



MARKETLINKS

KEEPING FIRMS AND SUPPLY CHAINS AFLOAT IN THE AGE OF COVID-19

PRESENTATION TRANSCRIPT

JUNE 18, 2020

PRESENTERS

Sashi Jayatileke, USAID's Private Sector Engagement (PSE) Team

Thuy Nguyen, USAID/Vietnam

Yacine Simporé, Investisseurs & Partenaires

MODERATOR

Anastasia De Santos, Economist for Office of Trade and Regulatory Reform

Anastasia de Santos:

Hi, folks, thank you for your patience and as more and more folks are joining, I guess a lot of people may be in you to Google Meet so we're going to give folks one more minute to join and then we'll get started.

Anastasia de Santos:

All right, folks. Thank you for joining today. We're having our rescheduled webinar keeping firms and supply chains afloat during COVID-19. This is Anastasia de Santos with T3RR and I think some of you may have tried to join the previous version of the webinar but we're trying simpler technology this time so we really look forward to a good discussion today.

Just a quick logistics, please turn off your camera or turn off your video so that we can conserve bandwidth because I think that was a challenge last time.

Actually, even us as speakers, we're not going to be using our cameras.

As we move through the presentations there is a Chat Box and if it you hover your cursor over the top-right corner you can see a speaking bubble and there are some new messages there and so that's where you can enter your questions as they arise to you. We will certainly start the Q&A with the questions from last time.

Anastasia de Santos:

Without further ado, let me just quickly explain today the topic for today and its importance in this age of COVID-19 and pandemic affecting all of our host countries, it really is a survival of the firm sets at stake and these firms are very important to the host countries because of the essential goods and services that they provide, the tax revenue that they might pay to the government, even if they're not formal they're paying other kinds of taxes and fees such as sales tax and custom duties, and of course the wage employment that they provide to all of their employees.

So, with that I'm going to actually hand it over to my colleague, Sashi, to talk about how our agency is adapting some of our programming.

Sashi Jayatileke:

Thanks, Anastasia, and I did give part of my presentation in the last session so I simplified it a little bit today, but just to provide a recap of what we're finding as a result even though many countries are starting to open up after the initial impact of COVID-19, we still have seen a significant loss of certain businesses and enterprises.

Sashi Jayatileke:

One study conducted by in Honduras said 15% of enterprises there closed permanently and 40% additional will close if the situation didn't change. Additional information that we got from Andy and BFA Global show that 62% of small businesses are unable to deliver on small orders and contracts due to logistical challenges from COVID. So even though we're still opening up, there are still longer-term effects of what's happening in the supply chain and then 40% of businesses, small businesses, have missed a financial payment.

So, this kind of highlights the challenge across the globe that we're facing, that businesses are really facing a lack of liquidity and cash flow and many only have about four weeks of cash reserved to survive.

Sashi Jayatileke:

And what's interesting is that, actually, not a lot of money is needed according to research to survive the crisis. It's often a loan of less than \$50,000 that would be needed to survive, but this is coming at the same time that we're seeing a 25-40% drop in investment. So while there is a need for relief capital, we're actually having a reduction in investment, and so as donors and in lending partners, we're trying to think of ways to essentially provide immediate support and that can be in the form of flexible financing, non-financial support or direct financial support to capacity-development organizations.

And we're going to go over a couple of those examples today, but I wanted to highlight one in India that was able to be designed at scale and this was being put together with the India Mission with the Government of India and Indian Institute of Technology and when COVID hit in March, they were able to shift their discussions and go through how they could perhaps finance more innovations in the health space, specifically, and create, essentially, a platform, a Market Access Platform of 21,000 public, private, hospitals and clinics and worked closely with the university and independent lenders to create a syndicated loan facility as well as a pooled grant fund. The pooled grant fund is actually based on funding from corporations, private-sector companies in India, and USAID provided some of the seed fund to essentially structure the blended finance facility as well as the syndicated loan facility to work with other lenders.

