QUICK AND PRACTICAL RESPONSES TO THE COVID-19 CRISIS.
PREPARING STRESS-TESTING AND SCENARIOS
WITH MICROVISION

The COVID-19 pandemic has various negative implications for an MFI’s operations. Clients that cannot repay their loans on time and moreover withdraw their deposits, could lead to major liquidity problems for an MFI. In addition, loan losses will reduce equity and may result in the institution’s bankruptcy.

Having a business continuity plan (BCP) in place that takes into account different scenarios and stress-testing would be a practical way to help management tackle the crisis and build institutional immunity but would also help investors, who need to receive confirmation of an institution’s preparedness and response to this crisis. A business continuity plan that can be drawn up using quickly prepared scenarios, including those that could arise in a crisis, could allow management to better understand the impact of the crisis on the institution. Such a plan would allow management to anticipate issues, so that measures could be put in place and appropriate risk-mitigation decisions taken (e.g. acceptable leverage could be determined, crucial human resources identified and safeguarded, liquidity managed).

This document explains how the Microvision tool can be used by MFIs to develop different scenarios and stress-testing, which are important elements of any business continuity plan.

This document is divided into 4 parts:

A. Introduction to Microvision
B. Adjusting business plan projections
C. Preparing a business continuity plan with scenarios and stress-testing
D. Building scenarios in Microvision

A. INTRODUCTION TO MICROVISION

Less than one year ago Microfact – an initiative of ADA (Luxembourg) and BRS (Belgium) launched Microvision, a new tool for making financial and social projections. Within a short period of time, Microvision has proven to be a great tool that has allowed hundreds of MFIs to make simplified but valuable projections over a 5-year period for their business plans. Moreover, Microvision has made it possible to simulate the impact of multiple variables on the overall activity of the MFI and create 3 different scenarios.

Other characteristics of Microvision are:

- Simple, user-friendly and fast
- Free to use with online support
- Automatic upload of historical data from the MFI Factsheet
- Provides simplified projections and allows scenarios to be made rapidly
- Multi-language function (English, French and Spanish)
- A built-in manual
- It caters to the expectations of the microfinance industry for a simplified projection tool
For more info and a free download of Microvision_v16.1: 
http://www.microfact.org/microfinance-tools/

Users are also encouraged to download and read the free Microvision manual, as it provides comprehensive explanations about the tool and teaches users the following six steps when drawing up projections:

! Caution! If you are using Microvision for the first time, please check our tips first on page 19 of this document. Microvision generates annual projections for 5 years or less. Quarterly or monthly projections are not possible. Other tools are available for MFIs with these needs.

B. Adjusting business plan projections

In this section some practical examples are given of how to address the most common operational challenges MFIs are confronted with, due to the Covid-19 pandemic. Please bear in mind that this is not an exhaustive list of all possible variables. Examples given are illustrated by means of:

- a screenshot, so that you can easily adapt your own Microvision projections
- typical risk-mitigation decisions and measures that could be taken: these are intended as a guidance for your own decisions.
1. Shrinking loan portfolio

Screenshot: Go to the Loan Portfolio sheet to reduce the loan size, adapt the number of borrowers and borrowers’ retention rate. The first screenshot shows the original projections:

<table>
<thead>
<tr>
<th>Loan Product Number 1: Micro Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
</tr>
<tr>
<td>Average loan size for:</td>
</tr>
<tr>
<td>First cycle</td>
</tr>
<tr>
<td>Second cycle</td>
</tr>
<tr>
<td>Third cycle</td>
</tr>
<tr>
<td>Fourth cycle</td>
</tr>
<tr>
<td>Fifth cycle</td>
</tr>
<tr>
<td>Sixth and future cycles</td>
</tr>
<tr>
<td>Loan repayment</td>
</tr>
<tr>
<td>Loan term (months)</td>
</tr>
<tr>
<td>Borrowers activity</td>
</tr>
<tr>
<td>Borrowers annualized retention rate</td>
</tr>
<tr>
<td>Nr of loans disbursed</td>
</tr>
<tr>
<td>Nr of loans maturing</td>
</tr>
<tr>
<td>Nr of borrowers (target)</td>
</tr>
<tr>
<td>Nr of borrowers (calculated)</td>
</tr>
<tr>
<td>Portfolio activity</td>
</tr>
<tr>
<td>Total loan disbursements</td>
</tr>
<tr>
<td>Total loan repayments</td>
</tr>
<tr>
<td>Less write-off</td>
</tr>
<tr>
<td>Gross Outstanding Portfolio</td>
</tr>
</tbody>
</table>

