



GUIDE TO CREDIT UNIONS
Impacts and Responses
to COVID - 19

Credit Union Business Solution No. 27

FIRST DRAFT - May 14, 2020



ASSOCIATION OF ASIAN CONFEDERATION OF CREDIT UNIONS



Introduction:

Financial cooperatives need to act promptly. This guidance is meant to share the impact of COVID-19 and to provide recommendations to credit unions to protect their members, employees and institutions. The impacts are based on the experiences shared by credit unions across Asia.

To heed the advice of the World Health Organization, governments took swift actions to contain the spread of the virus by taking extraordinary measures:

- Lockdown or Enhanced community quarantine restricts the movement of the population. To avoid movements companies, except for essential services work remotely, schools have canceled classes for weeks to months; and restaurants, retail stores, bars, gyms, and other gathering places in dozens of states have shuttered. Large public gatherings are also not allowed.
- Travel bans - Many countries and regions have imposed quarantines, entry bans, or other restrictions for citizens of or recent travelers to the most affected areas. Other countries and regions have imposed global restrictions that apply to all foreign countries and territories or prevent their own citizens from travelling overseas.
- *Social distancing* means maintaining a 2-meter distance between yourself and others as far as possible.
- Epidemiological surveillance is the foundation for immediate and long-term strategies for combating infectious diseases. Such monitoring is usually the responsibility of national authorities and includes assessing individual cases, identifying the causative organisms, and compiling population-based data that inform public health policy.
- Public Awareness – almost all the countries in Asia has created a task force to support the efforts of the government to control the spread the virus. This includes providing timely information to the public on the protocols to prevent the infections.

There is substantial uncertainty about the impact of the virus on people's lives and livelihoods. A lot depends on the epidemiology of the virus, the effectiveness of containment measures, and the development of therapeutics and vaccines, all of which are hard to predict.

In addition, many countries now face multiple crises—a health crisis, a financial crisis, and a collapse in commodity prices, which interact in complex ways. Policymakers are providing unprecedented support to households, firms, and financial markets, and, while this is crucial for a strong recovery, there is considerable uncertainty about what the economic landscape will look like when we emerge from this lockdown.

Given its worldwide character the effects are not limited to the credit union/cooperative sector or local economy. The general worldwide effects are:

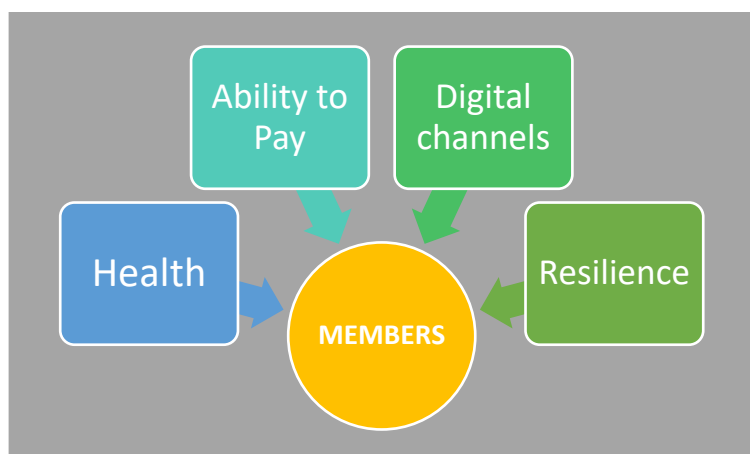
- Lower demand: garment, agricultural products exports, tourism / travel
- Stagnation of transport: flights, container ships, public transport
- Stagnation of imported goods and raw material
- Low commodity prices due to lower demand
- Low aid inflow, lower / stagnated remittances
- Closures of factories, bankruptcies
- Rising unemployment
- Lower consumption especially non-food
- Lowering interest rates, deflation
- Weaker local currency



Given the above scenarios, credit unions can expect their current and potential members could have slide back to poverty. An increase in poverty will be felt and seen by credit unions within the communities they operate. The credit unions system in Asia need to unite and prove their value by helping members and communities to rise above the impacts of COVID 19 pandemic.

With the participation of member organizations, ACCU has prepared this CU Business Solution No. 27 to provide guidance to credit unions on how to respond to pandemic.

IMPACTS OF COVID 19

1. MEMBERS



<p>HEALTH</p> 	<p>Age vulnerability: Majority of credit union members are 60 years old above (more than 50% of them are women). According to World Health Organization, COVID-19 virus infects people of all ages. However, evidence to date suggests that two groups of people are at a higher risk of getting severe COVID-19 disease. These are older people; and those with underlying medical conditions.</p> <p>Weak immune system: The coronavirus is dangerous and can be fatal for the elderly as they typically have a weaker immune system coupled with various other chronic diseases.</p>
<p>ABILITY TO PAY</p> 	<p>Daily wage earners: Members who are earning daily wage lose income due to lockdown. Credit union members in Asia are generally the middle class and low-income earners who derived daily wages or profit from small business. Examples of businesses would be tea shop, convenience store, handicraft, beauty salon, and market vending. For services, some examples are those who are working at beauty parlors, house to house laundry service, laborers at the farm, factories, sewers, repairmen, and housekeepers.</p>

MSMEs: Non-essential businesses like beauty salons, spa, garment production, schools, hospitality, souvenir shops, and handicrafts production are severely impacted. Members engaged in these types of business are highly vulnerable. Those dependent on import/export supply chains are most exposed to disruptions and reduction in demand, and many are experiencing a lack of places to sell and merchandise to buy.

Those engaged in essential type of livelihood were affected due to mobility in bringing their products to the market due to lock down and social distancing.