Sashi Jayatileke:

This is just one example of, I think, how USAID and other donors are pivoting in terms of the post-COVID era and working together with other donors and also development finance institutions like our new DFC and the CDC.

And not all interventions will target simply reaching producers of either PPEs or health vaccines, but we're also looking at ways to just support, essentially, those that have been most affected by the supply chain.

Finally, we have examples from some of our Missions like Haiti and Tunisia looking at ways to support the cash flow services and provide advisory services, again at scale, by looking at pooling capital and working with other private-sector partners in the country to essentially elongate loan terms to small businesses and find additional investment and essentially create somewhat of a pipeline for investors, and essentially reduce the risk that investors are shying away from some of these countries.

Sashi Jayatileke:

Another example from our colleagues from Feed the Future comes from Department for Innovation Program and for which they were able to commit and take milestones that had been missed by prior partners in order to continue supporting grants from \$50,000 to \$150,000 to continue separations for certain SMEs, and now as you can imagine this is not a lot of funding and it was a total of I think 1.2 million dollars in funding to support SMEs, but again, if across the board, donors are able to pivot in this way, we will be able to at least mitigate some of the impact.

Now, part of that adaptation actually comes from communication with our partners, and so part of the discussion today is also for us to hear from you all what is needed and how we can better support you, and so to actually view your USAID colleagues and colleagues in the field working in the space as collaborators in responding and putting to the test our new procurement systems that are meant to be more adaptive.

Sashi Jayatileke:

I'll turn it over to my colleague, Thuy for a little more about how USAID/Vietnam is working in this space. Thuy?

Thuy Nguyen:

Yes. Hello, everyone. My name is Thuy Nguyen with Government and USAID Office of Vietnam. It is my pleasure to share with you how USAID has helped Vietnamese businesses adapt to post-COVID supply chain realities.

Thuy Nguyen:

Sharing a land border which I know the coronavirus at first emerged, Vietnam has reported only 340 cases and no death in a population of almost 100 million. It has not reported any new local cases in almost two months.
Next slide, please. First, I would like to walk you through the challenges that Vietnamese SMEs had to face even before COVID broke out. Vietnamese SMEs account for 98 -- oh, we are not seeing any slides? Can you help with the slides?

Anastasia de Santos:

I think we can see some of them. Maybe it has to do with the screenshot that people are using, but it's pretty clear. You can continue.

Thuy Nguyen:

Okay. Thank you.

Anastasia de Santos:

And I would ask that folks, please turn off your video because it might be using up bandwidth maybe.

Thuy Nguyen:

Okay. So, again, I would like to walk you through the challenges that Vietnamese faced before the breakout, accounted for 28% of total enterprises and 36% employment and 35% of GDP but only 21% of SMEs are a part of the global supply chains. In the meantime, FDI firms account for 70% of Vietnamese exports; however, FDI firms often have their own foreign suppliers that are co-located as the same industry as their own. Processing and manufacturing are the two most attractive sectors among FDI firms in Vietnam. Moreover, the local content of Vietnamese SMEs export is low. My regional and global standards because first lack of solid support of supporting industries, second low level of technology, and third, most SMEs cannot meet the FDI firm's requirements for quality and standards on goods on time delivery.

Thuy Nguyen:

Next side, please. Now COVID has impacted -- how COVID has impacted Vietnamese SMEs. According to the Ministry of Planning and Investment, most SMEs have hibernated over the past four months over the impact of the COVID pandemic. They have had to face adaptive challenge, including lack of important materials and sharp decrease in export markets.

Thuy Nguyen:

The most affected sectors are garment and textile, footwear, electronics, and automobiles. MPI also conducted a survey on almost 130,000 enterprises. In mid-April 2020 and found that 86% of them are negatively impacted by COVID. The bigger the scale of their business is the more impact they get.

Similarly, the Prime Ministers of private sector development committee, PSDC, conducted a survey on more than 1,200 SMEs in early April of 2020, and they also confirmed the same results. Next slide, please.