In this case, 2020 is the second year of the projections and the impact of the crisis begins early in that year. Therefore, you can enter figures that anticipate the reduced supply of credit that you will provide. Loan sizes may be capped for a year and then begin to gradually rise again. Client retention likely will not improve as much as originally planned. The increase in number of active borrowers will slow down in 2020 and 2021 but will still reach the same target in 2023.

After entering your new figures, look at the output sheets to see the consequences of the changes on your financial statements and KPIs: Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.
**Caution!** Microvision projects on an annual basis, meaning that the change between the beginning and end-of-year figures is projected linearly. You should be aware of the impact of this on figures you enter:

- If a crisis starts to impact your institution near the **beginning** of the year, then you would change the end-of-year target figures and the linear projections will be reasonably close to the actual situation. Growth in the early months would be slightly higher in reality than in what Microvision projects, but Microvision will only slightly understate the actual figures.

- If the crisis starts in the **middle** of the year, you will have more months where projections understate what really occurred, and Microvision will understate actual figures by a bit more.

- If the crisis starts toward the **end** of the year you would adjust your end-of-year figures lower by a certain amount, but generally a modest amount since the impact is only on a few months of the year. This would be projected linearly over the entire year, meaning that Microvision projections would be slightly lower than what actually happened in the earlier months of the year. The understatement could potentially be significant, but if you are projecting only modest downturns in the figures because the crisis only has a few months to impact the institution, then the understatement will only be moderate.

- In the following year, if you expect the crisis to be prolonged, the projection figures in that year will be more accurate. If you do anticipate something like 6 months of depressed activity and then 6 months of significantly accelerated activity, then Microvision will slightly overestimate projections in the inverse of the ways just described.

- Be aware that if you use the **Seasonality** sheet to try to influence the monthly patterns for lending and savings activity in the year the crisis begins, that seasonality will apply to all five years of activity, which is almost certainly not what will happen in reality.

### Risk-mitigation decisions and measures to implement:

- Reassure your clients and communicate clearly to avoid losing them (via text messaging or mass-media communication, via the launch of a new product (bridging loan...))

- Check if your clients have any urgent financial needs that the MFI could address (loan rescheduling, revolving fund, bridge loan...)

- Take measures to manage crucial human resources, including loan officers (e.g. take measures to prevent the transmission of the disease, grant administrative leave, adapt the portfolio per loan officer, provide extra pay)

- Check the consequences on your institution’s liquidity: less inflow and/or more outflow,

- Start communication and negotiations with the financial partners

- Communicate with other stakeholders: supervisors, auditors...
- Adapt your strategy to safeguard business continuity (focus on less risky activities, decrease the number of credits, work on digital solutions...)

2. **Deteriorating loan portfolio quality**

Screenshot: Go to the bottom section of the Loan Portfolio sheet to adapt the variables corresponding to portfolio quality: PAR1, PAR30, write-off and Loan Loss Reserve ratio. Further below, Microvision will calculate automatically your new loan loss provisions, the total write-off’s and loan loss reserves:

<table>
<thead>
<tr>
<th>PORTFOLIO QUALITY</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>5 Yr Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAR &gt; 30 days</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan product number 1: Micro business</td>
<td>9.2%</td>
<td>9.8%</td>
<td>9.5%</td>
<td>9.4%</td>
<td>8.5%</td>
<td>8.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Loan product number 2: Home impr</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>PAR &gt; 1 day</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan product number 1: Micro business</td>
<td>8.5%</td>
<td>7.8%</td>
<td>7.4%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Loan product number 2: Home impr</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Loan write-off ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan product number 1: Micro business</td>
<td>3.1%</td>
<td>3.0%</td>
<td>2.9%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Loan product number 2: Home impr</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Cross-check from MFI Factsheet</td>
<td>3.1% OK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan loss reserve ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan product number 1: Micro business</td>
<td>4.6%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.2%</td>
<td>4.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loan product number 2: Home impr</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Cross-check from MFI Factsheet</td>
<td>4.6% OK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision, Write-off, and Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision, Write-off loans</td>
<td>226,177</td>
<td>442,393</td>
<td>669,499</td>
<td>809,101</td>
<td>892,386</td>
<td>869,627</td>
<td>3,683,258</td>
</tr>
<tr>
<td>Written-off loans</td>
<td>158,339</td>
<td>277,547</td>
<td>434,630</td>
<td>584,724</td>
<td>708,246</td>
<td>772,958</td>
<td>2,778,167</td>
</tr>
<tr>
<td>Loan loss reserves for this loan product (on balance sheet)</td>
<td>250,000</td>
<td>414,645</td>
<td>649,315</td>
<td>873,892</td>
<td>958,482</td>
<td>1,155,152</td>
<td>5,447,080</td>
</tr>
<tr>
<td>Cross-check from MFI Factsheet</td>
<td>250,000 OK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Look at the output sheets to see the consequences of the changes on your financial statements and KPIs: **Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.**

**Risk-mitigation decisions and measures to implement:**

- Analyze the origin of the deteriorating portfolio quality (specific sectors/sub-sectors impacted by the crisis, lack of follow-up and contact with the clients, bankruptcy of the clients)

- Check if temporary liquidity problems of the clients can be solved or mitigated by loan rescheduling or other forms of financial support (bridge loans, temporary overdrafts ...). By doing so viable businesses will be safeguarded

- Find digital solutions to facilitate repayment given the social distancing requirements, and stay in touch with clients (SMS-banking, opening e-wallets)

- Motivate your loan officers so that they concentrate on portfolio quality for the clients which continue to operate (food stores, pharmacies, etc.) and keep contact with the clients impacted by the crises to propose them some concrete solutions that will support them
- Take measures to manage crucial human resources, including loan officers (e.g. take measures to prevent the transmission of the disease, grant administrative leave, adapt the portfolio per loan officer, provide extra pay)

- Check the consequences on your institution’s liquidity

- Check if loan portfolio deterioration does not breach investment covenants. If so, communicate this to your financial partners

- Adapt your strategy to safeguard business continuity (focus on less risky activities, decrease the number of credits and/or the average loan size, work on digital solutions...).

3. Lower interest income

Screenshot: Go to the top section of the Income sheet to adapt the recovery rate of your loan products. For the moment a default formula in this cell calculates it as (1 minus the write-off ratio).

Look at the output sheets to see the consequences of the changes on your financial statements and KPIs: Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.

Risk-mitigation decisions and measures to implement:

- Analyze the origin of the problems encountered in collecting interest (lack of contact with the clients, no repayment solution due to the social distancing requirement, clients’ business impacted by the crisis, prior defaulting clients)

- Check if your clients are open to a loan restructuring/rescheduling proposal or other form of financial support that would safeguard their business (e.g. (i) Grace period for principal, interest being charged and paid, (ii) Grace period for principal, interest being charged but not...
paid (capitalization, deferral of payment), (iii) Grace period for principal, no interest being charged and thus not paid. Each of these proposals can be implemented with or without changes to the final maturity of the loan)

- Analyze the impact of putting a penalty interest on hold (it could be perceived as ‘not done’ under these circumstances and / or clients are not able to pay anyway)

- Find digital solutions to facilitate repayment given the social distancing requirements and stay in touch with clients (SMS-banking, opening e-wallets)

- Motivate your loan officers so that they concentrate on collecting interest payments from the clients which continue to operate (food stores, pharmacies, etc.) and keep contact with the clients impacted by the crises to propose them some concrete solutions that will support them

- Check the consequences on your institution’s liquidity.

4. Withdrawal of savings

Screenshot: Go to the Savings sheet and adapt the depositor growth rate and average balance per depositor. You can also decrease your financial obligations by paying a lower interest rate per deposit product that you offer.