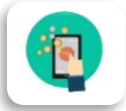

Farmers and Agribusiness: Even agriculture produce are essential; farmers are unable to go out during the lockdown. Support services to market their products are challenging particularly to small scale farmers. There is an issue on farm inputs and marketing the produce.

Mounds of decayed broccoli, cauliflower, and cabbage have already been disposed of, as flies start to feast on them. Sacks of chayote, carrots, and potatoes are in danger of being chucked out next.

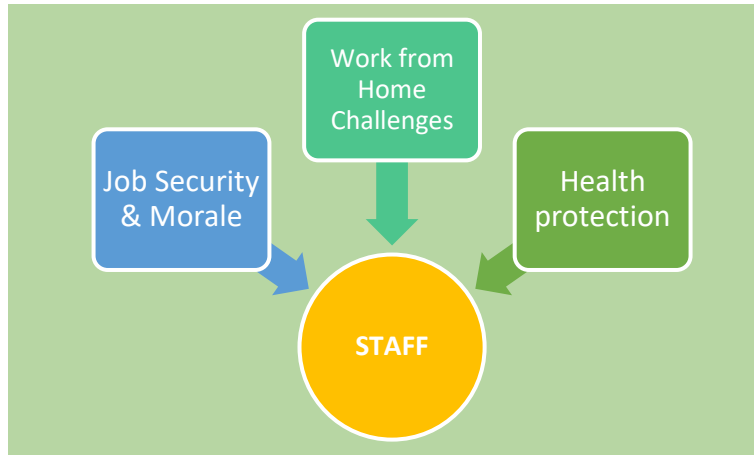
While Jhoanne and her husband are worried about the coronavirus, they also fear that their 3 children will go hungry if their vegetables are not sold.



April 6, 2020 by Rappler, Philippines


Doorstep Services: During the lockdown, credit unions are not able deliver door-to-door services to members. Person to person meeting with members are restricted or limited. Credit unions implementing microfinance using self-help groups as delivery channel to education and financial services to low income are seriously affected. The lack of group meetings will create a challenge in paying the loans. Based on experience, they pay the loans in cash and not able to use digital channels, if credit unions at all provide so.

	<p>Increase in Price of Basic food products: According to CNBC, the price of rice — a staple food in Asia — has hit 7-year highs due to the coronavirus outbreak as importers rush to stockpile the grain while exporters curb shipments. Hoarding is occurring in some markets due to panicked preparation for lockdowns. The low-income people suffer the most because of the increase in the cost of living during the lockdown. It is notable that governments, NGOs and private companies and credit unions/ cooperatives provide food rations to communities. However, the food packs are temporary provisions during the lockdown.</p> <div data-bbox="1024 281 1425 674" style="background-color: #4a7ebb; color: white; padding: 5px; font-size: small;"> <p><i>According to the Thai Rice Exporters Association, price of the 5% broken white rice — the industry benchmark — rose 12% from March 25 to April 1. Rice prices are now the highest since late April 2013, according to Reuters data. The rise in prices is due to expectations of higher demand for Thai rice after fellow top exporters India and Vietnam both face export disruptions of the strategic staple food due to the outbreak of the corona virus. Asia produces 90% of the world's rice supply and consumes the same amount.</i></p> <p><i>Source:</i>https://www.cnbc.com/2020/04/08</p> </div>
<p>DIGITAL CHANNELS FOR FINANCIAL SERVICES</p> 	<p>Digital literacy: Where digital channels are available, low number of members are maximizing the use of it. Majority of the members prefer cash over the counter transactions. During the lockdown, members who are not using digital channels would not be able to access their savings and make payments of their utilities.</p> <p>Coins and Notes could transmit virus: Though studies say it was rare, coins and notes are bacteria laden instruments. Members engaged in MSMEs or market vendors are more exposed with this risk.</p>
<p>RESILIENCE</p> 	<p>Mental Health: As the coronavirus (COVID-19) pandemic sweeps across the world, it is causing widespread concern, fear and stress, all of which are natural and normal reactions to the changing and uncertain situation that everyone finds themselves in.</p> <p>Financial Health: members of credit unions may not have the financial cushion to bear the impacts of pandemic i.e emergency fund equivalent to at least 6 months family expenses. As some businesses close or reduce staffing, more members would be struggling to make ends meet. Although several governments, credit unions, businesses and society at large have helped to cushion the biggest blows, members who were already financially vulnerable, have become even more so.</p>

