



UPCOMING WEBINAR

# Access to finance and insurance in the context of COVID-19

# Welcome!

It will start at 15:00 CEST

29th May 2020



# TECHNICAL TIPS



**Your microphone is currently off**



**If you have comments or questions** during presentation please ask on the chat



**If you can't hear or see:** close and restart webinar, and close other programs



**This webinar is recorded**



# Who are we?



**Jose Luis Pereira**  
National Program Officer  
**SDC Bolivia**



**Peter Beez**  
Senior Policy Advisor-  
Engaging with the Private  
Sector- **SDC**



**Siham Boukhali**  
Webinar Moderator

Advisor Financial  
Sector Development  
Helvetas Swiss  
Intercooperation



**Maja Rüegg**  
Chat Moderator

Head Sustainable &  
Inclusive Economies



**Franz Thiel**  
Technical Support

Advisor Knowledge  
& Learning



# Welcome

## Purpose and objectives

- Hear project experiences on how they have responded, reacted or adapted their activities in the current Covid-19 context
- Learn about and explore experiences for addressing financial challenges in projects.
- Document, share and road map the topic organizationally and programmatically.

## Programme

- Welcome
- 1st input: Interview of Jose Luis, NPO, on the “Inclusive Markets” project in Bolivia
- 2<sup>nd</sup> input: Presentation by Peter Beez, Senior Policy Advisor, on the “Open Road Initiative”
- An overview of the e+i C19 Shareweb pages



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

## “FSD: Emerging best practice for finance and insurance access in Bolivia”



José Luis Pereira O / May 2020, La Paz



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Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

**Cooperación Suiza en Bolivia**



Could you give us a bit of background on the project you are going to talk about?



**Jose Luis Pereira**  
National Program Officer  
SDC Bolivia



**Siham Boukhali**  
Webinar Moderator  
Advisor Financial Sector Development  
Helvetas



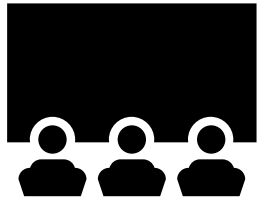
How has the project been impacted by the covid-19 situation?



**Jose Luis Pereira**  
National Program Officer  
SDC Bolivia



**Siham Boukhali**  
Webinar Moderator  
Advisor Financial Sector Development  
Helvetas



What measures were taken by the government and how did they affect your beneficiaries?

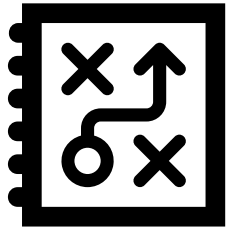


**Jose Luis Pereira**  
National Program Officer  
SDC Bolivia



**Siham Boukhali**  
Webinar Moderator  
Advisor Financial Sector Development  
Helvetas





What measures has the project taken to address the situation?



**Jose Luis Pereira**  
National Program Officer  
SDC Bolivia



**Siham Boukhali**  
Webinar Moderator  
Advisor Financial Sector Development  
Helvetas



What is the main success you have achieved so far?



**Jose Luis Pereira**  
National Program Officer  
SDC Bolivia



**Siham Boukhali**  
Webinar Moderator  
Advisor Financial Sector Development  
Helvetas



Q&A



# Promoting Social Entrepreneurship in Latin America - Emergency Impact Linked Finance



**Peter Beez**

Senior Policy Advisor-  
Engaging with the Private  
Sector- **SDC**



How to reach out to  
*hundreds of thousands*  
of beneficiaries in private  
sector development ?

- By engaging with the private sector
- And by working via **impact enterprise**:
  - Microfinance Institutions
  - Cooperatives
  - Social Enterprises
  - Etc.

⇒ many of them are SMEs.

Example here: PES LATAM (Promoting Social Entrepreneurship in Latin America and the Caribbean)

- **still work in progress !**





# What happens if your transmission SME dies?

- In the past you attributed additional growth, (i.e. outreach to your target group) to your project: the impact
- If the SME disappears: old, new, *every* impact disappears

=> rescuing an SME means not only saving marginal impact but **total impact** of the SME





How are  
SMEs hit  
by  
Covid 19?





