergency Response	Clearly define the impact of the crisis on different parts of the business and formulate respective response measures (e.g. key personnel, recovery teams).	Detailed list of impacts and response measures.
3. Stakeholder Analysis	Identify which stakeholders affect your institution's business continuity prospects and which actions to take.	Detailed list of stakeholders and response actions.
4. Channel and Transactions Mapping	Capture the performance of different channels (e.g. branches, ATMs) and transactions during the crisis as well as for recovery.	Prioritised channel & transactions map.
5. Partnership Suitability Assessment	Assess the suitability of potential partners (e.g. to support your recovery ambitions).	Suitability assessment of a potential partner.
6. KOGMA	Planning tool to derive Key Objectives, Goals, Measures, Activities to assist in realigning your business strategy.	Clearly defined KOGMA.
7. Customer Research Guide	Guidance for research to understand the impact of the crisis on customers. This will provide insights on redesigning/refining existing products and services.	Customer research plan.

INTRODUCTION

Financial service providers (FSPs) in Mozambique, as anywhere, must adapt to the Covid-19 crisis. Given natural disaster prevalence in Mozambique as well as the risk of future pandemics in an ever more globalised world, business continuity measures and resilience are of great importance beyond the current crisis.

These Guidelines are intended to provide guidance on how to overcome the current crisis, generally make financial services business more resilient and to sustain/grow in the new reality. Accordingly, the Guidelines are divided into the following three sections:

1. **DIAGNOSTIC**
2. **BUSINESS CONTINUITY**
3. **RECOVER IN NEW NORMAL**



The current as well as any potential future crisis affects institutions' business **strategy**, **operations** (including the workforce), **customers** and ultimately **financials**. Therefore, each section is subdivided into these categories.

It is important to note that these are unprecedented times and every institution will have to find its specific own path of navigating through the crisis as well as for restarting/scaling business after the crisis. These Guidelines are therefore meant to provide guidance, rather than a predefined solution.

However, there are also consistent factors which in our view will apply for all financial service providers: **digitization across all business functions should be accelerated**, **FSPs should embrace data** in order to enhance early warning systems, enhance risk assessment tools and better tailor products and services to customer needs.

1. DIAGNOSTIC

As a first step, FSPs must clearly diagnose the situation, i.e. assess how Covid-19 has affected, or will likely impact, business. It is understood that most financial service providers have done this already. This section is therefore intended to provide a checklist to assist FSPs in assessing whether their analysis has covered all key areas.

STRATEGY 	OPERATIONS 	CUSTOMERS 	FINANCIALS 
Adequate planning and governance?	Are operations calibrated for the crisis?	Do you implement activities to support customers?	What does it all mean for your financials?
<i>Do you ...</i> <ul style="list-style-type: none"> • Have a business continuity plan in place? • Covid-19 task force/ committee? 	<i>Are you...</i> <ul style="list-style-type: none"> • Protecting your staff and ensuring morale is kept up? • Ensuring back-office functions can continue smoothly? • Ensuring physical channels are safe? • Promoting digital distribution channels? 	<i>Have you...</i> <ul style="list-style-type: none"> • Analysed in detail how the crisis affects your customers, including different segments? • Offered specific services and products to help them cope? • Communicated effectively with your customers? 	<i>Have you...</i> <ul style="list-style-type: none"> • Closely monitored your liquidity position? • Taken measures to enhance your liquidity position?

The following tools from the accompanying Toolkit will assist your diagnostic:

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 1. Self-diagnostic
 2. Business Impact Analysis & Emergency Response
 3. Stakeholder Analysis
 4. Channel and Transactions Mapping

2. BUSINESS CONTINUITY

FSPs have an important role to play in supporting society throughout the crisis and restoring the economy after the crisis. This is both an opportunity as well as a responsibility. When navigating through the crisis, keep in mind that the decisions you make today will likely define your brand/reputation tomorrow.

STRATEGY 	OPERATIONS 	CUSTOMERS 	FINANCIALS 
Plan for business continuity	Adapt your operational model to the crisis	Help your customers through the crisis	Ensure financials support business continuity
<ul style="list-style-type: none"> • Set up a Covid-19 task force • Adapt your business strategy to ensure business continuity/survival 	<ul style="list-style-type: none"> • Protect your staff and ensure morale is kept up • Confirm resilience of internal operations • Ensure that physical locations & distribution channels are as safe as possible • Promote digital distribution channels 	<ul style="list-style-type: none"> • Determine impact of crisis on customers • Engage customers in a targeted manner • Offer specific products to help customer through the crisis • Ensure effective customer communication 	<ul style="list-style-type: none"> • Closely monitor and project liquidity position • Free up 'locked' liquidity • Reduce immediate outflows and overall cost base • Prepare for the post-crisis time

This section outlines key strategies regarding how to navigate through the current crisis. The suggestions mentioned here are backed up by tools in the Toolkit.

STRATEGY

2.1 Set up a task force in charge of coordinating your Covid-19 response.



- Include only relevant staff in the committee and aim for it to be as cross-functional as possible (e.g. a crisis manager for the overall coordination of the crisis and a communications manager in order to coordinate and streamline the internal and external communication)
- Separate working groups can be formed for more detailed actions.
- Ensure the task force has senior representatives, is adequately resourced and reports directly to the top management.