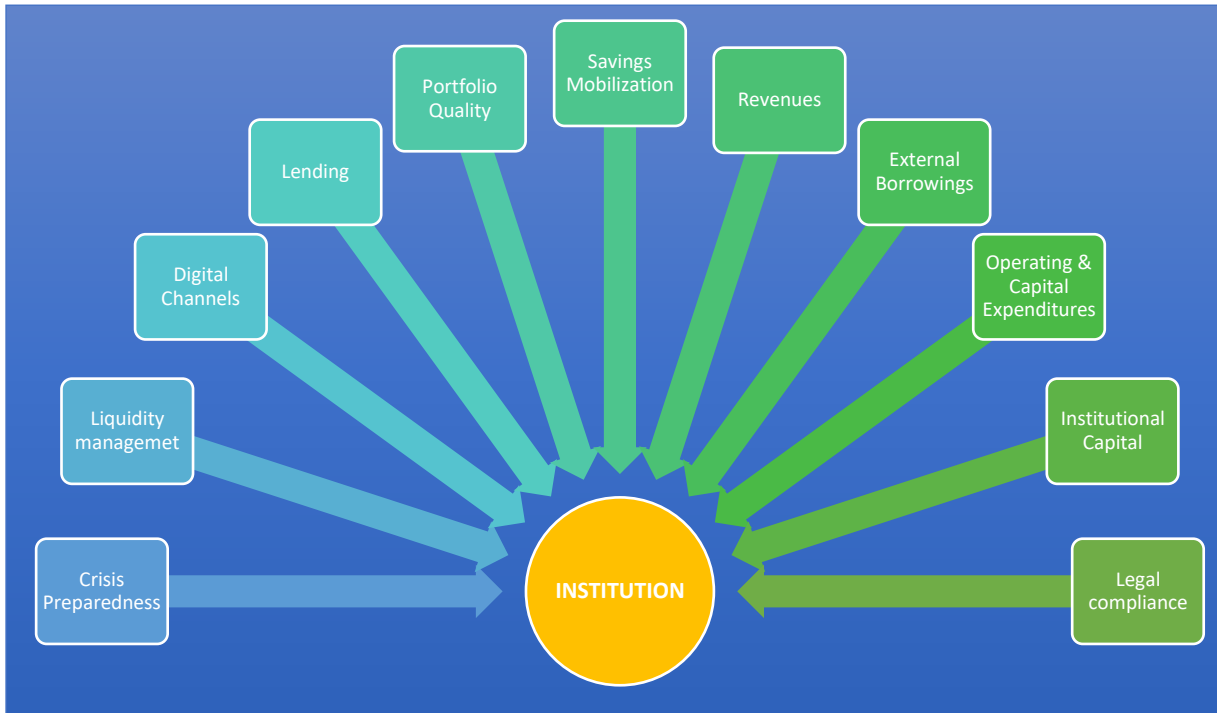
2. STAFF



<p>JOB SECURITY AND MORALE</p> 	<p>Losing Job: there is uncertainty on when virus can be contained. With the skyrocketing delinquency, limited lending and slow savings growth, credit unions could experience an unprecedented loss at least in 2020. Credit unions that do not comply with the safety and soundness standards would find themselves in challenged in responding to the impacts. No doubt, staff are aware of the situation and could fear losing job.</p> <p>Health safety: Staff are uncomfortable handling cash and would prefer fewer people entering branch locations.</p> <p>Incentives and salary raise: there may be an impact on bonus payments for employees that are incentivized by performance bonuses and salary increases.</p> <p>Stigma and discrimination can occur when employees associate an infectious disease in the region/s where more outbreak is recorded.</p>
<p>WORK FROM HOME CHALLENGES</p> 	<p>Essential staff: the work from home arrangement may now work for front-line staff as they must service the withdrawal of members' savings.</p> <p>Lack of facilities: Staff not equipped to work from home: lack of laptops, reliable power supply, internet access, and security devices.</p> <p>Conducive working environment: Staff may not be able to work remotely due to a lack of a conducive environment (i.e., small or</p>

	shared living accommodations, disturbances caused by environmental noise, other people in the home).
<p style="text-align: center;">HEALTH PROTECTION</p> 	<p>Running out of Stocks: Protective equipment such as masks, gloves, and sanitizers may run out of stock in the market. People may tend to hoard, and suppliers increase price.</p>
	<p>Fear: As the crisis unfolds, official advice does not exist in some cases or may be contradictory in nature. Employees are feeling confused and fearful.</p>

3. INSTITUTION



CRISIS PREPAREDNESS


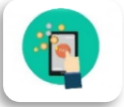









Absence of business continuity plan for COVID 19 since pandemic is something anyone has never imagined. If the credit union has BCP, it might have been set around disasters like fire, earthquakes, flood, and typhoon.


A Business Continuity Plan (BCP) is a strategic plan that outlines businesses' prevention and recovery from major disruptions. Typically, businesses establish a continuity plan for natural disasters, such as floods, arson, and terrorism.

However, the COVID-19 (Coronavirus) outbreak presents businesses with many unforeseen challenges due to its rapid spreading and global reach. Therefore, more and more businesses are looking to improve their continuity plan to better prepare for the impact of COVID-19.

<https://www.betterteam.com/covid-19-coronavirus-business-continuity-plan>

<p>LIQUIDITY MANAGEMENT</p> 	<p>Decline in collection: Credit unions may face liquidity shortage due to the inability of members to pay their loans and decline in the mobilization of savings. Members would have lost their income.</p> <p>Pandemic related expenses: Since credit unions are operating in the community, they may also need to set aside liquidity to handle pandemic-related additional expenses such food rations for members and front liners. Some credit unions are even donating Personal Protective Equipment to front liners. Further, credit unions also need liquidity to address the cash needs of their staff.</p>
<p>DIGITAL CHANNELS</p> 	<p>Nearly 90 per cent of the population is not digitally literate is a startling statistic that needs immediate rectification if India is to empower its rural youth with adequate job opportunities and move towards becoming an economic powerhouse.</p>
<p>LENDING</p> 	<p>Member acquisition and loan disbursement activities are suspended in certain geographies where local governments have started restricting human movements and residents fear for their safety.</p>
<p>PORTFOLIO QUALITY</p> 	<p>Due to low business activity or the lack of ability to repay in cash (where alternate channels are not available), portfolio quality of certain regions and/or of members in certain business segments (e.g. general services, manufacturing, hospitality) has started to deteriorate and is expected to worsen over the coming months.</p> <p>Certain regions' loan book is not growing due to lack of demand for credit (due to low business activity) and in many cases, is expected to shrink in the coming months.</p>