## First thing to do:

- Ask them => Survey

Result:

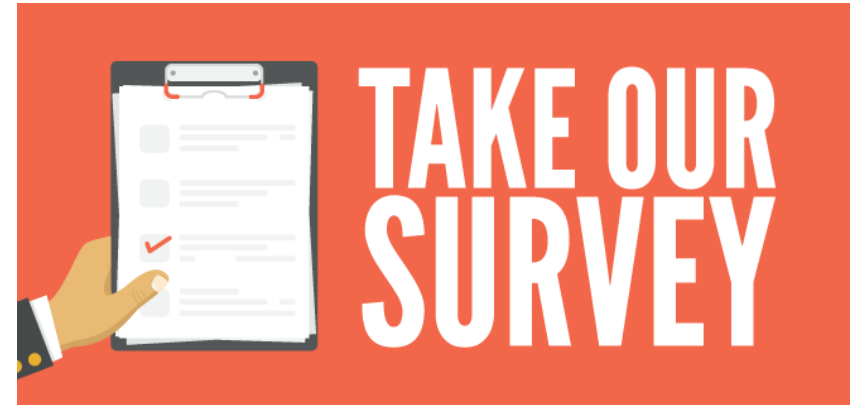
Some gain, some loose something,  
some are loosing everything

And: Different needs

Look around, too:

What the others are doing, saying ...  
partners, governments, etc.

Helps identifying potential new partners, too.







# What is drying out first?



Liquidity.

No or lesser revenues, but costs continue (salaries, rent, etc.)

=> Finance is the bottleneck

=> So we tried to copy **easygov**

=> Bridge loans





# Additional problems with social enterprises

PES LATAM SMEs

“Social” often means :

- Less reserves
- Lower margin
- Still rather small
- Not investment ready
- Etc.

Lenders:

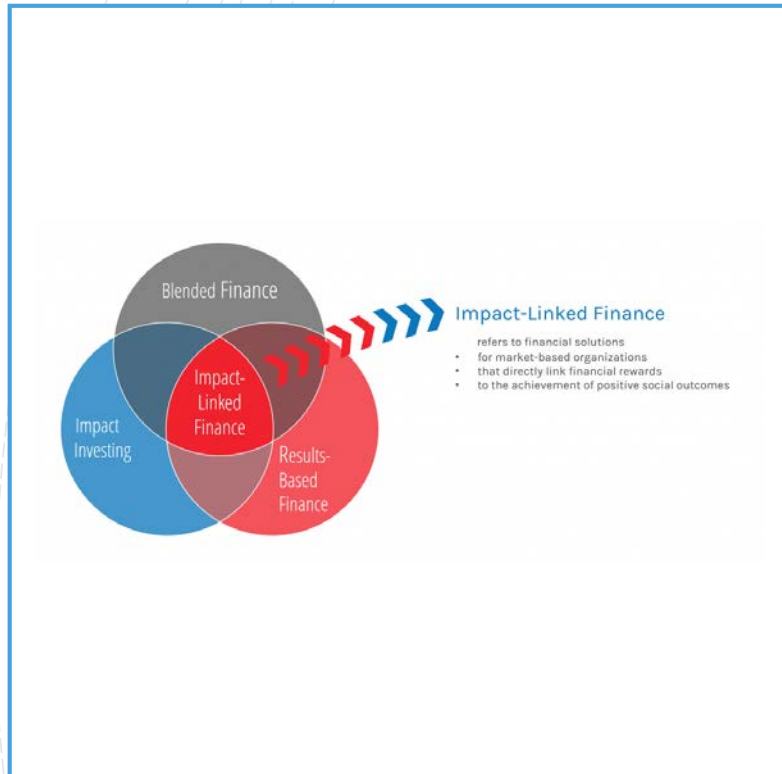
- Risks perceived high, even higher with COVID
- Small ticket sizes not feasible (below 500K)
- SME not investment ready
- Etc.

=> Guarantee like in Easygov not enough





# Solution: Impact Linked Finance



Paying back a loan means earning enough money to pay back capital **plus** interest

=> If your profitability is below the interest rate (e.g. 20%) you may never be able to pay back ...

