



Weekly News Update on Mitigation of COVID-19 Crisis #10 - 05/25/20

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 Japan introduced a [new fund-provisioning measure](#) that aims at supporting SMEs. The Bank will provide interest free loans for up to one year to eligible counterparties against pooled collateral.
- ✓ The European Commission approved the plans of the [Lithuanian government to set up a €1 billion fund](#), which will invest in medium-sized and large enterprises active in Lithuania and affected by the coronavirus outbreak through subsidized debt and recapitalization instruments.
- ✓ The government of Chile decided to inject additional US\$ 150 M to its *Corfo Mipyme Credit* program, which supports Chilean SMEs. The objective of [this stimulus](#) is provide credit to 200,000+ micro entrepreneurs to enable them to continue business operations.
- ✓ The Ministry of Economic Development of the Russian Federation announced that the government approved [an allocation](#) of US\$ 169 M, to support 84 state microfinance institutions at the regional level.
- ✓ The government of Spain activated the fourth EUR 20 B tranche of its EUR 100 B [guarantee program](#). The purpose of the funding under this tranche is to benefit SMEs.
- ✓ A group of over 25 DFIs, including IFC, has committed to [scaling up cooperation](#) in response to COVID-19, aiming to provide and mobilize billions of dollars of funding to help the private sector deliver critical healthcare supplies, ensure MSMEs have access to capital, and strengthen global supply chains, which sustain millions of workers in developing countries.

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

- ✓ As their online financial services expand, **WeBank** has [increased AI applications](#) to ensure customer security, enabling voice and face verification as security options for clients. This may serve as a model for other banks as the rapid shift to online banking due to COVID-19 highlights security gaps on many platforms.
- ✓ **Starling Bank**, a UK digital, mobile-only bank, and **Funding Circle**, a peer-to-peer lending marketplace, launched a new [strategic partnership](#) aimed at lending £300 M to small businesses under the government-backed Coronavirus Business Interruption Loan Scheme (CBILS).
- ✓ **BTPN**, a foreign exchange bank specializing in MSMEs in Indonesia, recorded [double-digit growth](#) in net profits (48%) and loans (12%) in the first quarter of 2020 despite facing challenging new banking conditions as a result of COVID-19. Bank president Ongki Wanadjati Dana announced that the bank has maintained liquidity throughout the pandemic, with a liquidity coverage ratio (LCR) of 212 percent as of May, allowing the bank to continue supporting MSMEs.
- ✓ **Ecobank**, a pan-African bank operating in 36 African countries, is launching a new partnership with **Google** to release specific [digital packages](#) that help SME clients build the necessary digital skills to adapt to new conditions of online marketplace, including modified Google Ad and My Business products.

How FinTech companies can adapt to the new normal:

- ✓ Veon-owned Pakistan mobile wallet **Jazzcash** [partnered with Mastercard](#) to expand the range of payment services available on its platform. **Jazzcash** users will be able to pay to Mastercard-linked retailers and order physical debit cards tied to their accounts. In addition, Jazzcash's partner merchants will also be able to accept digital payments and digitize their supply chains. With a large percentage of Pakistan's population still unable to access formal financial services, this partnership allows Veon's over 7 million customers and SMEs to carry out transactions in a safe and efficient manner.
- ✓ **Facebook** recently launched **Shops**, a new [digital storefront platform](#) for business that allows SMEs to set up free storefronts on Instagram and Facebook. The platform, which is powered by third-party services including Shopify, BigCommerce, and Woo, allows SMEs to expand their online marketplace and could create new business opportunities for Facebook through advertisements and transaction fees.
- ✓ Small business platform **Xero** partnered with **TransferWise**, a British online money transfer service, to allow companies to pay multiple bills in one go as part of a launch of multiple revenue, profit, and cash flow management tools. Through this partnership, Xero has accelerated pilots for its [Business Snapshot and Short-Term Cash Flow](#) tools to help SMEs in the UK and their advisors easily view their financial metrics and manage business continuity.
- ✓ **Upstart**, a leading artificial intelligence lending platform, has announced their new [Credit Decision API](#) product which allows banks and other lenders to expand their AI underwriting capabilities.
- ✓ Together with members of the **Responsible Leaders Network of the BMW Foundation**, the **Ayadee Foundation** is hosting a [virtual hackathon](#) to bring together networks of technologists, food and agriculture industry experts, policy experts, scientists, engineers, and academics to find new and innovative solutions for agriculture oriented SMEs and communities.
- ✓ In an effort to support MSMEs struggling with COVID-19 imposed lockdown restrictions, **PayPal** has rolled out a new [QR code capability](#) for its mobile app. The feature allows buyers to pay by scanning a QR code, thus making it easier for MSMEs to continue operations, while following social distancing guidelines through contactless payment.

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

- ✓ 2020 was supposed to be the year that new online banks [challenged traditional financial institutions](#) to shape the future of the banking industry, Alan McIntyre opines in his **Forbes'** article. Instead, COVID-19 has pushed traditional banks to shift online, closing the digital gap and risking future security for new digital challengers.
- ✓ A new [report](#) from the **World Bank Group** asserts the importance of credit reporting as the global economy shifts to stabilization and recovery. It argues that properly functioning credit reporting systems can assist in stabilization and recovery phases through supporting private sector credit granting, minimizing the cost of public intervention, and assisting with data driven policy formation.
- ✓ The **SME Finance Forum's** [new blog](#) highlights the importance of supporting MSMEs during the pandemic, using interactive data visualizations to demonstrate the MSMEs' large contribution to employment and GDP value-added.
- ✓ A [collaborative study](#) from scholars at Yale, Princeton, and Oxford on the impacts of the CARES Act on small businesses demonstrated that very few small businesses were aware of early government responses to the pandemic, limiting Paycheck Protection Program applications from SMEs. Furthermore, SME owners' future expectations of business recovery are growing increasingly negative as social distancing and lockdown conditions continue into the summer.
- ✓ **NextBillion** featured an [analysis of mobile money transactions data](#) in Rwanda that shows how slashing or eliminating fees on money transfers during the lockdown period can dramatically increase usage, providing an on-ramp for the use of digital financial services to those who would otherwise use cash and expanding these services' long-term customer base.

For more industry news, visit the **SME Finance Forum's** [LinkedIn group](#).