Look at the output sheets to see the consequences of the changes on your financial statements and KPIs: Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.
Risk-mitigation decisions and measures to implement:

- Reassure and communicate clearly with your clients about the availability of their savings to avoid a run on the MFI
- Check if the withdrawal of savings is related to any urgent financial needs that the MFI could address (loan rescheduling, revolving fund, bridge loan...)
- Check the consequences on your institution’s liquidity of less inflow, more outflow due to:
  - Increased need for liquidity for (urgent) expenses
  - Less confidence in the MFI
  - Changes in the term structure of funding: current account, savings account, term deposits
  - Decreasing the interest rate may not be possible in order to avoid a loss of confidence by the clients. On the contrary, an increase in interest rates may be required to stabilize funding
- Start communication and negotiations with the financial partners.

5. Reevaluate operational costs

Screenshot: To revise all your operational costs, check all the positions on the Staff and Other Costs sheets. Don’t be too ‘optimistic’ in revising operational costs. Sufficient resources will be required to cope with the crisis: follow-up of the external environment, evaluating the impact on the MFI, designing and implementing mitigating actions, administrative burden of rescheduling loans, communication with clients and staff...
Look at the output sheets to see the consequences of the changes on your financial statements and KPIs:
Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.

Risk-mitigation decisions and measures to implement:

- Rigorous cost-control: all expenses should be scrutinized

- Check how to manage your human resources more effectively (granting administrative leave, adjusting the portfolio per loan officer, reducing pay...)

- Consider delaying or scrapping projects and/or investments. Concentrate on your core business

- Analyze whether working on digital solutions would allow you to save money. You need to find a balance between a possibility of generating revenue and the investment to be made as well as the level of digital security which needs to be ensured.

6. Reevaluate existing debt funding sources

Screenshot: Go to the Funding sheet and revise all your current funding sources and their costs. If you manage to attract new sources, add them on this sheet.
Look at the output sheets to see the consequences of the changes on your financial statements and KPIs: *Projected MFI Factsheet, Performance Indicators, Projected Cash Flow and Graphs.*

### Risk-mitigation decisions and measures to implement:

- Start communication and negotiations with the financial partners (about debt restructuring, negotiating covenants, other key messages). Show them a clear action plan and the results of your stress testing process.

- Negotiate possible technical assistance (TA) with your financial partners to help you adapt to the stressed environment: optimize asset-and-liability management, including restructuring the loan portfolio, adapting procedures and products, including the creation of new digital solutions.

- Look for new funding opportunities (special government funds, international social investors, possible donations...)

- Communicate with your shareholders about whether a capital increase is possible. This would reassure partners and clients (applies specially for cooperative banks, or deposit-taking institutions).

### 7. Address deteriorating liquidity and capital adequacy

Screenshot: Go to the top section of the **Funding** sheet to **check the current closing balance of your liquidity**. The details of the current closing balance are available in the **Proj Cash flow** sheet. If you have a negative balance, you'll need to:

- reduce expenses, and/or
- postpone your investments
- raise more income from your loan products, and/or
- access more financing, either in equity investments or debt financing.

By enabling the checkbox on Line U01, Microvision will propose you an automatic credit line which will allow you to maintain a sufficient amount of cash at the end of the fiscal year.
Look at the output Performance Indicators sheet to see the impact of the changes on the variables you have adapted.

**Risk-mitigation decisions and measures to implement:**

- Analyze the origin of the deterioration in liquidity (excessively high operational costs, shrinking portfolio, withdrawal of savings, portfolio quality).

- Set up a separate department for distressed loans (follow-up, recovery...) so that the other people in the organisation can concentrate on the portfolio which is still performing.

- Start communication with the regulator and your financial partners, inform them about your situation and ask for assistance.

- Adapt your strategy to safeguard business continuity (focus on less risky activities, decrease the number of credits, work on digital solutions...).
C. Preparing a business continuity plan with scenarios and stress-testing

Stress testing makes it possible to examine how potential shocks from adverse market conditions could undermine an institution’s P&L, liquidity and – most importantly – capital position. In other words, a stress test is used to analyze the resilience of an institution in the event of a crisis. Essentially, it provides a quick answer to the question: do we have the right term structures of assets and liabilities and enough capital to overcome a crisis without breaching regulatory requirements with regards to liquidity and capital?

