News Update on Mitigation of COVID-19 Crisis #17 – 08/28/20 - 09/21/20

How governments and IFIs are supporting SMEs through the lockdown:
For a detailed summary of mitigation actions being taken by national governments, see this page produced and updated by the IMF.

- Qatar announced a three-month extension of its National Guarantee Programme, launch in April. In addition, Qatar raised the ceiling of the guarantees to USD 1.4 B, allowing banks to offer more interest-free loans to businesses impacted by COVID-19.
- The Hong Kong Mortgage Corporation Limited extended the application period for principal moratorium for the 80% and the 90% Guarantee Products, which are part of the SME Financing Guarantee Scheme, from 12 months to 18 months, until March 31, 2021. These measures should reduce cash flow pressures facing SMEs.
- The Irish Department of Business, Enterprise and Innovation announced a new EUR 2 B COVID-19 Credit Guarantee Scheme to support the domestic market. The scheme allows eligible SMEs to access low interest loans for up to five and a half years, enabled by an 80% government guarantee to participating banks. Ireland also allocated EUR 15 M to re-open the COVID-19 Loan Fund. The Microfinance Ireland COVID-19 Loan scheme aims to assist businesses with fewer than ten employees.
- The Federal Government of Nigeria launched the National MSME Survival Fund and the Guaranteed Off-take Stimulus Schemes to support businesses impacted by the pandemic. The two stimulus schemes aim to provide USD 195 M of financial assistance to 1.7 M MSMEs across the country.
- Germany approved the draft for 2020 Annual Tax Act, according to which investments by SMEs will receive more tax incentives with a deduction of 50%.
- Bangladesh has allocated more than USD 11.8 B, close to 4% of its GDP, to support those economic sectors, which are negatively affected by COVID-19. A share from this stimulus (USD 11.8 M) is directed to cottage, micro, small and medium enterprises (CMSMEs), 5% of which is allocated to women-owned CMSMEs.
- Asian Development Bank approved USD 250 million in concessional financing to support Cambodia in revival of SMEs impacted by COVID-19 crisis, among other initiatives. The plan aims to increase economic resilience of Cambodia.

How banks and other financial service providers are adapting to the prolonged crisis:

- The European Bank for Reconstruction and Development and Raiffeisen Bank Albania reached an agreement on a risk-sharing facility of EUR 50 M to increase their lending to SMEs. The partnership advances the Raiffeisen Bank Albania’s capacity of risk diversification and managing more sophisticated risk profiles.
- British Business Bank’s commercial subsidiary British Business Investments made a USD 38 M investment in Shawbrook Bank, aiming to support SMEs in the United Kingdom.
- The COVID-19 financial assistance initiatives at the CIMB Group has benefited around 16,000 SMEs during the pandemic. Post-moratorium, the bank will continue to assist its SME clients through its Targeted Assistance Programme. Its digital platform, CIMB Clicks, experienced a surge in transactions between SMEs and their customers in the Malaysian market during lockdown.
- Standard Chartered Bank and Credit Guarantee Corporation Malaysia (CGC) signed an agreement to provide USD 24 M in financing to help SMEs solve their liquidity problems post COVID-19. As a result of this agreement, Standard Chartered became the highest contributor of financial assistance among foreign banks operating in Malaysia.
- UniCredit and the European Investment Bank signed an agreement to provide new resources aimed at stimulating the recovery of the Italian economy. The EIB will allocate EUR 200 M to UniCredit to lend to SMEs and mid-caps.
How FinTech companies can adapt to the new normal:

- The Colombian ecommerce delivery company, Rappi, now allows its SME customers to complete the digital onboarding process in less than three minutes. Rappi partnered with Jumio, one of the leading providers of AI-powered end-to-end identity verification and ongoing authentication solutions, to work on verifying the identities of its new clients.
- A webcast on World of Open Account (WOA) explores how XinFin, a hybrid blockchain protocol/platform, will reshape the trade finance space and provide MSMEs with more accesses to unconventional liquidity sources.
- With support from the United Nations Capital Development Fund, Ecobank and iPay Solutions will introduce a new digital solution named Digistore to empower MSMEs in Ghana. The platform will enable MSMEs to maximize sales by marketing and selling products in a digital and cashless manner.
- Mauritius Commercial Bank (MCB) launched a new mobile app for SMEs built on the Backbase Digital-First Banking Platform. This milestone marks the first step in the collaboration between Backbase and MCB, accelerating MCB’s digital transformation.
- The FinTech Lenders Association of Indonesia offered assistance to the Indonesian government with disbursing its USD 8.3 B allocated to SME support through the country’s national economic recovery program (USD 47.1 B).
- Hong Kong’s investment bank, AMTD Group, invested USD 11.5 M in five Singaporean FinTech startups. Member Funding Societies, SME digital financing platform, is one of the investees.
- Supply@ME announced a business alliance with Epic SIM for inventory funding and client company origination. Epic is a FinTech platform for working capital solutions, which enables SMEs to present their development projects to investors.
- Sparkle, a Nigerian digital banking startup, announced a new partnership with Visa, which will help consumers support local SMEs through the expansion of easy-to-use digital payment system across Nigeria.
- Tradeplus24, SME focused FinTech backed by Credit Suisse, joined the Australian Finance Group’s panel of finance providers to offer its loan product. Tradeplus24 model underwrites SME’s account receivables, using insurance, which removes risk for funders. As a result, SMEs can optimize their balance sheet in a more convenient and affordable way.
- CreditShelf, a leading credit platform for digital SME finance in Germany, launched a EUR 62 M direct lending fund in response to the pandemic. In the first half of 2020, the alternative lender has seen a 41.6% increase in the SME lending revenues with nearly 30% increase in lending volume.
- CRIF Realtime will provide its new scoring solutions, Credit Passport, to companies in ELITE) London Stock Exchange Group’s (LSEG) global business support and capital raising platform for private companies, which includes over 1400 innovative SMEs from 45 countries. The product is a real time credit report based on open banking data, which will facilitate credit decisions.

Reflections and Insights on COVID-19 and the future of SMEs:

- Neha Mehta, in her article on the AltFi explores how Fintech can leverage AI, alternative data and analytics to provide faster, cost-effective, and transparent financial solutions to women-led SMEs, especially during the pandemic.
- Xero, a cloud-based accounting software platform out of New Zealand, published two reports on how COVID-19 has impacted SMEs economically and emotionally across multiple countries.
- Fahmida Khatun in her article on the Strait Times examines the severity of the pandemic’s impact on MSMEs in the economies of the Asia Pacific region. MSMEs, which constitute 96% of all businesses in the region, are a major force of economic growth, face disruptions in their supply chains and business operations.
- Maria Ramos and Achim Steiner in their article for the Project Syndicate assessed the role of digitalization in the financial market during the COVID-19 pandemic. Big data and algorithmic analysis have accelerated funding to SMEs, and the emerging e-commerce platforms have been functioning as an arena for transactions between individuals and SMEs.
- Mercy Mangeny, Jason Musyoka, and Arielle Molino in their article for the Next Billion offered advice to angel investors looking at SMEs in East Africa. The regional economy is heavily dependent on SMEs, which need angel investors’ support for survival in the short-term. However, angel investing in East Africa is still in its nascent stage.

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