Thuy Nguyen:

Given the current status, Vietnamese SMEs have proactively adopted a number of measures to cope with COVID. The most popular ones, including reducing staff, reducing production cost, looking for new markets, are focusing on domestic markets, reducing service price, and even closing production temporarily.

However, almost 20% of SMEs have no solutions. That means they do not know what to do. Next slide, please.

Thuy Nguyen:

The Vietnamese Government has conducted many consultation sessions with businesses. Most of them are online or virtual meetings to sync their recommendations to improve the situation. Typically -- are you okay with the slides? Typically, on May 9, the Prime Minister had a conference online with businesses nationwide, virtually joining him local authorities from 63 provinces and 13 ministries, and most businesses recommend reducing tax, extending tax deadlines, and reducing interest rates. The Government of Vietnam has adopted some of these recommendations; and in addition, the government has rolled out a 62 trillion Vietnamese loan, equivalent to 2.6-billion U.S. dollars, package to support post-COVID business recovery.

Slide 12. Next slide, Slide Number 12. In late April, 2020, the U.S. Government through USAID committed 5 million in economic support funds to mitigate the impact of the COVID pandemic on the Vietnamese economy, and the funds will support USAID loan projects to get much-needed resources to private sector recovery by first having assess finance for business; and second, improving business support organizations, BSOs; and third, partnering with the Government of Vietnam to foster relief efforts.

Thuy Nguyen:

USAID LinkSME has worked with USAID agencies to develop a post-COVID action plan which includes three faces, stabilizations, adaptation, and recovery, with the timeframes reflected on the 12 slides.

Next slide, please. Slide Number 13. LinkSME is structured under three component, policy reforms, government to business interactions and Business to Business linkages and the component number one LinkSME collaborates with the Vietnamese Government agencies led by Office of the Government to review recently issued policies and regulations in order to propose corrective solutions -- propose solutions to improve effective needs in state governance and study the train of investment flows to propose policies to support businesses encouraged in a new value chance.

Thuy Nguyen:

Next slide, Slide Number 14. Under component Number 2, LinkSME conducts research to promote government to improve Government-to-Business interactions and this is a continuation of Vietnamese Government effort with the recent launch of the National Public Service Portal, an electronic platform to connect the government with people and enterprises.

The portal has offers almost 300 services for businesses which save a lot of time and money for businesses. These still photos were taken at recent consultation sessions between the government and the businesses that LinkSME provided support. Next slide, Slide Number 13.

Thuy Nguyen:

LinkSME also focuses its support on component number three of Business-to-Business linkages. Under stabilization, LinkSME collaborates with BSOs to support businesses in their restructuring efforts in production models and financial resources. It would help improve and rollout of the SME Care Tool to rate the performance of SMEs. It will also support the establishment of the Vietnam mentoring network to provide tailor-made coaching services to SMEs.

Thuy Nguyen:

Next slide, Slide Number 16. Under Adaptation, LinkSME develops a training system, including online training for SMEs. It works with Vietnam Mentoring Network and VSOs to impact experience to SMEs and even the complicated pandemic situation, digital transformation is an urgent requirement for any business. LinkSME supports SMEs in this transition process.

VMN, it is the Vietnam Mentoring Network. LinkSME also works with SMEs and BSO to refresh lending terms and restructure debt and explore and promote innovative financial services for SMEs to give them some breathing room for better participation in supply chains.

Next slide, Slide number 17. Under the recovery phase, LinkSME will conduct experience sharing workshops among CEOs of lead firms and SMEs to promote the information exchange as well as business-matching opportunities. As most manufacturing, SMEs currently face the shortage of input materials and a decrease in export markets, LinkSME will call for innovative ideas of new value chains and sustainable ecosystems. And over the past few months, business e-matching sessions have become a new practice and this will be replicated in the future. E-matching sessions).