By using Microvision for your stress testing process, you can demonstrate how the capital position will change over time, given various adverse changes and establish a capital position that meets minimum regulatory thresholds.

The stress testing is done by creating “what if…” scenarios, where the main risks you may be confronted with are identified. This procedure will allow you to quantify the potential impact of a business-disrupting crisis.

Scenarios that are part of your stress-testing process should reflect a variety of potential effects, at the micro- and macroeconomic levels.

For example, you can simulate what would happen if your institution faces:
- A deterioration in revenues (by losing clients, clients not renewing loans, credit activities ceasing)
- A deterioration of PAR, leading to an increase in loan impairment reserves
- A massive withdrawal of savings.

For the sake of simplicity, you can reuse Microvision’s User Sheet to register all your stress-testing results of the multiple variables. On top of any current projection you have from before the crisis, you can build 3 scenarios. You can do this by taking into account the above-mentioned assumptions and see what impact they will have on the financial statements and KPIs of your institution.

Besides enabling you to simulate any adverse operational consequences of the crisis, Microvision also enables you to simulate the impact in the changes of the monetary variables:

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1 More information about scenario analysis can be found in the Guidance note: Business continuity, prepared by ADA and freely downloadable from the ADA website.
D. Building scenarios in Microvision

By making various stress tests for your institution, you will understand which variables impact your projections most severely. You will probably also notice that some variables do not play any role. As your tests progress, you will focus on particular assumptions and adapt the sensitivity of your hypotheses. You need to obtain scenarios with different degrees of severity, which will help you to anticipate the effects of the crisis in the most relevant way.

Importantly, Microvision enables you to develop up to 3 different scenarios, all in a single Excel file. These scenarios will be stored in the tool and you will be able to recall each of them at any time, in order to make the required changes.

On the Graphs sheet you will be able to compare different KPIs of your scenarios, so that you can subsequently communicate these results and strategies to your shareholders, board members, regulators and other stakeholders.

The following section will guide you step by step through the process of developing your scenarios.
1. Store your scenario

Once you have entered all of your assumptions and are satisfied with the resulting projections, you can save your first scenario.

Screenshot: On the Strategy sheet, click on “Store the current data as scenario”:

A pop-up window will appear asking you under which name you want to save your scenario. It is up to you to select the name of your first scenario (minimum, base or maximum scenario). Just press the button of your choice.

Screenshot: Storing a scenario takes only a few seconds and is concluded with the following pop-up window:
Once a scenario has been stored, you will see the date and time this was done. A tick next to it will indicate which scenario is currently displayed in the tool.

**Caution!** Be careful when saving your scenarios and choose a correct name to avoid any overwrite.

**Tip:** Rename your scenario to remember its main characteristics (for example, S1, S2, test). Remember that this name can only be 4 characters long.

After this, you can develop a second scenario, based on the assumptions of another stress test. Adapt your current data and once you are satisfied with the projections, store your new scenario in exactly the same way as described above. The table with a list of the scenarios will show you now that two scenarios have been stored and a small tick will indicate which scenario is currently displayed in the tool.
Repeat the operation if you want to end up with three scenarios.

**Tip:** A set of useful key variables at the bottom of the Strategy sheet is available. By changing one or more of them, you can quickly adapt your projections/scenario over 5 years. Changing one of those variables on the Strategy sheet has the same effect as changing that variable on one of the input sheets. They are interconnected so that any changes made on one sheet, will automatically update the other.

Additionally, some key performance indicators appear at the end of the Strategy sheet to allow comparison and quick verification. This allows you to refine your projections either by working on the Strategy sheet (with the limited variables) or by moving around to the other input sheets and adapting the variables.
2. Reload your scenarios

If you wish to display data of a previously created scenario (for example, to adapt the assumptions, analyze once again the results or simply print some results), click on “Reload a scenario, replacing current data”, at the top of the Strategy sheet.