=> Pay back with your impact, at least a part





## Solution: Impact Linked Finance

Collaboration with two private sector investors:

- Open Road Ventures Impact Fund
- Viwala

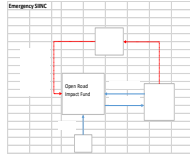
Both willing and capable to finance social enterprises even below 500K

Already before the Crisis





# Set Up



SMEs that

- avoid mission drift,
- continue to serve the poor,
- achieve impact

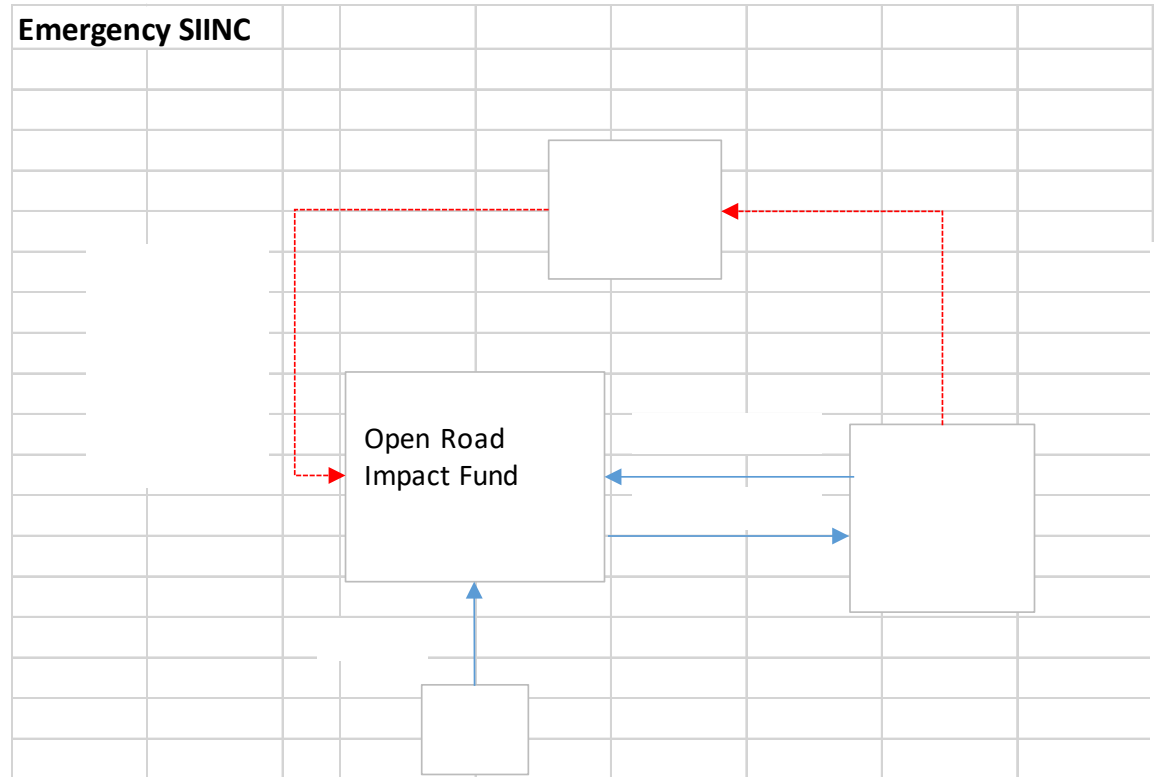
receive partial loan forgiveness

Additional elements:

1. Interest rate subsidy
2. First Loss Piece

Partners:

- Open Road Impact Fund
- New Ventures, Viwala





# Lessons learned

We learned a lot.

But:

- Complexity underestimated
- Workload for SDC staff too high
- Still not up and running
- SDC procedures and restrictions make it very difficult to work with for profit private sector partners (impact investors)