<p>SAVINGS MOBILIZATION</p> 	<p>A drastic decline in savings and share capital mobilization will obviously be experienced due to the loss of income of members. Those with dependable source of income, like the salaried members, would opt to keep their cash with them since the pandemic seemed to be far from over. Credit unions must be prepared that new funds will be less.</p>
<p>REVENUE</p> 	<p>Loan interest income will drop due to the decline of repayments and no new loans are released. Most central banks have lowered interest rates; thus, credit unions would have to review their interest rates or would have to offer stimulus package for COVID 19 recovery of members.</p> <p>Revenue streams from other ancillary sources, e.g. account opening fees, service fees, interest income on cash deposits will also drop.</p>
<p>EXTERNAL BORROWINGS</p> 	<p>Existing external loans have fixed agreements and would need to be renegotiated.</p> <p>Most government may have stimulus package to economic recovery. The package for MSMEs are opportunity for credit unions, however, it must be well planned so as not to overindebted the members.</p>
<p>OPERATING AND CAPITAL EXPENDITURES</p> 	<p>The “new normal” protocols of the government due to COVID 19 has restricted the operations of credit unions while still incurring fixed costs (salaries, rents, depreciation etc.) plus the new expenditures which were not planned. The plan of investing in capital expenditures like IT system or new branch office could be postponed or cancelled.</p>
<p>INSTITUTIONAL CAPITAL</p> 	<p>Below standard NIC: Credit unions with healthy financial position (at least 10% institutional capital and controlled delinquency of 5% of total assets) would be able to stand the impacts. However, credit unions that are not able to meet the sound and safety standards could face financial difficulties. Experiences show that most of the credit unions are unable to comply with the Net Institutional</p>

	<p>requirement. The regulation does not have reward or sanction on the compliance of the standard.</p> <p>Credit unions may face capital adequacy issues due to deteriorated operations, including declining revenue.</p>
<p>LEGAL COMPLIANCE</p> 	<p>Different governments and regulators have issued regulation or circulars on social distancing, allowing the work from home arrangements, postponement of the Annual General Meeting as required by law. Guidance on the following areas has yet to be addressed: Tax breaks, reporting standards and loan provisioning on loans that have been delinquent due to COVID-19, recognizing credit unions as “essential service.”</p> <p>It is not yet clear how insurance companies will respond in this situation.</p>

RESPONSES

Actions to Consider Addressing the Impact of COVID 19

1. MEMBERS

<p>HEALTH</p> 	<p>Protection: Providing accurate and up-to-date information which will increase knowledge, understanding and confidence and enable members to make good health decisions. The information provided to members are those that are issued by the government following the World Health Organization’s recommendations. An example is WHO’s Recommendation on Hand Hygiene.</p>
	<p>Prevention: Health education program should be integrated at the ownership meetings of credit unions. Experiences in COVID 19 shows that people with chronic health issues are those that easily get infected.</p> <p>Howard LeWine, M.D., Chief Medical Editor, Harvard Health Publishing suggests 10 steps that will help the longest, healthiest life possible:</p> <ol style="list-style-type: none"> 1. Don’t smoke. 2. Be physically active every day. 3. Eat a healthy diet rich in whole grains, lean protein, vegetables, and fruits. Reduce or avoid unhealthy saturated fats and trans fats. Instead, use healthier monounsaturated and polyunsaturated fats. 4. Be sure to get enough vitamin D and calcium. 5. Maintain a healthy weight and body shape. 6. Challenge your mind. 7. Build a strong social network. 8. Protect your sight, hearing and general health by following preventive care guidelines. 9. Floss, brush, and see a dentist regularly. Poor oral health may have many effects. It can lead to poor nutrition, pain and possibly even a higher risk of heart disease and stroke. <div style="background-color: #e6f2ff; padding: 10px; margin-top: 10px;"> <p><i>“Health literacy implies the achievement of a level of knowledge, personal skills and confidence to take action to improve personal and community health by changing personal lifestyles and living conditions. By improving people’s access to health information, and their capacity to use it effectively, health literacy is critical to</i></p> </div>

	<p>10. Discuss with your doctor whether you need any medicine to help you stay healthy. These might include medicines to control high blood pressure, treat osteoporosis or lower cholesterol, for example.</p>
	<p>Security: Help members get access to medical care. It could be a health insurance organized by credit union. In this way, credit unions are helping members to have peace of mind knowing that they can seek medical care when needed.</p>
<p>ABILITY TO PAY</p> 	<p>Classify the members to determine the level of vulnerability of - source of income – pain points and fears. The Statement of Net Worth (Appendix 1) would be a helpful reference for the segmentation of members and the corresponding response plan such as deferment of repayment or renegotiation of loan terms and condition. ACCU has developed a handbook available for members on Guide to Wealth Creation. The book can be a resource for the federation in helping members plan for their financial future.</p> <p>Demonstrate concerns by reaching out to members to understand the impact of the pandemic to their family, business or source of income. The credit unions can use phones and social media to reach out to members.</p> <p>Use every opportunity to help members sell their products or services during the lockdown. Credit unions can purchase members’ agricultural products in their relief operations during the lock down. Some credit unions tapped their members who are engaged in garments to produce Personal Protective Equipment donated to the frontlines.</p>
<p>DIGITAL CHANNELS FOR FINANCIAL SERVICES</p> 	<p>Discourage dependence on cash. Create targeted messaging about using alternative channels. The Kaya Payment Platform in the Philippines is a means for cooperative members to digitally transact business with the credit union. For other countries, it is critical to work with digital payment providers to broaden the reach of digital channels.</p> <p>Increase members digital literacy through online training such as on Facebook Messenger or Facebook live or Hangouts Meet wherever and whenever applicable.</p>

RESILIENCE



Mental Health: Mayo Clinic (mayoclinic.org) has these suggestions: **Take care of your mind**