A pop-up window will appear asking you which scenario to reload. Make your choice by clicking on the corresponding button:

The process will take a few seconds. You will see that in the scenario table the sign will appear next to the scenario you decided to reload. Rework your data and save this scenario again.

3. Compare your scenarios
On the **Graphs** sheet, you can easily compare your different scenarios. Just choose the desired option from the drop-down list: “Scenario to Graph”. You can display up to three scenarios on every graph. You will also see the numbers of the current scenario, which correspond to the data which is currently displayed. The current scenario can correspond to one of your stored scenarios (that you have recently reloaded) or to a scenario that you have modified and that you have not stored yet.

**Screenshot:** On the graph below you can see a comparison between two scenarios: the base and the current one. The black line indicates the evolution of the number of borrowers in the current scenario, whereas the blue line shows the evolution of the number of borrowers in the base scenario. You can also see a difference in the loan portfolio size.

At the top of the **Graphs** sheet, you will also find some other useful buttons:
You can adapt the graphs by:
- displaying only the last historical year and all projected years (this will increase the readability of the graphs)
- displaying values updated for inflation.

Tip: You can easily print all your graphs and other output sheets (also to a PDF file), so you can communicate your strategies and scenarios to the stakeholders you want. Click on the “Print” button on the right side of every Microvision sheet. A PDF document will automatically be generated, so you can save it or print it.

⚠️ TIPS:

If you have created your projections and scenarios before the crisis (included in your business plan):
1. Make a copy of the Microvision file containing your projections / scenarios
2. Take this copy and rename it (for instance: Microvision_BCP)
3. Recall the scenario you would like to adapt, so that it becomes your current scenario
4. Work on your new projections, according to the assumptions that will allow you to address the challenges caused by the Covid-19 crisis
5. When you are satisfied with your new projections, save the scenario as your minimum, base or maximum scenario
6. Develop a second scenario with other assumptions and save it
7. Customize your scenarios by renaming them
8. Look at the Graphs sheet to compare different scenarios and check your KPIs.

If you are using Microvision for the first time:
1. Import the MFI Factsheet or fill in your historical data manually in the sheet labelled “MFI Factsheet”
2. Set up your loan products on the Loan Products sheet. You can decide to change the “as is characteristics” of the products to correspond to new ones, developed to address the crisis, e.g. introduce a grace period, launch new product, etc.
3. Start working on your projections according to your assumptions
4. Save your scenario as your minimum, base or maximum scenario
5. Develop a second scenario with other assumptions (e.g. even more negative ones) and save it
6. Develop a third critical scenario and save it
7. Customize your scenarios by renaming them. Look at the Graphs sheet to compare your different scenarios and check KPIs.

Conclusions

Institutions best placed to deal with the Covid-19 crisis are those that have a sound understanding of the risks existing in the current environment and that are able to manage them appropriately, while maintaining the confidence of investors and other stakeholders. The projections and scenarios created using Microvision can thus make an essential and valuable contribution to an MFI’s Business Continuity Plan for tackling the current crisis.

Optimists among us believe that the pandemic will be over in the near future. Others think it will take more time to recover from this crisis. But all of us are convinced that sooner or later better days will return – for the microfinance sector as well. Even in better times, do not forget that Microvision can also be used to create positive or “best case” scenarios, with an optimistic set of assumptions.

Other useful resources:
- ADA guidelines of good practices for the continuity of microfinance institutions
- Focus note of CGAP: “Asset and Liability Management for Deposit-Taking Microfinance Institutions”
- Adjusting Microfin for the Cashflow Impact of COVID-19
- How to Build a Corporate Immune System in Response to COVID-19 - EaSI Technical Assistance Webinar

Useful platforms
- Covid-19 Resource Hub of FinDev Gateway
- ADA’s website, a space exclusively dedicated to the management of the Covid-19 crisis
- faivLive Webinar on Covid and Microfinance
- Forum for the financial inclusion sector to discuss responses to COVID-19

Acknowledgements

The authors would particularly like to acknowledge the following people for their valuable contributions to this article:
- Chuck Waterfield
- Matthieu Vanhove
- Howard Brady
- Patricia Hollinger
- Colleagues from ADA, BRS, Belgian Cooperative Cera and KBC Bank

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