2.2 Design a business 'survival' strategy/specific business continuity plan



- Consider in how far the assumptions underlying your general business strategy from before the crisis have changed.
- Adjust business goals, KPIs and staff incentive schemes, considering anticipated higher losses, changes in credit demand, depletion of savings and higher portfolio at risk (PAR).
- Potentially rethink the credit policy and other key policies in order to adapt service offering to customers.
- Project a revenue stabilization plan that reflects stabilization efforts in a worst-case scenario of a long-lasting pandemic (e.g. failed disease containment and resulting economic deterioration beyond 2020).
- Consider in detail which channels (branches, ATMs, internet/mobile offerings, agents) to use/allocate more resources to.



Tools: 2. *Business Impact Analysis & Emergency Response*, 3. *Stakeholder Analysis*, 4. *Channel and Transactions Mapping*

OPERATIONS

The operational model must be adapted to the new reality. Workforce measures should get the best out of your people while preserving their mental and financial well-being over the difficult period.

2.3 Protect your staff



- Identify "critical" staff and functions to ensure that key processes continue.
- Require only critical staff to come into the office. Consider implementing rotating schedules with set teams with alternating staffing days.
- Ensure that staff can work effectively remotely: set up work-from-home facilities such as Virtual Private Network (VPN) connections into the HQ systems and video conferencing; offer data plans to staff who need it or provide additional laptops to perform their work.
- Suspend all in person meetings which are not absolutely necessary (both internal and external).
- Provide exclusive transportation facilities to protect bank staff working in branches, if possible. Else, ensure health recommendations and social distance norms are being followed to avoid infections when using public transport.
- Reiterate the importance of staying home if someone is feeling ill.
- Policies around sick and personal time may need to be relaxed during this time in order to ensure employee and client safety.

Note: you may have to weigh up benefits of staff activities against risks. For example, banks in several countries have closed (some) branches to restrict staffing and hours when the risk to employees and the public was deemed to outweigh the need to maintain the branch open. For more detailed guidance in relation to staff management, refer to Annex 2.

2.4 Take efforts to ensure staff morale is kept up

- Revise staff key performance indicators (KPIs) for 3-6 months based on customer segments affected, expected PAR and other factors, which may impact their ability to meet KPIs.



- Ensure salaries can be paid and offer salaries in advance where possible.
- If possible, avoid laying off staff, as also recommended by the International Labour Organisations' International Labour Standards.
- Ensure that staff is not worried or concerned about his/her own physical and financial safety. It is important to share all the safety measures put in place by the institution to ensure staff is comfortable.
- If applicable, ensure staff/employee insurance is robust enough to offer medical testing, treatment and income protection in case staff will be diagnosed with Covid-19.

2.5 Confirm resilience of internal operations



- Ensure the core banking system, distribution channel technologies and any other system will be able to accommodate changed and potentially increased volumes (e.g. higher demand for digital transactions). Invest in technology infrastructure and tools if necessary.
- Ensure back-office and middle office functions are able to absorb potentially higher workload (e.g. increased calls to customer care).
- Consider reshuffling staff to where they are most needed so as to ensure business continuity and high staff output.
- Reinforce data analytics/tools to rapidly predict/assess non-performing exposure (NPE). This could include machine learning/artificial intelligence solutions to enhance analytics capabilities.
- Develop back-up plans for channel failures, e.g. set up virtual call centres which staff can operate from home.
- Ensure liquidity at all physical outlets including agent service points, if applicable. Estimate the liquidity required based on location.
- For agents, consider provide liquidity advances/loans, as increased transaction sizes especially withdrawals will put pressure on agent level liquidity.
- Due to the reorganization of operations and increased use of remote access, fraud and information security risk are likely. Ensure your risk team has considered fraud, cybersecurity and data protection requirements, e.g. for remote working.

2.6 Ensure that physical locations & distribution channels are as safe as possible



- Follow national as well as [WHO guidance](#) to make sure that your workplaces are adequately responding to Covid-19.
- Sanitize/disinfect branches, ATMs and agents' terminals as often as possible. Ensure timely supply of hand sanitizers, disinfectants, cleaning equipment, masks, gloves, and plastic screens to the branches and other outlets like ATMs.
- Facilitate equipment and materials to be used for regular and thorough sanitization and hand-washing by employees, contractors and customers
- Implement strict social distancing rules in branches and ATMs as per Government/WHO guidelines, i.e. limit the number of staff and clients that are in the branches at the same time and ensure that clients queuing outside follow recommended distance rules.
- Distribute educational messaging on Covid-19 across all customer engagement points: branches (e.g. posters, flyers, videos), ATM screens (remind people to take care after touching buttons, mobile/internet channels (e.g. tutorials, videos, links, and comics).

2.7 Promote digital distribution channels



In light of public awareness of the virus, customers may change behaviours, accelerating trends toward digital. Bold actions now may set up your institution for significantly enhanced digital adoption through the crisis and beyond.