Thuy Nguyen:

Given the COVID pandemic, many government and textile companies in Vietnam have reoriented their products to Personal Protective Equipment, PPE. In this photo, the Vietnam isolation gowns produced by Viet Thanh, a government company are on their way to the U.S. in April 22, 2020. This brings me to the end of my presentation. Thank you very much for your attention. Back to you, Sashi and Anastasia.

Sashi Jayatileke:

Thank you, Thuy. I think we'll move over to Yacine Simpure from our partner I&P.

Yacine Simpure:

Thank you. Hello, everyone. My name is Yacine Simpure, and I work for I&P a firm supporting African entrepreneurs across the government, and so today I'm going to tell you a little bit more about the type of challenges that our portfolio companies have experienced since the COVID-19 crisis and the opportunities we came up with to help them face the situation. Before I jump into that, I wanted to give you a brief overview of who we are and the type of work that we've been doing with USAID over the past two years.

Yacine Simpure:

So in a nutshell, I&P stands for Investisseurs, a firm provided to investment solutions to African entrepreneurs across the government, and we focus on what we call the missing middle, meaning enterprises that have a financing need between 10,000 Euros to 3-million Euros, and usually this type of enterprises are either too young or too risky to attract financing from traditional financial institutions, so we intervene with these type of enterprises and to support them at different levels of their maturity. And we're doing this with a free type of investment vehicles that we have launched over the past few years.

Yacine Simpure:

So, next slide, please. Over the past two years, we have partnered with USAID in a way to develop a program that is called base partnership to accelerate entrepreneurship, and so we focused on the Burkina Faso and Niger and Senegal because it is in West Africa consistently where it's early developed and early enterprises are still struggling to have access to financing and technical support in order to start or to accelerate their business, and so the purpose of the grant that we received from USAID was to provide some recoverable grants to high-potential early-stage enterprises, combining -- it was also to combine the seed funding with some coaching and also organizing some pillaring events, et cetera, in order to help these enterprises maximize their chances to obtain additional financing after the end of the acceleration program.

Yacine Simpure:

And so, today, we have finance about 24 SGBs able to create or maintain 108 jobs. Most of these enterprises are currently run by women, and it's also interesting to see that about a year after the program, most of the SMEs are observing an average revenue growth of about 41%.

And, finally, at stage, five SMEs that we're supporting have already raised some financing from other financial institution, and so this proves that with the necessary seed funding, the necessary coaching, even the most early enterprises in the most fragile parts on the continent can have access to additional funding in order to continue growing.

Yacine Simpore:

But despite this performance, we know that over the past three months, actually, most of our portfolio companies have been experiencing a few challenges due to the COVID-19. Can we move to the next slide, please. And so we did an initial assessment in order to identify the type of difficulties, the type of challenges that our portfolio companies were experiencing, and the first result of this assessment is that half of our portfolio companies were facing high level of risk and most of them facing a very significant loss of revenue, about 25% in some sectors that were highly exposed to the current crisis, which as the textile sector, the education sector, some companies in the Agro sector also. And as a result of this decline in revenue, some of them have or are currently experiencing some fragile situation, and as a consequence, they had to lay off part of their staff and so we observe about 20% of their staff that have been put on temporary unemployment over the past few months.

Yacine Simpore:

However, on the overall of our portfolio, we see some companies are facing moderate or low risk, depending on their sectors and also depending on their activity. We observed that some companies have been able to continue the activity by working remotely, by reorganizing their production processes, and therefore we have been facing the moderate loss of revenue.

We also have some companies that have been able to see this crisis as an opportunity to continue innovating and to adapt and transform their business models. It is typically the case for enterprises in the education sector, such as schools that have decided to digitalize more the learning contents, and other companies, for example, in the sector that have been using the digital tools in order to reach COVID-type of clients.

But to support the most fragile enterprises in this context, we came up with different solutions at two different levels. Can we go to the next slide, please.

Yacine Simpore:

So, first of all, at the I&P and at the PACE portfolio level we came up with a three-point solution in order to help these enterprises, and so these are comprised of firstly providing strategy coaching in order to support these enterprises to repurpose their business models to continue innovating in their offer and processes in general, and this is accessible to all of our portfolio companies.