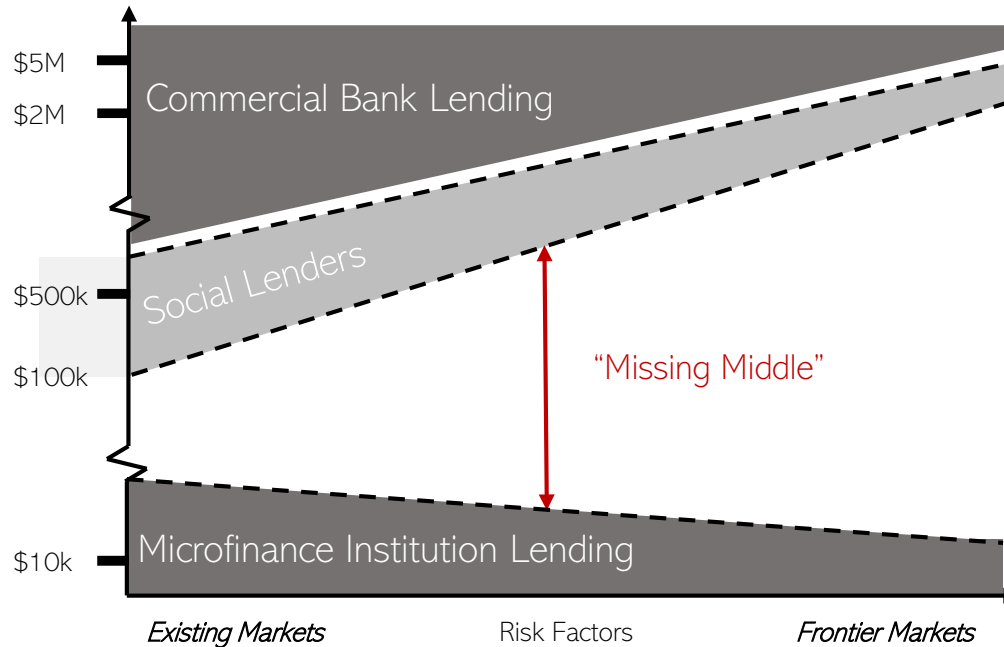




# Defining the Problem | Missing Middle

*Emerging markets are more constrained by the missing middle issue*

Illustrative example of the financial needs for SMEs in Agriculture\*



- Commercial Banks:**
- Typically lend from \$1M and above
  - Usually require fixed asset collateral
- Social Lenders:**
- Lending from \$100K --\$2M,
  - Extending beyond commercial banks to reach a portion of the missing middle
  - Often provide unsecured lending tied to seasonal production in absence of formal collateral
- Microfinance Institutions:**
- Lend at a very small ticket size
  - Moving towards higher loan sizes while remaining well under \$50k

\*USAID, CSAF (2018). CSAF financial benchmarking - Final learning report; p. 8

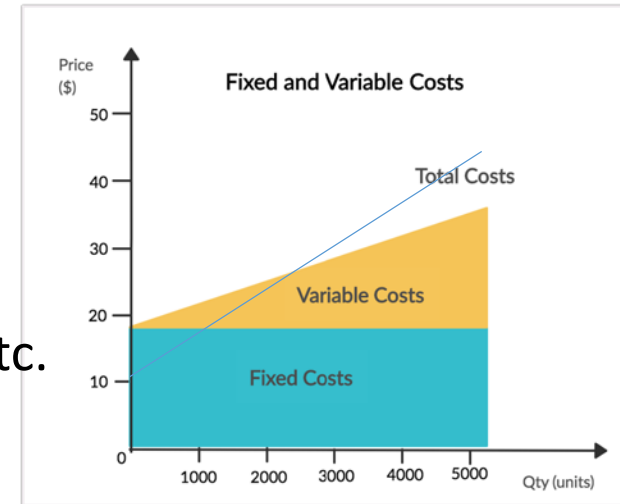




# Why is there a missing middle?

Providing loans has costs for the investor:

- Fixed costs: due diligence, legal fees, monitoring, etc.
- Variable costs: loan loss reserve, cost of capital