- Create targeted messaging about using digital channels, e.g. launch positive and safety-oriented messaging.
- Enable remote account opening where possible: consider document submission via digital channels to reduce time spent in branches during account opening (e.g. messenger services or secure cloud solutions).
- Enable customers to conduct basic transactions (e.g. money transfers, bill payments) from home. This can be done by
 - expanding proprietary alternative channels such as internet banking, mobile banking, phone banking, banking agents; and/or
 - partnering with mobile money providers to offer digital payment services (e.g. bill payments, money transfers) for some client segments.
- Incentivize and encourage customers to use digital channels and to only visit a branch or an agent when digital channels are not available.
- For transactions which require physical interaction (e.g. cash deposits), encourage customers to use agents in order to decongest bank branches. Communicate the nearest agent locations through call centres, GPS enabled USSD service or mobile application.
- At all times, ensure potential risks inherent in digital transactions are mitigated, e.g. by implementing secure authentication measures.
- Given the Central Bank's support for strengthening digital finance during this crisis, now may be an appropriate time to highlight the need for further regulatory reform to enable the large-scale adoption of digital finance, such as for example tiered KYC, eKYC, and agent due diligence requirements.

2.8 Communicate in a clear, open and positive manner



Internal communication

- Remain optimistic and positive in all staff communications to keep staff motivation high, focusing on opportunities that may arise from the crisis. Communicate clearly about your staff's future.
- Share examples internally of support the institution has provided for clients, especially initiatives that have helped clients continue/resume operations and have therefore benefited entire communities.
- Use communication aids in the workplace to keep staff educated, such as for example the [“MFIs in COVID-19”](#) comic.
- Help employees distinguish facts from rumours and arm them with timely information by sharing trusted sources of news.

Support for external communication

- Develop communication scripts for your staff to handle customer requests, including a detailed FAQ for your staff so that they can answer any questions raised by the customers

CUSTOMERS

Supporting customers in these critical times will deepen customer relationships and reaffirm the role of banks as key enablers of the economy. How you respond to your customers could determine how your brand is seen for years to come. Therefore, consider preserving client relationships despite near-term revenue risk.

2.9 Determine impact of crisis on customers



The current crisis influences in different ways on different customer segments – for example based on their income generating activities or where they live/work.

- Based on available customer data, cluster portfolio, e.g. consider which sectors/geographies/customer segments
 - have been/will be negatively affected;
 - can continue to do business during the crisis;
 - are likely to emerge from the crisis stronger than before.
- Determine whether specific loan segments/product categories might be more at risk than others.
- In addition to using data already available to you, proactively engage clients to understand exactly how the crisis has impacted their situation, e.g. through phone interviews.
- As much as you can, tailor your response activities to specific customer. Refer to Annex 4 for an example on how a bank in Italy has used customer segmentation to tailor its Covid-19 response.

2.10 Offer specific products to help customers through the crisis



Deposits

- In order to avoid a bank run (i.e. all your depositors withdrawing money at the same time), demonstrate to depositors that they can withdraw their funds. This may include allowing liquidation of long-term instruments like fixed deposits, if liquidity position allows.
- For high net worth customers, consider providing on request at home/in neighbourhood cash withdrawals, but ensure that adequate security measures are taken (also refer to this [example from India](#)).

Credit

- Consider relaxing payment schedules (repayment holidays, repayment extension, loan waivers, and maturity extensions) for the customer segments that were identified as most affected.
- Increase overdraft-limits within the bank's risk framework (potentially consider amending the existing risk framework).
- Offer "emergency loans" aimed to provide liquidity to customers in order to manage the Covid-19 crisis.
- Determine, also in discussions with the regulator, whether negative reporting to the Credit Information System (Lei 6/2015) is required/appropriate.

Example: Banks offering Covid-19 loans in India: Some of the banks are offering Covid-19 personal loans to customers having a salary account or an ongoing loan for which customers have not missed a single Equated Monthly Instalment. These loans are priced lower than most other personal loans. It aims to help the customers tide over any temporary cash crunch they may be facing due to the pandemic.

Digital

- Consider tweaking current digital offerings by identifying key functionalities that can be improved quickly. For example, you might increase the limit for online/digital transactions.

2.11 Offer specific services to help targeted manner



- Focus outreach services on customers who require most help and are important to retain.
- For example, prioritize in-branch assistance for elderly or at-risk clients to ensure that they feel safe and their needs are met. Set aside hours and/or certain office space for the reception of such clients (elderly or less literate individuals will be less likely to adopt digital offerings).
- Proactively reach out to borrowers to fully understand their needs and income prospects.
- Proactively engage depositors with high balances to ensure they do not withdraw funds by making them comfortable about keeping their savings with you.
- Be ready to assist Government and/or international organisations/donors in distributing disaster relief cash. This is an opportunity to demonstrate commitment and social responsibility.

