Weekly Update on Mitigation of COVID-19 Crisis - #8 - 05/11/20

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.

✓ The Bank of England and the UK Treasury discussed an innovative extension to the COVID Corporate Financing Facility (CCFF) which would encourage swift payment of SMEs' invoices. The new scheme would allow large companies to transfer their obligations to SMEs into a state-owned SPV, which would then pay the obligations and issue commercial paper to be bought by the CCFF.

✓ State-backed credit guarantees emerged as an increasingly important tool to support SMEs in developing countries:
  o In Pakistan, the finance ministry announced that it will be guaranteeing 40% of the principle for bank loans offered to SMEs.
  o In India, the government is considering a 20% guarantee on working capital loans for MSMEs.
  o Turkish central bank figures revealed that credit guarantees have been partially responsible for driving a 60% increase in lending since the start of the crisis in Turkey.

How banks and other financial service providers are adapting to the prolonged crisis:
✓ Nigeria’s First Bank provides non-financial services to SME clients with a series of “SME clinics” – webinars, where SME clients can learn and share information about how to get through the COVID-19 crisis.

✓ Maha, a Myanmar based microfinance provider published a detailed record of how the institution has navigated regulatory changes, increased client distress and the pandemic itself. You can read Maha’s COVID-19 diary here.

✓ Singapore’s DBS launched its “DBS P-Card” last week, using the current crisis as an opportunity to introduce innovative practices into the logistics sector, the P-Card allows logistics SMEs to fully digitize payments and collections, reducing the current reliance on paper invoices and cash.

How tech and FinTech players continue to propose innovative approaches:
✓ German SME lending platform creditshelf announced that it has received €62 M in funds, including €30 M from the European Investment Fund, to set up the “Creditshelf Loan Fund,” The diversified fund will help creditshelf meet increased demand in Germany for SME financing.

✓ Simpl, a technology company that works with merchants and financial institutions, operates an app, which enables digital payments between consumers and local neighborhood stores, reported a 30%-35% increase in the app-based transactions for essential products, precipitated by the lockdown.

✓ From April 24th to 26th, over 20,000 people participated in the EUvsVirus hackathon, developing solutions for COVID-19 related challenges. Bankera Business Care won top prize for digital finance for its solution that offers short-term financing to help SMEs meet liquidity needs.

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Next Virtual Roundtable #8:
May 14 – 8 am EDT
DFIs Preserving SMEs Liquidity and Solvency – By invitation only

Virtual Roundtable Recap:
Reducing financial vulnerabilities for women entrepreneurs during COVID-19