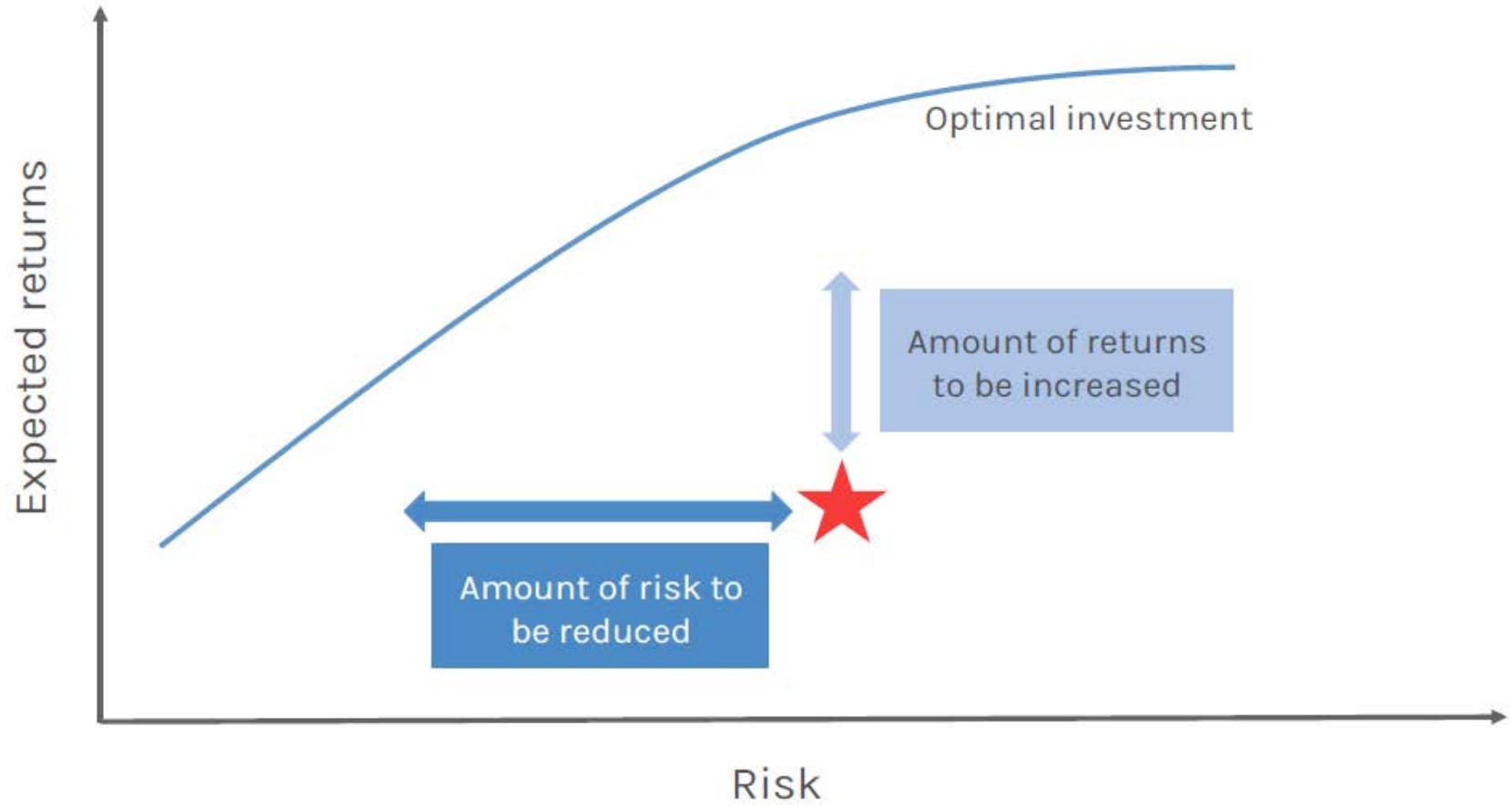
Problem:

Fixed costs are independent of the loan amount. Interest payments from loans below 500k are not enough to cover costs:

=> On average investors loose about USD 25K per operation/loan in the missing middle.







A large, dark, irregular ink blot with the text "Q&A" centered inside it. The blot is surrounded by a light, textured background with scattered dark specks.

Q&A



# Thank you and stay tuned!

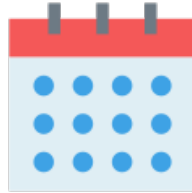


## Keep yourself updated

...on the e+i Shareweb with regular updates, on good practices, resources and tools!

➤ How to navigate the e+i C19 Shareweb pages:

<https://www.shareweb.ch/site/ei/Pages/Content/Profiles.aspx?SmartID=2934&item1=Covid-19%20FSD>



## Upcoming webinar

Next webinar by the e+i network will be on “Jobs in non-farm sectors in the context of the Covid-19 crisis”:

Wednesday 10 June, 14:30 – 16:30 and  
Thursday 11 June 09:30-11:30