

**Virtual Roundtable Series on COVID-19 Mitigation Efforts #8:
Role of DFIs in Preserving SME Solvency
May 14, 2020**

Q&A summary

Question for EBRD:

1. *What is the average size of transaction per SME?*

In terms of our direct business, about EUR 1-5m depending on the country; for indirect (via banks) is smaller

Question for KfW:

1. *Can you please say more about the parameters of your collaboration with the West African Development Bank?*

We have an equity stake in this bank and support it through concessional credit lines.

Questions for all:

1. *To what extent are you seeing women-owned SMEs being impacted differently? How to deal with the gender dimensions?*

Specific question from chat:

- *I am interested in hearing more about what the speakers are seeing both in terms of government assistance to SMEs and whether they see safeguards to ensure women have equal access, and also what the DFIs are doing to ensure this is happening with their own programs?*

CDC: Our gender lead at CDC Group who is also Chair of the Gender Finance Collaborative has, in collaboration with the 2X Challenge Working Group, produced [this guidance](#) note on why women and girls should be central to COVID response mechanisms.

https://assets.cdcgroup.com/wp-content/uploads/2020/04/07141256/2X_GFC_COVID_GenderResponseNote_April2020.pdf

EBRD: On Gender at EBRD we are stepping up on our Women in Business program and you can find information on our website [Finance and advice for women in business](#).

<https://www.ebrd.com/women-in-business/finance-and-advice-for-women-in-business.html>

DEG: DEG and many of our peer DFIs are members of the 2X Challenge and the Gender Finance Collaborative where we coordinate closely and join efforts to promote gender-lens investing. We recently published a joint Statement expressing our commitment to put women and girls at the center of Covid-19 response mechanisms. In particular, we have an Investment Officer (IO) working group made up of IOs from across our member DFIs who are available to support DFIs and their financial institution customers to design Covid-19 response programs with a gender-lens. Ensuring liquidity as well as non-financial services support, such as access to advisory and digital sales channels, for women-led SMEs is an important component. We recently collaborated with We-Fi on a webinar focusing on how we can all ensure women-led SMEs have equal access to SME emergency programs. A key outcome of this discussion was that an explicit gender-lens is crucial. Great resources and upcoming webinars are featured on the We-Fe Blog and the Financial Alliance for Women (FAW) website. We are eager to

collaborate with others to tackle these unprecedented challenges best as we can and are always interested in exploring further opportunities for collaboration.

We-Fi resources: <https://we-fi.org/first-we-talks-puts-women-entrepreneurs-front-and-center-in-recovery-programs/>

Joint Statement by the [2X Challenge and GFC on Gender and Covid-19](https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=):

[https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-](https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=)

[pandemic?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=](https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=)

FAW resources: <https://financialallianceforwomen.org/>

2. In this crisis liquidity and access to quick financing becomes crucial for survival of many MSMEs and the sustainability of supply chains. Do the Development banks on the panel consider instruments like Supply Chain Finance? (e.g. like ADB and EKF are doing already)

CDC: Trade and supply chain finance programs, generally speaking, are the quickest mechanisms through which to deploy liquidity into our markets.

EBRD: We had a record year on trade finance already aided by transactions such as the import of ambulances from one country to another, or medical supplies from one country to another, so there is demand on trade finance. Digital platforms will play a larger role in access to finance for SMEs in trade and supply chain finance.

We-Fi connected to supply chain to get more women incorporated into supply chains and working to create digital platforms, as availability of tech is an issue. Additionally, issues such as KYC and treatment of data between countries are challenging so trade and supply chain finance is a next big area in which to improve access to finance. The COVID pandemic has highlighted weaknesses in global supply chains and so countries may be considering investing in domestic versus international supply chain as countries want to become more self-sufficient so will trade diminish in the long run?

3. Do you have any examples of direct support helping SMEs setting up transactional websites swiftly?

EBRD: At EBRD we are providing advisory to SMEs on digital marketing/setting up websites

<https://www.ebrd.com/news/2020/uzbek-bakery-adapts-business-to-coronavirus-pandemic.html>

DEG: There are some banks and niche players who are traditional financial institutions, i.e. not fintechs, who are offering this type of support. An example of this is the launch of an online platform by Banco Nacional in Costa Rica to allow SMEs to sell products online. Additionally, Access Bank Nigeria has a webinar series to help SMEs adapt to digital. For more information,

<https://financialallianceforwomen.org/news-events/network-news-april-2020/>

From Attendee David Crush: Access to Finance Rwanda has been helping develop a local platform providing information to local SMEs in the face of Covid <https://smeresponse.clinic/>

4. In the face of COVID-19, many banks (and non-banks) have cut the budgets of their innovation/digital departments as they're deemed as "non-essential". Several digitalization

projects are suspended. But the traditional call centers cannot handle the high volume of inbound calls due to the shutdown of their branches. Many SMEs don't even have the chance to submit their loan applications or talk to their Relationship Manager.