2.12 Ensure effective customer communication



What to communicate?	How to communicate?	Who to communicate to with?	Build data intelligence
<i>Develop clear and consistent messaging on key crisis topics</i>	<i>Use different channels to communicate</i>	<i>Embrace a segmented & targeted approach</i>	<i>Capture the information during the crisis</i>
<p>Topics may include:</p> <ul style="list-style-type: none"> • Opening hours for all service points: branches, ATMs and agents, • Accessibility of deposits • Relaxation on ongoing loans • Use of digital channels like the mobile app and agents • Availability of dedicated Relationship Manager for business clients 	<ul style="list-style-type: none"> • Ensure effective communication with each single customer • Determine customers' preferred means of communication (mobile phone, SMS, social media, WhatsApp, other messengers). • Increase the customer engagement through social media and SMS. 	<ul style="list-style-type: none"> • Identify clients with higher vulnerability to crisis <ul style="list-style-type: none"> – Small businesses – Self-employed or working in affected industries – Clients with smaller deposits • With loan clients, detect credit worthiness deterioration and segregate exposure based on segments resilience to crisis. 	<ul style="list-style-type: none"> • Capture data on usage of different communication channels during the crisis, as that will help to plan for future. • Capture key product and service-related complaints during the crisis. • Capture suggestions from clients during the crisis

The table below illustrates how customer segmentation might lead to targeted response activities:

Exemplary segmentation	Potential response
Loan clients who are likely to experience temporary difficulties	Actively reach out to these customers with customized solutions such as payment skips, interest deferrals, new credit lines, emergency response loans, and fee waivers
Customers who you suspect will go bankrupt	Consider restructuring/partial repayment.
Customers with special servicing needs (such as the elderly who are accustomed to branch banking, cannot use remote channels)	Offer solutions to continue serving them, e.g. prioritize branch time or offering at home servicing.

FINANCIALS

The crisis puts pressure onto FSPs financials, especially concerning their liquidity positions. The Central Bank of Mozambique has implemented a series of measures to support the sector, refer to Annex 1.

2.13 Closely monitor and project liquidity position



- To understand the impact under rapidly evolving scenarios, enhance your detection skills: dynamic, statistical early warning systems, data analytics solutions potentially using machine learning (ML)/artificial intelligence (AI).
- Consider adapting existing tools and metrics. For example, the liquidity coverage ratio as a measure of outflows over a one-month period may not be enough to capture all the risks to liquidity from a longer period contagion. Consider increasing minimum liquidity ratios.
- Implement daily appraisals of short terms liquidity positions and management reporting when relevant.
- Monitor deposit fluctuations, particularly as clients draw on credit lines to increase their cash positions.
- Project how increases in expected losses will affect earnings.
- Assess the institutions foreign currency exposure and, if not yet happened, identify risk mitigation tools for currency exchange rate risk

2.14 Increase Liquidity / free up 'locked' liquidity

- Increase cash position through withdrawals of central bank deposits
- Identify 'locked' liquidity, e.g. deposits in other banks, but consider that other institutions could recall their deposits as well
- Onboard new clients with cash-intensive businesses, e.g. supermarkets, that could deposit their excess cash in your institution and ease your cash position.

2.15 Identify refinancing opportunities



- Engage existing refinancing partners/shareholders to restructure existing debt or including recapitalisation options where appropriate and necessary.
- Consider new refinancing options from a range of sources: Government/Central Bank, development finance institutions, including from specific funding initiatives in the context of the Covid-19 crisis.

2.16 Reduce immediate outflows and overall cost base



- Review any third-party contracts or licencing agreements, which might allow you to terminate the relationship, also potentially in the context of “force majeure” clauses.
- Renegotiate the terms with debt investors/wholesale financiers if possible.
- Waive dividend payments to shareholders. Communicate that action properly as maintaining financial health and/or government requirement
- Consider closing some branches temporarily, for example keeping flagship branches open while closing smaller, less used retail outlets in a similar vicinity.

3. RECOVER IN NEW NORMAL

STRATEGY 	OPERATIONS 	CUSTOMERS 	FINANCIALS 
Review and adjust your long-term business strategy	Define the new operational model and infrastructure needs	Redefine customers and re-engage with them	Update financial planning based on the new strategy
<ul style="list-style-type: none"> • Redefine key objectives and set new goals • Review and adjust your long-term business strategy 	<ul style="list-style-type: none"> • Review the operational model and processes • Review staff requirements & policy • Redefine technology and infrastructure needs • Consider new partnerships to meet new objectives 	<ul style="list-style-type: none"> • Redefine customer needs, segments and clusters • Review customer outreach strategy • Scale digital channels and digital customer engagement • Introduce new products and services 	<ul style="list-style-type: none"> • Recover from the crisis • Update financial planning for new reality • Secure financing to fund business expansion if necessary

STRATEGY

3.1 Redefine key objectives and set new goals



- Given that the business environment may have fundamentally changed due to the crisis, it is important to review and redefine the key objectives to align them to the new reality.
- Based on the experience of financial service providers in other countries which have been hit earlier/harder by Covid-19 than Mozambique has to date, the following objectives may arise from or have been emphasised by the crisis:
 - Accelerate digitization in all business areas
 - Specifically enhance digital channel service offering
 - Strengthen data analytics/business intelligence capabilities, also to enhance forecasting/early warning capabilities
 - Introduce new/enhanced methodologies and technologies for risk assessment/credit appraisals (e.g. alternative credit scoring)
 - Segment/cluster existing portfolio as well as target customers in a more nuanced manner
 - Diversify by catering to new customer segments
 - Engage customers in a more targeted manner with more personalized messaging

- For your planning, you can use Tool 6. KOGMA (Key Objectives, Goals, Measures, Activities). This will also help in developing a detailed activity plan aligned to new institutional key objectives.