- **Keep your regular routine.** Maintaining a regular schedule is important to your mental health. In addition to sticking to a regular bedtime routine, keep consistent times for meals, bathing and getting dressed, work or study schedules, and exercise. Also set aside time for activities you enjoy. This predictability can make you feel more in control.
- **Limit exposure to news media.** Constant news about COVID-19 from all types of media can heighten fears about the disease. Limit social media that may expose you to rumors and false information. Also limit reading, hearing or watching other news, but keep up to date on national and local recommendations. Look for reliable sources such as the WHO or the Department or Ministry of Health in your country.
- **Stay busy.** A distraction can get you away from the cycle of negative thoughts that feed anxiety and depression. Enjoy hobbies that you can do at home, identify a new project or clean out that closet you promised you'd get to. Doing something positive to manage anxiety is a healthy coping strategy.
- **Focus on positive thoughts.** Choose to focus on the positive things in your life, instead of dwelling on how bad you feel. Consider starting each day by listing things you are thankful for. Maintain a sense of hope, work to accept changes as they occur and try to keep problems in perspective.
- **Use your moral compass or spiritual life for support.** If you draw strength from a belief system, it can bring you comfort during difficult times.
- **Set priorities.** Don't become overwhelmed by creating a life-changing list of things to achieve while you are home. Set reasonable goals each day and outline steps you can take to reach those goals. Give yourself credit for every step in the right

direction, no matter how small. And recognize that some days will be better than others.

Connect with others

Build support and strengthen relationships:

- **Make connections.** If you need to stay at home and distance yourself from others, avoid social isolation. Find time each day to make virtual connections by email, texts, phone, or FaceTime or similar apps. If you're working remotely from home, ask your co-workers how they're doing and share coping tips. Enjoy virtual socializing and talking to those in your home.
- **Do something for others.** Find purpose in helping the people around you. For example, email, text or call to check on your friends, family members and neighbors — especially those who are elderly. If you know someone who can't get out, ask if there's something needed, such as groceries or a prescription picked up, for instance. But be sure to follow WHO and your government recommendations on social distancing and group meetings.
- **Support a family member or friend.** If a family member or friend needs to be isolated for safety reasons or gets sick and needs to be quarantined at home or in the hospital, come up with ways to stay in contact. This could be through electronic devices or the telephone or by sending a note to brighten the day, for example.

Source: <https://www.mayoclinic.org/diseases-conditions/coronavirus/in-depth/mental-health-covid-19/art-20482731>

Financial Counseling: Field staff or collectors should develop competence on financial counseling and digital literacy.

There is a need to relaunch the 360 Degrees Financial Literacy (Credit Union Business Solution n0. 16) training for members. ACCU suggests that every member should have emergency fund equivalent to at least 6 months of their family expenses. By building up a savings buffer member can be prepared to pay for unexpected emergencies without having to turn to borrowing that creates unnecessary stress.

Having an emergency fund gives members the peace of mind to know that should something truly awful happen, such as losing your job, you can worry about how to deal with the emergency itself and not worry about how you're going to survive financially. This fund can only be withdrawn in emergencies like COVID-19 pandemic.

The first step is to ask members to submit a Statement of Net worth to measure their financial state. The members' financial position will help in identifying appropriate actions steps.



"In what way can your credit union support you and your family during this situation?"


1. **Increase my peace of mind.** Provide me with the relief I need to get through this crisis.
2. **Build my hope.** Continually be there for me through guidance and solutions.
3. **Reduce my unnecessary stress.** Make it easy for me to access staff and tools when and how I need them.

BYANSON VUONG


<https://www.gallup.com/workplace/308306/credit-union-members-things-during-covid-crisis.aspx>


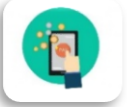
2. STAFF



<p>JOB SECURITY AND MORALE</p> 	<p>Ensure staff can meet their basic financial needs during the crisis. Make sure salaries can be paid and offer salaries in advance where possible to enable staff to buy essential items in case of lock down. The rule of thumb of emergency savings equivalent to 6 months expenses should be required for staff after the crisis. The staff of the credit union should be first financially literate before being able to educate members on the right financial behavior.</p> <p>The credit union should be transparent on the business continuity plan.</p> <p>Remain optimistic and positive in all communications. Look for opportunity amid adversity in order to lift the spirit of employees.</p> <p>Demonstrate flexibility: During this period, accept that policies may need to be relaxed and less rigid. Show empathy to the new situations your employees find themselves in. As many employees are now forced to remote work from home, credit unions should also demonstrate a level of trust that they are doing their jobs outside of the office.</p> <p>Virtual Team Bonding: When your workforce is dispersed, it is especially important to keep your employees engaged. From virtual team lunches and happy hours, there is a need to keep them connected no matter where they are.</p>
<p>WORK FROM HOME CHALLENGES</p> 	<p>Set up work from home facilities if possible. Use conferencing systems, social/informal communication channels like Facebook messenger, WhatsApp to engage staff. Require critical staff to come to office, if necessary. Offer data plans to staff to ensure they are always connected.</p> <p>Ensure daily checks between supervisors and team members.</p> <p>Develop a Work-from-home guidelines so that everyone is clear on how the system works. The sample template is in Appendix 2.</p>




<p>HEALTH PROTECTION</p> 	Equip employees with any needed sanitary or personal protection equipment like disinfecting wipes, masks, gloves etc.
	Suspend all in person meetings if possible and regulate visits from their parties to offices.
	Use phones and digital channels to conduct meetings where possible.
	Follow the most conservative advice on deep cleaning and sanitation of areas and facilities in offices and branches. The guidance from WHO currently includes distribution of sanitizers where available and encouraging frequent hand washing. The Hygiene Measures is in Appendix 3 .
	Policies around sick and personal time may need to be relaxed during this time in order to ensure employees are protected.