In addition to this strategic coaching, we noticed that some of our portfolio companies were also in need of additional financing in order to repurpose their models, and so we have been able to repurpose our grant, the grant that we are managing with the PACE program, and other grants that we are managing with some other donors in order to be able to provide some financial financing to these type of enterprises that needed to invest in additional capital that needed additional working capital, et cetera.

And, finally, we have been able also and we are currently actually developing some digital trainings program that have been tried and tested among several entrepreneurs, and the purpose of this training will be to help our portfolio enterprises to face the current crisis, to adapt the right behaviors, actions, et cetera, and to be able also to anticipate future possible crisis. And, of course, this type of technical assistance will be available to our portfolio SGBs.

Yacine Simpore:

At a larger scale, can we move to the next slide, please. At a larger scale, we are -- we have decided to launch a relief fund that will target not only our specific portfolio companies, but at a larger level, other enterprise it's across African fragile countries that may need some support and some additional financing to face this crisis, and to face the coming economic turnaround, so we are launching -- we are raising a 20-million Euro relief fund mainly from donors and from other private -- from corporate also with complementary strategies, and the purpose of this fund will be to provide some flexible financial instruments to high-potential enterprises, providing for example, interest-free and free loans ranging from 10,000 USC to 20,000 USC to raise some capital working needs.

Yacine Simpore:

For enterprises that are more mature and need an amount higher than 300 USC, we might be able or so with this fund to provide some interest-bearing loans in very few cases. And, finally, a key characteristic, a key component would be to improve resilience of enterprises by providing some tailored technical assistance, advisory services to help the company face or adapt the right behaviors in the context of crisis. So, this is in a nutshell what we are doing, first of all, at our portfolio level and additionally at larger scale because it's important not only to react to the current con by finding emergency measures, but it's also very important to be able to rethink our financial institutions and our supporting approaches in order to anticipate for future crisis. Yes. This is what we're doing in a nutshell so I'm available to answer any questions after that. Thank you.

Sashi Jayatileke:

Thank you, Yacine, and thank you, Thuy. Just for everyone's sake, I would like to pose a couple of questions that came about in our last session two weeks ago that we were unable to answer due to our technology glitch. I'll ask those questions first and then we'll move and proceed with some of the questions that you might have for our speakers today. Please include those into the chat box on the right-hand side.

Sashi Jayatileke:

The first question, actually, the first two questions are for Yacine. We were wondering if you could share a little bit more about the West African small growing businesses in terms of if it you have reports on them, and then if you can give some examples of the digital tools that were used and how the SGBs adopted them to mitigate COVID-19 impacts.

Yacine Simpore:

Yes, of course. Thank you for these questions. So, most of our reports and resources are currently available on our website where we reference most of the investments and the SGBs we've been supporting for the PACE program and for our other investment vehicle, and so please feel free to go on our website. I can add the link maybe on the chat box if necessary.

And as for the use of digital tools, it's -- it was actually many used in some sectors and I was saying that we have some companies in the education sector. Let's say we have some private schools that we have financed, and we also have some companies whose

main activity, actually, are to provide services to private and public schools. And over the past months, their activities have been slowed down, given the closing of most schools in West Africa, so they have decided to develop more detailed learning content and to digitalize this content in order to ensure the continuity of the learning programs, so there are a lot of e-learning programs that have been -- that are portfolio companies in the education sector that have been developing over the past few months.

Yacine Simpore:

In the recent sector, we also observe some companies that relied on physical shops, actually, to sell their products before the COVID crisis; and since the crisis, they have asked for our support in order to reinforce their online presence by developing some e-commerce platforms, et cetera.

So, the use of technology -- technological tools are very important to help mitigate the impact of the COVID-19 crisis, but we cannot -- it really depends on the sector because on some traditional sectors, such as Agri Business or manufacturing sectors it might be more challenges actually to use it as a mitigating solution.