Tools: 6. *KOGMA - Key Objectives, Goals, Measures, Activities*

3.2 Review and adjust your long-term business strategy



- Revisit your existing business strategy and consider whether this is still relevant in the new reality. Long-held assumptions that have underpinned the business model may change (e.g. will the Government and society demand a cashless future?).
- Operational resiliency is also bound to remain critical with mounting risks of pandemics, societal and geopolitical tensions, and climate change. Therefore, carefully draw on the lessons that the current situation offers and use them to inform future strategy (e.g. digital transformation, higher degree of both operational and financial resiliency).
- Conduct a SWOT Analysis to review your internal strengths and opportunities

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Review the organisational strengths especially in light of how you handled the crisis period • List the strengths which will help you to emerge stronger post crisis period. 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • List the areas where you did not perform well during the crisis period. • List the weaknesses that the organisation needs to work on particularly to emerge stronger post crisis.
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • List relevant opportunities that the crisis has opened which you should leverage, e.g.: <ul style="list-style-type: none"> ○ New client segments ○ New business lines ○ Cost cutting ○ Change in customer behaviour ○ Policy initiatives (e.g. cashless society) 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • How may political, economic, social, technological conditions impact you adversely after the crisis? • Which competitors may be better positioned than you? • Are there any regulatory changes which are bad for business?

3.3 Review business model based on new priorities and available resources



- Institutions should review the business model as many of the cost and revenue centres might change post crisis. For example, if the services need to be digitised more post crisis, than the IT infrastructure and associated cost need to be reviewed.
- Post crisis, institutions might face resource crunch (both financial and human), so the institutions might have to reconfigure the business model (may be for a short term or long term)
- Use the opportunity to look at customer usage data, for example at products and channel usage. This will help you to redefine (or confirm) your strategic focus.



Tools: 4. *Channel and Transactions Mapping*, 7. *Customer Research Guide*

OPERATIONS

<p>3.4 Review the operational model and processes</p>	<ul style="list-style-type: none"> Your new business strategy will dictate the processes and procedures for the long-term recalibration of the business. Review and revise all the customer facing and back end processes. The review will involve analysing detailed process maps. Follow an agile approach to redefining operational models.
<p>3.5 Review staff requirements & policy</p> 	<ul style="list-style-type: none"> Review the human resource planning, as the skill sets required might change based on new operational model and strategy, e.g. the job descriptions in light of changes in the operations model Review the strategy/policy for workplace arrangements. Workplace dynamics, already evolving in a digitizing world, may be durably changed after an extended period of remote working. For example, during the crisis, there has been a lot of focus on “work from home”. Maintain smart collaboration tools for the team. In case they already exist, review them to see if they will still be relevant Based on the new strategic changes and changes in operational model, institutions need to review the partnership strategy again which involve identifying areas/functions for partnerships (for example: institution might decide to outsource the customer care/tech)
<p>3.6 Redefine technology and infrastructure needs</p> 	<ul style="list-style-type: none"> Potential new objectives, such as enhancing early warning capabilities and alternative credit appraisal methodologies, may entail significant upgrades to existing systems and technology capabilities. For example, machine learning (ML) /artificial intelligence (AI) models may provide great additional value in the long term. Decide whether to develop systems in-house or outsource. For example, for risk mitigation and (alternative) credit scoring, a range of third-party tools is available, including LenddoEFL, or Worthy Credit. Take a long-term view, i.e. invest in digital infrastructures, which enhance revenue-generating opportunities, reduce costs and strengthen business resilience. Review your plan on physical channel extension (branch and ATMs) The revised strategy and key objectives might require institutions to expand merchants and agent service points. Based on the new operational model and processes new infrastructure needs will emerge (e.g. more customer care, POS machines and related infrastructure to support agency banking).
<p>3.7 Consider new partnerships</p> 	<ul style="list-style-type: none"> Based on the new objectives and strategy, new strategic partnership areas should be defined. NGOs provide an opportunity for partnerships to reach new customer segments, refer to Annex 3. <p> Tool: 5. <i>Partnership Suitability Assessment</i></p>

CUSTOMERS

3.8 Redefine customer needs, segments and clusters



- Review the customer needs post crisis based within the new target segments defined.
- Use the opportunity to analyse existing customer data, for example on products and channel usage. This will help you to redefine (or confirm) your strategic focus.
- Conduct detailed customer research/feasibility assessment to determine what will work best in the new reality.
- The crisis also emphasised the need for nuanced/detailed customer segmentation and clustering. Update segmentation/clustering methodologies, leveraging data, to respond to needs in a more nuanced manner.
- Identify customer segments/clusters which present opportunities for growth in the new reality. This can be based on pre-crisis and during-crisis performance, as well as projected revenue potential in the new reality.
- Restructure the addressable market to grow beyond the core. Growth will be different and may rely more on adjacent markets, ecosystems, or other factors to define the addressable market.