3. INSTITUTION

<p>DISASTER PREPAREDNESS</p> 	<p>Where Business Continuity Plan is not existent, there is a need to set up a disaster management committee that focuses on the business continuity of the institution. Appoint 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. Possible members are the CEO/GM, Board member, Head of Finance, Lending, Savings, ICT, HR, Communications, and Internal Control.</p>
	<p>The roles and responsibilities of the committee are:</p> <ul style="list-style-type: none"> - Monitor the situation directly affecting the business, like illness of staff and members, development of defaults, liquidity, solvency - Monitor the situation externally: the macro-economic developments, regulations / guidelines of the authorities and federations - Execute various pro-active analysis of the present business

	<p>processes, possible events and scenarios. Execute stress testing. Taking all necessary measures to minimize the risks to ensure business continuity</p> <ul style="list-style-type: none"> - Ensure proper and timely communications to staff and members about the measures that are taken by the credit union - Ensure that staff is following the instructions: applying hygiene measures for social distance, working from home, etc. <p>A Business Continuity Plan should be put in place. Sample template is on Appendix 4.</p>
<p style="text-align: center;">LIQUIDITY MANAGEMENT</p> 	<p>Cash flow projection should be made considering the estimate of members who:</p> <ul style="list-style-type: none"> • Will not be able to make payments • Need to renegotiate loan terms because the business will not bring in any cash flow during the crisis. <p>Sample template on Cash Flow Project is on Appendix 5.</p> <p>Credit unions with short liquidity positions could borrow from the federation. The federation, under its Central Finance Facility can offer a liquidity facility aimed to provide funding for credit unions in an efficient and effective manner to help maintain stability in the credit union system.</p>
<p style="text-align: center;">DIGITAL CHANNELS</p> 	<p>Where possible, ensure the existing digital channels are robust. If non-existent, get the help from the federation in accelerating access to digital channels through partnership with fintech.</p> <p>Develop marketing and educational plan for staff and members.</p> <p>Require staff to use the digital channels so that it would be easy to encourage and train members to use it.</p>

<p>LENDING</p> 	<p>Avoid granting new loans if they could lead to over-indebtedness. The financial health of the members and credit union is at stake.</p> <p>Keep credit open to support strong and viable businesses to prevent them from closing permanently due to a temporary crisis, as well as those offering products or services that provide a response/solution to the crisis.</p> <p>Review the process in analyzing credit applications: the economic environment has changed dramatically since the beginning of the crisis, and the financial statements of credit applicants may no longer hold up.</p> <p>Integrate Business Development Services (BDS) function at the federation and credit union level. It is non-financial service offered to entrepreneurs at various stages of their business needs. These services are primarily aimed at skills transfer or business advice. The BDS can help credit unions create demand for loans and finance viable and sustainable MSMEs. Ultimately, credit unions are helping members gain dependable source of income and create employment for others. With the support of BDS, members will have opportunity to rise above the impacts of crisis.</p> <p>The BDS targets vulnerable groups who may be more challenged by the environment and cost of mainstream business services. BDS emphasized on aspects such as confidence, mastery of business strategy, pricing, market linkage, and product innovation. While the centers are run within the credit union system, they can also benefit from financial and in-kind support from local and national governments, and private philanthropists.</p>
<p>PORTFOLIO QUALITY</p> 	<p>Establish different scenarios surrounding the impact the crisis will have on the income over the next three months. These are estimates on the number of members who:</p> <ul style="list-style-type: none"> • Will not be able to make payments • Need to renegotiate loan terms because the business will not bring in any cash flow during the crisis

	<p>Calculate the amount of loan portfolio that has gone delinquent due to the crisis and estimate the provisions required according to industry standards.</p> <p>Maintain transparency on the loan quality to the Board of Directors and its financial impact to the short- and long-term sustainability of the credit union.</p>
<p>SAVINGS</p>  <p>MOBILIZATION</p>	<p>Apply the self-sufficiency or self-help philosophy. Had credit unions applied this principle, members would be able to cope up with the impacts of COVID 19. Financial education suggests that members need to have at least 6 months of their family expenses as their security savings or emergency fund.</p> <p>During the lockdown, members are relying on government or credit union relief operations to feed their families. In coping with COVID 19 and for future emergencies, credit unions are advised to revisit the implementation of self-help principle to strengthen the credit union network's resilience and self-immunity.</p> <p>Reevaluate the interest rate offering on savings as the market rates have changed.</p>
 <p>REVENUE</p>	<p>Explore new loan offering that promote MSMEs to promote job creation for members.</p> <p>Provide services that support value chain promotion and business development for members.</p>
<p>EXTERNAL BORROWINGS</p> 	<p>Re-negotiate existing external funding including amortization schedule, interest payment schedule, and interest rate relief.</p> <p>Access grant funds, if available. This is not the time to source out external funding.</p>

<p>OPERATING AND CAPITAL EXPENDITURES</p> 	<p>Reduce expenses as much as possible and avoid seeking external funding now.</p> <p>Consider postponing any capital expenditures planned.</p>
<p>INSTITUTIONAL CAPITAL</p> 	<p>Institutional Capital is the financial cushion of credit unions or any financial institutions during unexpected crisis. If the credit union has not met the minimum 10% of the total assets level, a plan supported by a policy should be put in place to meet the standards within reasonable timeframe.</p>
<p>LEGAL COMPLIANCE</p> 	<p>Adherence to the guidelines issued by regulatory body for credit unions, and national and local government authorities. Proper documentation and communication to employees and members should be observed.</p> <p>Provide feedback to national federations on the regulatory advocacy needed for the relaxing prudential norms and regulatory requirements.</p>