How can impact investors and DFIs work with banks to resolve this issue (provide extra funds to continue their digitalization efforts so that their services to clients won't be interrupted)?

IFC: This is indeed an issue, where the urgent (reducing costs) drives out the important (digitization of products and channels). In our own advisory work, we tell clients that digitization is both important AND urgent in the sense that it is a matter of survival. We have started a program by the name of DIGILAB where we work with cohorts of clients to help them with their digital journey.

DEG: Yes, very interesting point. DEG is offering tailor-made TA and co-financing for clients interested in digitalization processes.

5. What are we putting in place to ensure we can see what was effective during this response? And to what extent does analysis of past crises and what are we using from past crises come into play?

Specific question from chat:

- *I am wondering how the DFI's are thinking about measuring the effectiveness of their various initiatives? Can they speak to any core KPI's that motivate a particular policy or initiative?*

EBRD: We have looked at what we have done in past crises e.g Ukrainian crisis for example which taught us to provide liquidity for shorter term, and covering for CapEx which is a big shift for EBRD, and the focus is on shorter term to get money out the door, and focusing on existing clients rather than new clients so there is speed of deployment.

We can learn from past crises, but this is quite a unique one and seems like no matter what we put through it may not be enough so we are focusing on short term at the moment and then looking ahead. There was an article in the FT related to EBRD's investments and a big debate on the green agenda and where does green stand in terms of investment in the face of the crisis and our response, so we need to keep those longer terms investments on our minds but focused on liquidity in the shorter term.

CDC: One of our major priorities since 2012 is job creation in our markets and that has been challenging and is even more so now. We are looking at how many jobs were prevented from being lost and what is the counterfactual without CDC intervention which is difficult to estimate well. We have models to help us to figure this out, but it is quite difficult to quantify the counterfactual and we will have to sort this out after the COVID impact.

BDC: We looked at former crises responses and then realized this crisis was much larger, so we restarted the Business Credit Availability Program (BCAP). This program gets all Canadian financial institutions around the table and we shared analysis and understanding of the problems and designed the solutions. This gave us speed and an ability to operationalize certain elements and we used existing channels of distribution.

6. What can we do to use this crisis as a springboard to build a more equitable economy?

Specific question from chat:

- *What are the key lessons SMEs and financial institutions are learning from this crisis? Are they worried about going back to 'normal' -as much as it could be possible- or are they concerned about this crisis being an opportunity to review our economic model, address inequality and do business in a different way?*

CDC: There has been a change of mandate from poverty alleviation to equity. Making sure that basic needs industries such as food, water, shelter and energy, etc are inclusive just as we look at financial inclusion. In MICs where there is great inequality, DFIs can play a role in policy related dialogue with countries on inequality.

EBRD: There is a big role for donors on issues of inclusion and gender focused programs. We are able to provide investments that specially tackle inequality, and this can be and should be the role of donors and philanthropic institutions to help address.

FMO: To address this issue, we can deploy approaches such as blended financial structures where donors can kickstart some of these types of program. For example, FMO supports a portfolio of banks lending to MSMEs in the Middle East and Africa and we got approval from EU to include COVID affected MSMEs in our work. This allows us to take even more risk than we could have under typical and normal conditions. We need to think of innovative partnerships with DFIs and donors who can make a difference here.

IFC: This very question is one of the major reasons we are in the work we are. Women have their access cut off in this and other crises. We need private sector and we need small enterprises, so as DFIs we need to elevate SMEs' needs to ensure they continue to survive and thrive. There was an interesting publication authored by the IMF last year "[Confronting Inequality](http://cup.columbia.edu/book/confronting-inequality/9780231174695)"
<http://cup.columbia.edu/book/confronting-inequality/9780231174695>

DEG: We have made a strong case for this in our joint 2X Covid-19 Statement:
https://www.2xchallenge.org/press-news/2020/04/07/2x-challenge-and-gender-finance-collaborative-response-to-covid19-pandemic?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=

From grassroots organizations to corporate Boardrooms, we are seeing discussions shifting from a narrow focus on poverty to a more holistic perspective on inequality and how it interacts with the question of poverty alleviation. This is closely related to discussions around climate action. As research by Oxfam has shown, to get us to a situation where everyone on earth is living on more than \$5 a day with current levels of inequality would require the global economy to be 175 times bigger than it is today, which would destroy our planet.

Many of our peer investors and customers are starting to discuss opportunities for transformation post Covid-19 to build more equitable and resilient economies. This includes discussions around the nexus between climate finance and gender-lens investing, the role of private sector investments in the care economy, inclusive business models that tackle different dimensions of inequality, as well as a broader transformation of corporate culture and the way of doing business. We are definitely interested in continuing this dialogue and exploring new opportunities for innovative partnerships.

Oxfam research: https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-reward-work-not-wealth-220118-summ-en.pdf

BBC article discussed by our LatAm clients: <https://www.bbc.com/mundo/noticias-internacional-52516855>