Tool: 7. *Customer Research Guide*

3.9 Review customer outreach strategy



- Based on the assessment of customer needs and potential new opportunities, update your outreach strategy. Behavioural changes may have been accelerated through the crisis, e.g. the shift to digital channels and product propositions.
- Conduct a detailed analysis of how different distribution channels have performed - both before and during the crisis. This, combined with data on individual customer types, can inform your channel strategy going forward.
- Consider engaging customers in a more targeted manner, use data to fine-tune customer, product and pricing strategy.



Tools: 4. *Channel and Transactions Mapping*, 7. *Customer Research Guide*

3.10 Scale digital channels and customer engagement



Already before the crisis there were strong arguments in Mozambique for increasing usage of digital/alternative delivery channels, such as for example high average cost of operating current accounts. The crisis has confirmed and indeed heightened this need.

- Determine which channels and digital offerings to scale/allocate most investment to (e.g. internet banking, mobile wallet, agents, cards, a combination of all). Recent figures on uptake should be consulted.
- Select geographies where you can gain most market share with digital channels/offerings.
- Identify customer segments which present opportunities for digital offerings.
- Take a long-term view, i.e. invest in digital channels and infrastructure which may take time to generate profits.

3.11 Introduce new products and services

- Following your new strategic objectives and customer analysis, introduce new products and services.
- Design and offer digital credit product offerings for different segments including small businesses. Banks can identify a few key businesses/sectors (likely to bounce back after the crisis) eligible to receive such loans.
- Offer new savings products.

FINANCIALS

Depending on the duration of restrictions, loan portfolio quality might look extremely weak and because few to no loans were disbursed during crisis, revenue and profit situation are affected.

3.12 Recover from the crisis



- Balance your efforts on loan recovery and doing new business (rescheduling loans can ease the immediate pressure, but these loans must be recovered if possible).
- Consider investing in capabilities which will help you accessing new revenue streams (e.g. enhanced analytics/credit scoring capacities may allow you to lend to new customer segments; enhanced alternative channels such as agents may help you to access more deposits).

3.13 Update financial planning for new reality



- Following your business strategy, create detailed financial projections for the new reality.
- These will reflect updated assumptions based on how your business environment has changed.

3.14 Secure financing to fund business expansion if necessary



- Demonstrate to potential investors that you are ready to grow in the new reality, e.g. by illustrating your performance before/during the crisis, mentioning measures you have taken and outlining target segments and growth pockets.
- Reach out to any potential new investor early, including specific funding initiatives in the context of Covid-19/reconstruction.
- Consider a potential takeover of a suitable competitor.
- Reach out to the development finance institutions (including the IFC, The World Bank, KfW, AFD) as they may offer attractive credit lines to the financial institutions to support recovery and expansion.

ANNEX 1: KEY POLICY RESPONSES

The Government of Mozambique has implemented a number of policy responses relevant to the financial sector. On 29th April 2020, The President of the Republic summarised these as follows:

- I. Reduzimos a percentagem dos depósitos que os Bancos Comerciais são obrigados a manter no Banco de Moçambique de 13% para 11,5%, para os depósitos em moeda nacional, e de 36% para 34,5%, para os depósitos em moeda estrangeira;
- II. Reduzimos a taxa de juro de referência da política monetária de 12,75% para 11,25%;
- III. Permitimos, temporariamente, que os bancos comerciais renegociassem os termos de empréstimos dos clientes afectados pela pandemia da COVID-19, sem custos para os bancos porque não serão obrigados a constituir provisões adicionais;
- IV. Introduzimos uma linha de financiamento em moeda estrangeira aos bancos comerciais, no montante global de 500 milhões de Dólares norte americanos, por um período de nove meses, para apoiarem os seus clientes no processo de importação de bens e de matéria prima;
- V. Suspendemos, temporariamente, o pagamento de comissões nas transacções usando meios digitais, nos bancos, para valores até 5 mil Meticais e nas instituições de moeda electrónica, para valores até mil Meticais, por dia;
- VI. Reduzimos para metade as comissões e encargos que os clientes singulares incorriam nas transferências das suas contas bancárias para as suas contas nas instituições de moeda electrónica (MPesa, mKesh e mMola);
- VII. No âmbito das boas relações com os nossos parceiros multilaterais de desenvolvimento, o Fundo Monetário Internacional (FMI) decidiu, conceder alívio da dívida a Moçambique para todas as prestações que estavam previstas para o período de 14 de Abril a 13 de Outubro de 2020, o que equivale a um montante de cerca de 15 milhões de Dólares; e
- VIII. Adicionalmente, está previsto para o período de 14 de Outubro de 2020 a 13 de Outubro de 2022, cerca de 54 milhões de Dólares, perfazendo um total de 69 milhões de dólares;
- IX. Com estes alívios, o país terá espaço fiscal adicional para financiar algumas acções de mitigação dos efeitos da pandemia da COVID-19.