APPENDIX 1 – Statement of Net Worth

ABC Credit Union

STATEMENT OF NET WORTH			
			Remarks
Name			
Age			
Spouse's Name			
Spouse's Age			
Spouse's Place of Employment			
Number of Children and Ages			
Home Address			
Mobile No.			
Social Media accounts:	Facebook	WhatsApp	Viber
	Instagram	Twitter	Others
Employment/Source of Income			
Monthly Income			
Place of Work			
NET WORTH			
ASSETS (What you own)		LIABILITIES (What you Owe)	
Cash Reserve Assets:		Current – due within one year:	
Cash (on Hand)		Housing Loan	
Savings in Bank		Auto Loan	
Savings in Credit Union		Student Loan	
Receivables (collectibles)		Credit from Stores	
Others (Specify)			
Equity Assets:			
Investment in Business			
Share in the credit union			
Retirement Assets:		Long-Term – due after one year:	

Certificate of Deposits (Time Deposit)		Loan from the Credit Union	
Cash Value of Pension Plan/Severance		Housing Loan	
Others (Specify)		Auto Loan	
		Student Loan	
		Debt from relatives, friends etc.	
		Others (Specify)	
Real Estate (Market Value)			
Home			
Rental Property			
Vehicle/Motorcycle/ Boat			
Furniture			
Jewelries			
Others			
		Total Liabilities	
Total Assets		NET WORTH (Total Assets less Total Liabilities)	

APPENDIX 2.

ABC Cooperative

Subject : Work-From-Home Policy Effectivity Date: _____

Issued by : Board of Directors Revised date: _____

1. Policy brief & purpose

Due to the current COVID-19 (coronavirus) outbreak, many employees are inquiring about the ability to work from home. ABC Credit Union is implementing temporary telecommuting arrangements for employees whose job duties are conducive to working from home. However, there are some positions that require the employee to be physically present in the workplace. These employees are defined as essential personnel.

The Work from Home (WFH) arrangement intends to protect the health, safety and provides flexible working environment for non-essential staff amid COVID 19 pandemic.

2. Employees responsibilities

- 2.1 Adhere to all the credit union’s policies and procedures
- 2.2 Be contactable during the normal span of hours via
- 2.3 Ensure fitness for work requirements are met. If staff members are unwell or unable to work due to other reasons, then leave entitlements are to be accessed
- 2.4 Designate a comfortable worksite away from the distractions around the house
- 2.5 Structure workday by planning out which tasks need to take priority and how many hours is going to be spent on each job.
- 2.6 Comply with health and safety requirements
- 2.7 Report any health, safety and wellbeing hazards, near misses and incidents
- 2.8 Maintain accurate and up to date records of hours worked at home within normal span of hours
- 2.9 By agreement, provide authorized credit union staff or other approved parties with access, where necessary, for matters such as WHS inspections, and retrieval of any credit union - supplied equipment
- 2.10 Take reasonable precautions necessary to secure the credit union’s equipment.

3. Supervisor responsibilities

- 3.1 **Define who is eligible to work from home.** Not all job functions can be conducted remotely. Clearly lay out which teams are eligible to work remotely, and which must be in the office.
- 3.2 **Set regular working hours.** Inform when employees are expected to work, and when they should call it a day. Flexibility can be observed by setting a total number of hours i.e., employees are expected to work a total of 8 hours per day. It will be the discretion of the supervisor to apply flexibility based on the circumstances. Fix the daily check in time for employees under WFH arrangement.
- 3.3 **Create attendance and availability standards.** Review and sign off on records of hours worked (timesheets) as required.
- 3.4 **Continue internal communication programs, including all-hands meetings.** Schedule communication meetings including methods of disseminating information to staff who are working from home. Supplement email or text communication with frequent face-to-face and voice interactions depending on what type of discussion you are having. A typical breakdown might be:
 - **Facebook** Messenger, WhatsApp, Viber for rapid, lightweight, informal communication, and as a second touch for timely announcements.
 - **Email** for longer communications, team-wide announcements, and internal programming (like news digests).
 - **Video conferencing** for teams meeting such as google Hangouts Meet, Zoom and others
 - **Intranet** for frequently asked questions, company policies, and HR resources.
- 3.5 **Provide IT support.** Where practicable, provide equipment and tools required to perform the tasks required (does not include workstation furniture, additional services or costs). Accurately document the ownership and usage arrangements of the equipment and assets.
- 3.6 **Maintain security standards.** Instruct employees to avoid vulnerable public Wi-Fi. Instead, encourage them to use hotspots or provide encryption software. Lastly, make sure employees keep work data on work computers, not personal ones. Most commonly, this will mean that employees should only answer emails on work devices.

- 3.7 **Maintain a connection to your culture.** Continue perks and amenities as much as possible to maintain a sense of normalcy and continuity with your employees.
- 3.8 **Create a dress code.** Employees may still have to interface with members or partners via video conference; thus, employees are required to wear acceptable wardrobe in this situation.
- 3.9 **Gather feedback and iterate.** You won't get everything right the first time. Create avenues for feedback from managers and individual contributors alike. Anonymized feedback is best. Most importantly, implement changes where appropriate.

4. **Review**

This policy is subject to policy review as the need arises. The CEO can submit a request from the Board to review the policy along with suggestions and justifications on the necessity for review.

APPENDIX 3.

