

# PUBLIC SECTOR: COVID-19 programs for SMEs

Concrete actions from development Banks to help incentivize Access to credit and assist SMEs repair supply chains affected during the COVID-19 recovery period:



## Direct Funding

- Direct funding to SMEs, suppliers, buyer or distributors
- Funding to first tier financial institutions for loans to SMEs



## Sector Targeting

- Identification of strategic or affected sectors
- Special programs for affected sectors, including funding, subsidies and favorable credit terms
- Financing of public sector Accounts/invoices



## Credit Enhancement

- Partial credit or reciprocal guarantees
- Credit insurance
- Guarantee for differences between pre-covid and post-covid cash flow performance



## Technology

- Launch of sectoral platforms (supply chain financing)
- Automated approval or credit processes
- Speedy approval, onboarding, disbursement processes



## Borrower Subsidies

- Grace period or extension in payment term
- Assistance in interest payment for period of time
- Assistance with penalty, fees and provision costs in case of delayed payments



## Legal Infrastructure

- Structuring of eligible collateral
- Prudential tolerance period
- Improvements to legal frameworks
- Formalization simplification

# PRIVATE SECTOR: LCOVID-19 Lending to SMEs using Movable Collateral

## Phase 1: Support current loans in target segment

## Phase 2: New Loans

Development recommendations for commercial banks to shore-up current loans to SMEs affected by the COVID-19 crisis, by taking security interest in movables – including for example on credit and debit card receivables as security interest and method of payment

- Months 1-3: Support SMEs with new security interests in movables including Accounts Receivables and credit card receivables
- Months 4-12: IFC provides advisory services to Banks for implementation of COVID response credit development based on security interests in movable property

### Benefits:

- Protect current loan portfolio
- Help SMEs during affected by COVID -19
- Continue in the development of launch of credit asset-based lending products

### Security Interest in Movables:

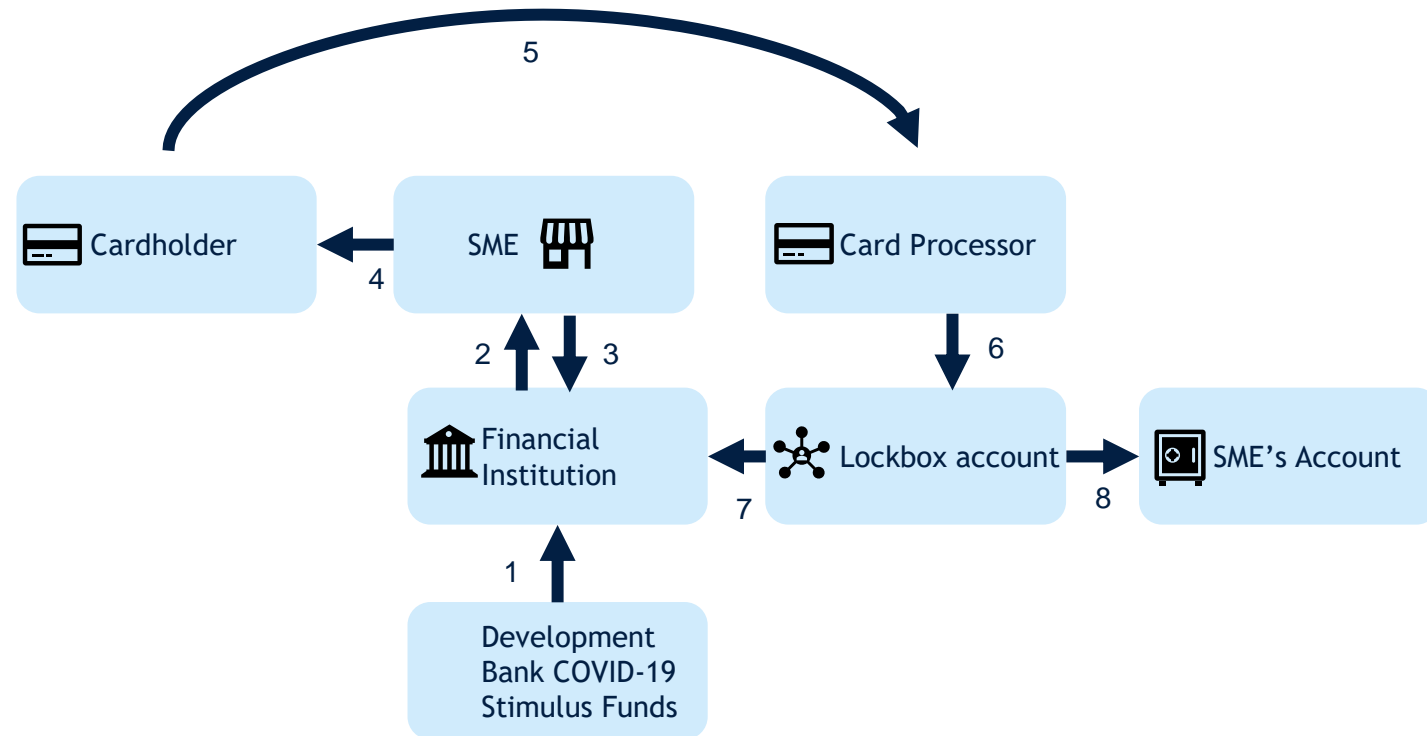
- Improves bank's position on pre-covid loan (converts unsecured loan into secured loan and establishes priority in favor of lender)
- Phase one: allows increased lending and portfolio refinancing using security interests
- Phase two: allows for new SME loans using ABL.

Advisory Assistance to Banks on Asset-Based Lending

# PUBLIC AND PRIVATE SECTOR : Reaching more SMEs combining programs and collateral

## Summary:

1. Credit enhancement by Development Bank as part of government stimulus package for SME financing
2. Short-term amortized loan to SME
3. Security interest in cashflow from debit and credit card sales
4. Sale of goods or services by SME
5. Payment by debit or credit card
6. Deposit into lockbox
7. Amortized loan payment
8. Deposit of remainder into SME's operational account



Using COVID-19 stimulus funds to leverage private sector lending to SME retailers during the current health emergency. A development bank guarantee can be used to incentivize bank lending to SMEs by creating a grace period for loans to affected sectors as well as covering potential losses related to discrepancies in historical performance of credit card sales as compared to sales during the crisis. To create large-scale uptake of this product, the development bank and financial institution can establish standardized parameters and an automatic approval process, including SME profiles, sectors, historical credit card sales, interest rates and repayment terms.