Source: PRESIDÊNCIA DA REPÚBLICA, *Comunicação à Nação de Sua Excelência Filipe Jacinto Nyusi, Presidente da República de Moçambique, sobre a situação da Pandemia do Corona Vírus – COVID-19* [p.10-11].

As of 29th April 2020, further measures include:

MONETARY AND MACRO-FINANCIAL

The central bank provided monetary policy support and acted to safeguard financial stability. The central bank has started to provide liquidity to the private sector, planning up to MGA620 billion (about 1.2 percent of GDP) to allow banks to defer delayed payments on existing loans and increase lending to businesses.

EXCHANGE RATE AND BALANCE OF PAYMENTS

The authorities are maintaining the flexible exchange rate regime. Based on the latest available data, the central bank made some limited interventions, and the exchange rate depreciated by about 3.8 percent vis-à-vis US\$ since the beginning of the year.

SUPPORT FROM DEVELOPMENT PARTNERS

On April 3, 2020, International Monetary Fund (IMF) approved a disbursement under the Rapid Credit Facility (RCF) equivalent to US\$165.9 million to meet the large external financing gaps arising from Covid-19. On 24th April 2020, the Executive Board of the IMF approved a disbursement under the Rapid Credit Facility (RCF) of SDR 227.2 million (about US\$ 309 million at the exchange rate of the date of approval) to help Mozambique meet urgent balance of payment and fiscal needs stemming from the COVID-19 pandemic.

On March 12, 2020, the World Bank provided a grant of \$3.7 million to strengthen prevention against the Covid-19 pandemic, purchase materials and equipment, and train health workers. On April 2, 2020, the World Bank approved \$100 million Development Policy Operation (DPO) for budget support to improve the human capital. The government is working on a revised budget law that will consider additional fiscal and support measures to be presented to parliament.

The European Union is expected to provide €110 million in support to Mozambique in its fight against Covid-19, in the form of grants for 2020 and 2021. It is still under discussion how this support is to be allocated.

Sources: International Monetary Fund (IMF), [Policy responses to Covid-19 tracker](#), reviewed on 2nd May 2020; IMF, Blog, [IMF Executive Board Approves US\\$309 Million in Emergency Assistance to Mozambique to Address the COVID-19 Pandemic](#), reviewed on 5th May 2020; Club of Mozambique, online article, Mozambique: [EU to provide €110M for Covid-19 fight](#), reviewed on 5th May 2020.

ANNEX 2: MANAGING STAFF PERFORMANCE

Safety	<ul style="list-style-type: none">• Making arrangements to ensure safety of employees in the office/branch premises• Understanding the employee concerns and what are they worried about• Ask and allow employees to leave work if they develop any symptoms while at the workplace• Ask employees to wash hands often with soap and water or use an alcohol-based hand sanitizer• Do not allow handshakes, encourage using other forms of greetings• All frequently touched surfaces such as workstations, countertops and doorknobs should be routinely sanitised• Enforce social distancing norms for customers coming in your branches• Never let overcrowding in the branches/offices. Set maximum number of people allowed inside a branch at any time• Minimise the usage of documents exchanging hands. Try and shift more transactions on Digital platform
Assurance	<ul style="list-style-type: none">• Show that you are willing to listen and take action based on employee feedback• Keep checking the trust levels within the employees through staff surveys• Show empathy and provide support to staff facing any issues/problems on professional/personal front• Implement policies that give employees confidence that they will not be penalized and can take sick leave
Communication	<ul style="list-style-type: none">• Don't assume you know what employees need or what they are dealing with. Conduct a pulse survey!• Develop key objectives or short-term goals for your business and share them with your employees• Promptly provide any information or resources employees have requested• Address the questions about future plans for employees and the impact on their jobs• Clearly and timely communicate if the FSP needs to lay off some staff or change the roles of certain staff members because of the crisis. Provide detailed justification with any such communication.• Ask for feedback on what policies and actions are working and what is not working• Encourage managers to maintain regular one on one meetings to check in with employees on a regular basis• Ensure prompt communication on any employee questions and set a turnaround time for each query• Communicate a consistent message across every level of your organisation• Find ways to reinforce your mission, vision, and values in all the company-wide communications• Carefully coordinate to avoid inconsistent policies being communicated by different managers or teams
Usage of Remote Channels	<ul style="list-style-type: none">• Make sure employees are well equipped with the fundamentals to work efficiently while remote• Clearly communicate approved official remote channels and guidelines for remote work• Identify challenges in employee remote work environments and fix them