Hygiene measures¹

Although the virus probably started by a transmission between animals and human beings, the virus spreads now between human beings. According to research, one infected person can infect 2.5 people on an average. That means that it is of utmost importance to take preventive hygiene and other measures:

1. To wash the hands thoroughly and frequently with soap and water or alcohol-based hand rub; make sure that there is enough stock; make them available throughout the buildings; dispose tissues in closed garbage bins
2. Maintain at least 1.5 meter (“two arm’s length”) between people (social distancing) inside and outside the office
3. For tellers, security guards and loan officers: wear medical gloves; make sure that there is enough stock. Tellers: because physical cash (notes and coins) can be contaminated with the virus
4. Avoid touching mouth, nose and eyes
5. Avoid any biometric device usage for the time being
6. Do not shake hands
7. Sneeze or cough in the elbow (sneezing or coughing in the hands will increase the risk of further infection as the hands touch other objects)
8. Clean frequently touched surfaces of pin pads, keyboards, doorknobs, tables, countertops, light switches, phones, desks, toilets, taps, sinks etc. daily
9. Ventilate the building
10. Do not share cups, pens, cutlery etc.
11. Staff that feel ill must remain at home till they are symptom free
12. Employees who are well but who have a sick family member at home with COVID-19 should stay at home as well for at least 14 days.

¹ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public>

APPENDIX 4.

Business Continuity Plan (BCP) Guide

1. Scope and Objectives

States the purpose of the BCP, including specific business functions which should be prioritized for recovery during an emergency. This section should include examples of emergency events that would trigger the response of this BCP.

Example:

This BCP is to ensure the continuity of ABC credit union services in the event of an unforeseen and prolonged crisis. The COVID 19 pandemic can cause disruption on the regular operations of credit union due to lockdown imposed by the government. Functional areas that are required for recovery includes frontline teller service, IT, and finance.

2. Business continuity management team.

The business continuity management team is responsible for implementing and executing the BCP. The size of the team is dependent on the size of the credit union. At a minimum, the team can consist of the CEO and the department heads of the credit union on the following tasks:

- Member Services and relations.
- Finance.
- Human Resources.
- Internal Communications.
- Information technology.
- Legal.

The BCP should include the title and contact information of each of the team members listed above. If applicable, you may want to specify backup contacts.

3. Operations at Risk and Impact Assessment

The next step is to identify the critical operation at risk. Here the credit union should identify which business processes are the most critical and which would cause the most damage if they

were to fail. This includes anything that would impair the credit union’s ability to operate, harm to the reputation, and major revenue loss.

Example:

Areas	Probability	Impact	
		Operations	Finance
<p>Lending Services Description: Members who are daily wage earners and non-essential services and businesses lose their source of income due to the lockdown since March. Even if the lockdown is lifted, it would take time for members to pick up their business.</p>	<p>High: Members would not be able to repay their loans and save during the lockdown and at least another 3 months after the lockdown is lifted. Members’ priority is to meet their daily basic needs and their health.</p>	<p>Significant reduction on loan collection and increase in delinquency.</p>	<p>High: <i>Low income due to high delinquency and liquidity crisis (In this column, the credit union should measure the total amount of loans that could have gone delinquent, the amount of repayment that cannot be collected and projected savings based on the business plan. The credit union also needs to project the decrease in income resulting to low institutional capital)</i></p>

This document has provided an initial assessment of impacts of COVID 19 that can assist credit unions in preparing the BPC.

4. Plan to Maintain the Operations

This should be the most comprehensive section of the BCP. The section outlines all the relevant procedures for business continuity during and after the crisis. A good recovery strategy includes a realistic recovery timeline and essential emergency resources.

Proper identification of risks and business impacts are critical to the plan. It is advisable that the plan should consider the aspect of resiliency for self-immunity on both members and credit union as an institution.

- **Prevention strategies:** In this section, the credit union should detail any preventative measures that should be taken before a pandemic occurs. For COVID 19, the health concerns for members and employees is a critical area. Further, building net institutional capital is very important to focus to ensure the sufficiency of financial cushion for credit union to remain solvent in times of unexpected crisis.
- **Response strategies:** Response strategies are needed when there is an emergency or sudden disruption of business. This section should detail what each member of the business continuity team should do in the event of an emergency.
- **Recovery strategies:** Recovery strategies ensure that critical business processes and services are restored after an emergency event or major disruption in business. The plan should have a detailed description of the actions necessary to keep the business functional until all personnel, systems, services and facilities are operational again.

This document could also serve as guide in preparing the CBP.

5. Build Capacity on Implementation.

Once the business continuity plan is complete, it is important to implement a training for the business continuity management team and employees. Training should include a basic overview of your BCP as well as relevant and tactical exercises designed to test the continuity procedures.

6. Conduct annual reviews.

As the credit union grows and changes so should the business continuity plan. It is important to conduct annual reviews of the BCP to ensure that it aligns with the current processes and requirements. Updates should be made to emergency procedures, staff contacts, and communication methods as needed.

NAME OF CREDIT UNION: _____

PROJECTED CASH FLOW STATEMENT - YEAR _____

Particulars	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Total
PROJECTED CASH RECEIPTS													
Share Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Collection	0	0	0	0	0	0	0	0	0	0	0	0	0
Membership Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on Loans	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest from Inv.	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Loan Income	0	0	0	0	0	0	0	0	0	0	0	0	0
External Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PROJECTED CASH DISBURSEMENTS:													
Loans Granted													
Payment of External borrowing													
Acquisition of Assets													
Investments													
Withdrawal of Members Savings													
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost of Funds:													
Interest on Savings													
Interest on External Borrowing													
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0	0

Governance cost:														
Meeting-Board & Committees														
Annual General Meeting														
Travel														
Representation														
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing and Promotion														
Education/Training														
Marketing Materials														
Promotional Campaigns														
Others														
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administration:														
Salaries & Benefits														
Travel														
Utilities -Water, Electricity														
Communication														
Stationeries														
Miscellaneous														
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Projected Cash Disb.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Projected Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Add: Beginning Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CASH ENDING BALANCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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