Weekly News Update on Mitigation of COVID-19 Crisis #14 - 06/22/20

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 Republic of Korea launched a US$ 4 B Working Capital Support Program to extend loans to SME subcontractors in key industries.
✓ The Bank of Russia decrease interest rates for SMEs from 3.5% to 2.5%. This applies to both new and previously granted loans. The total amount allocated to this initiative is US$ 7.2 B.
✓ The Central Bank of Chile established the second Conditional Financing Facility to Increase Lending, with an amount of US$ 16 B. The program is intended to strengthen credit incentives for SMEs, as well as non-bank credit providers.
✓ Colombia Productiva and Bancóldex launched a credit line for MSMEs with a total amount of US$ 7.6 B. The loans should be used for implementing safety measures and restarting operations.
✓ The Ministry of Finance of the Arab Republic of Egypt approved the issuance of credit guarantees worth US$ 185 M for the Central Bank of Egypt to support the tourism sector. This initiative allows tourism facilities to receive loans with 5% interest rate.
✓ The Ministry of Finance of Indonesia announced that it will provide interest subsidies for MSME loans. For loans up to US$ 35,140 the government will provide a subsidy of 6% for the first 3 months and 3% for the next 3 months; while for larger loans, up to US$ 702,814, an interest subsidy of 3% for 3 months and 2% for the next 3 months period will be provided.

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

✓ Ecobank and AUDA-NEPAD, the development agency of the African Union, announced a new partnership to support 100,000s MSMEs post-COVID-19. The organizations will focus on making MSMEs more resilient and improving their access to international markets. Programs included in this framework will focus on education, financing, networking, insurance, and digitization.
✓ The Jordan Enterprise and Development Corporation launched a new program to support its industrial SMEs by partially financing their shipping costs to non-traditional markets (Singapore; all African countries, beyond Arab countries; Eurasian countries – Azerbaijan, Russia, Belarus, Armenia, Kyrgyzstan, and Kazakhstan).
✓ IFC announced that it will invest up to USD 100 M in Nigeria’s Zenith Bank, sixth largest bank in Africa, in order to support SMEs. This loan marks IFC’s first investment in Africa as a part of the organization’s US $ 8 B COVID-19 financing support.
✓ The Central Bank of the UAE provided over US$ 13.6 B to UAE banks to support liquidity relief measures for individuals and SMEs as part of its Targeted Economic Support Scheme.
**How FinTech companies can adapt to the new normal:**

- Malaysian FinTech Curlec announced that it will be **expanding its operations** and hiring more staff, after successfully securing funds from 500 Startups. The company’s goal is to bring direct debit online so that Malaysian SMEs can process recurring payments via direct debit bank to bank transactions.

- UK based FinTech Quotevine **launched its new Quickstart asset finance broker package**, developed in direct response to the COVID-19 financing crisis facing UK SMEs. The new service is designed to help smaller lenders distribute essential loans to most vulnerable companies.

- SoftBank-backed Greensill just **acquired Colombian Omni Latam** in an all-stock deal. The aim of this acquisition is to finance more regional SMEs. Omni Latam has been operating in Colombia and Chile and will be examining to Brazil and Mexico, as part of Greensill.

- Brazilian lending fintech BizCapital announced that it **raised USD 12 M from DEG, KfW’s subsidiary**. The fintech will use funds to support SMEs during their entire life cycle and to develop new products for SMEs.

**Noteworthy insights and analysis on COVID-19 and the future of SMEs:**

- **Tom Bundervoet, Girum Abebe, and Christina Wiser** from The World Bank Group released a new report on the impact of COVID-19 on firms in Ethiopia. The report is based on data from high-frequency phone surveys and shows that despite a gradual reopening in Addis Ababa, firms’ earnings are still considerably lower than normal, with some firms still reporting zero earnings.

- **McKinsey** published a new report on how COVID-19 is impacting SMEs in the United Kingdom, where they employ 44% of the country’s workforce. According to their recent online survey, more than half of SMEs expect market stagnation or a recession in the future, as business performance worsened in May.

- A recent article from Global Finance details numerous hurdles SMEs face as they begin to reopen around the world. It notes that in addition to local quarantine regulations, reopening permits, and health concerns, many SMEs face decrease in consumer demand and supply chain disruptions, limiting their ability to recover quickly.

- **Selim RF Hussain**, Managing Director of BRAC Bank Limited, wrote an article arguing that credit guarantee schemes are essential for successful stimulus packages, given that banks are taking on significantly larger credit risk with government continuously extending loan moratoriums.

- A study from the Interactive Advertising Bureau concluded that the majority of the United Kingdom’s SMEs believe that **an increase in digital advertising will be the key for success** of their businesses, as COVID-19 lockdown forces businesses onto digital marketplaces.

- The New York Times published an article on how black-owned SMEs are some of the hardest hit by the pandemic in the United States. The article explains that black-owned businesses are more likely to be in industries, which have been most affected by the lockdown, such as restaurants or retail; and they appear to be benefiting less from federal stimulus programs, such as Paycheck Protection Program.

**For more industry news, visit the SME Finance Forum’s LinkedIn Discussion Group.**