Clarity of Roles and Responsibilities	<ul style="list-style-type: none"> • Don't leave employees guessing about what they should or should not be doing • Clarify new performance expectations during the crisis time • Help the employees prioritize what's important and what is not • Set new goals to help employees align with their personal, professional and organizational priorities • Support with implementation as just making plans will not help • Don't set unrealistic expectations from your employees given the difficult situation
Tracking Health	<ul style="list-style-type: none"> • Collect daily updates from employees about their health • Check all the employees for symptoms (coughing, sneezing, shortness of breath) and/or temperature • Ask employees to self-report any change in their health or of their family and neighbours • Physical isolation may lead to emotional isolation and increased mental health issues. Train HR to track such issues • Set the tone clearly: Health is more important than productivity during crisis
Boosting Morale	<ul style="list-style-type: none"> • Clarify any fears about potential job loss or pay cuts • Help employees accept new reality and adapt • Continue sharing success stories and recognize employees for important contributions • Find ways for your team to celebrate small wins. Boosting confidence and positivity can improve morale
Capacity Building	<ul style="list-style-type: none"> • Identify what new skills are required for employees in the changed scenario • Design trainings that need to be provided • Offer communication training to your managers to help them support employee emotions • Coach your employees and managers to help your business regain its momentum • Plan for your employees to acquire new skills for changing roles and recovering lost business

ANNEX 3: PARTNERSHIPS WITH NGOS

Nongovernmental organisations (NGOs) and other semi-formal community organizations can be highly effective and efficient outreach partners for the commercial banks to manage growth after the crisis.

Partnership with NGOs can be instrumental in providing the last-mile connectivity for banks. Banks can tap into NGO's existing network in far flung places for acquiring new customers accounts, activating new agents and for establishing and servicing innovative distribution channels.

Given their deep understanding of local communities, NGOs can also become knowledge partners who can help banks design appropriate products and reduce the associated risks. NGOs can act as intermediaries and bridge the gap between demand and supply side, as has been very successfully demonstrated by many international as well as national examples.

Hence, the banks shall not try to reinvent the wheel when they are looking to expand their footprint in areas where they have limited presence or where their teams need support in effectively reaching out to their existing customers.

Bank's partnerships with NGOs may be conceptualized as a "fee for service" agreement. Such transactional partnerships require that banks pay for the provision of an NGO's service. NGOs can provide the following services to the banks:

- Customer Identification: NGOs can be sources of information about target customers. As NGOs have very good ties with the communities, they can refer to the bank's products to the potential customers and introduce the bank staff to the target customers, e.g. as part of financial literacy training where bank staff explains about their saving and loan products.
- Support expansion in new areas: NGOs may serve as an excellent resource especially when the bank is trying to expand operations in new geographies. NGOs can help the bank find relevant information about the markets where the bank is interested to operate.
- Recruiting new agents: NGOs have a very good understanding of the local businesses and can help the bank identify new businesses matching the bank's selection criteria who can become agents for the bank. Traders of agricultural commodities or inputs could be a good start.
- Linkages with Informal Savings Groups: NGOs provide regular handholding support to informal savings groups and can help the bank to establish linkages with such groups.
- Monitoring and Evaluation. NGOs may also assist the bank in monitoring project progress or evaluating results.
- Spreading Financial Awareness: NGOs can be very helpful in enhancing financial awareness levels of the target communities as they already have a strong understanding of these communities and are considered trustworthy by local people.

ANNEX 4: CUSTOMER SEGMENTATION CASE STUDY

One of the banks in Italy: Segmenting the client base can maximize the effectiveness of bank support

In addition to the government-mandated payment holiday on mortgages, some Italian banks are developing frameworks to assess which proactive actions may have the more effective outcome on clients, including considerations such as the following:

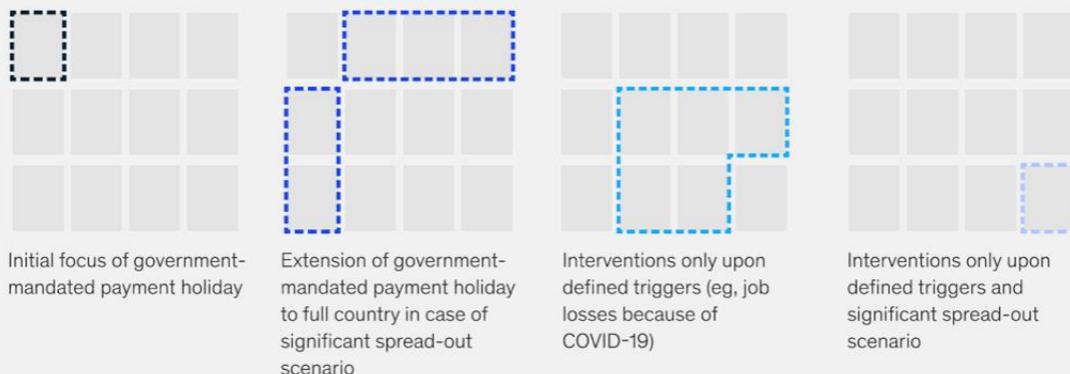
- *level of COVID-19 impact*, for example, geographical areas most affected by the virus
- *type of loan*, for example, primary-home mortgages, secondary-home mortgages, unsecured personal loan
- *client delinquency stage*

This segmentation allows the effective prioritization of cases based on their criticality. For example, clients that are most affected by COVID-19 and have a primary-house mortgage will be supported with the highest priority in case of need.

Effectiveness of loan-relief measures, including impact on P&L and capital



4 groups of loan-relief measures



Source: McKisney & Company, [Leadership in the time of coronavirus: COVID-19 response and implications for banks](#). March 2020.

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