Sashi Jayatileke:

Thank you, Yacine. And just to mention I know that some of the digital tools that you're developing are with partners of USAID as well, and so as those tools are available, we will try to post them on our various websites, but if we have the one from AMI available, Yacine, that would be great to share that with the larger group today.

Sashi Jayatileke:

So, another question is a larger group but maybe Anastasia, you can take this about what we're seeing overall in terms of aggregation. Is all of this just a drop in the bucket, and are we having any significant impact as presumably thousands of SMEs go out of business or lay off staff?

Anastasia de Santos:

Thanks, Sashi. That's an excellent question. I didn't see Curt online but I do see many food colleagues. Of course, this is a burning question that we're all facing, but I'm sure you all are aware of many different trackers, the impact of different -- of the pandemic in different countries. OACD and IMF are just some of those providing those, and then we also have some early collections of solutions, for example, from the donor committee for enterprise development, and I just posted that link as be an example in the chat.

Anastasia de Santos:

In terms of evidence, we do have sort of previously published USAID guidance on how to grow firms, how to support them and maintain their employment, and I'm just posting two of those, the USAID Employment Framework and also our last year's small and medium-enterprise evidence review. And of course, that's sort of very last year now and none of it necessarily applies in the pandemic context, so now we need to acknowledge as Curt said, that the scale of the problem is massive, and some and maybe even most firms depending on the sector like tourism or any kind of personal service is that we have to accept that most of them are not going to survive or they

depend on in-person transaction, and so we need to carefully consider how we're going to use our scarce resources. We can't save everyone, and we shouldn't save everyone.

Anastasia de Santos:

So on this important question, I apologize that this is an internal USAID Economic Growth Secondar webinar but we'll have a webinar on July 9 featuring World Bank research and this is public research, so you can always explore it on your own, and I'm going to try to copy and paste the links right now.

So the first one is a paper just using kind of old evidence -- old data from firms, but to see where their financial cash balance standing is, and basically, it shows that firms of any size, no matter how healthy and large they were, may have leveraged themselves a lot and then, of course, this pandemic caught them off guard and any size firm like could be equally likely to crash and burn right now, any size firm.

And then the second link from the enterprise surveys, there is are some very early results of Moldova, from the PULSE surveys that look at the pandemic, and then the reception of government assistance whether they got any government assistance and what they're expecting. For example, Moldova, 16% of all firms they surveyed pretty early on have permanently closed and only 1% have received any government assistance at the time of the survey, and they're going to be putting out more data very soon and we'll have that internal webinar to talk about it.

But I think all of this really shows that besides some of the interventions we're talking about today, they are important to look at those adapters and those survivors that we should be helping. We also need to think about the systemic issues and structural barriers -- oops -- that affect all firms and make sure that we're addressing those as well.

I don't know, Sashi, if you wanted to add anything to that.

Sashi Jayatileke:

No. I think that's completely true. In terms of the finance sector, we had a couple of examples that I shared, you know, from India and I think even Yacine's example of the relief fund is a good one, but what we're seeing is that if it's not coupled with support on the policy front or even well planning with the government, we can cause some challenges for how relief is provided and there was a recent article that showed in Peru, cases have actually spiked 80 days after the lockdown as a result of people rushing to the banks and markets with am so of the government cash transfers and so this speaks to the structural barriers of financial access that have always existed, but in this case have to be taken into account before solutions are provided in order to prevent what's happened now in Peru, which is essentially a spike much, much, much later than the government had planned for.

Sashi Jayatileke:

And so continuing with some of the questions that I know we don't have as much time today to get through everything, but maybe, Thuy, you could share a little about how your program is also working in supporting some of the businesses in responding to the U.S.

Thuy Nguyen:

Thank you, Sashi. For the first question who sets up the Vietnam Mentoring Network, and this network is by our Vietnamese government counterpart, the agency for enterprise development. It is quite an open network and it consists of the experts who can provide coaching, capacity-building services to business support organizations, BSOs, as well as SMEs.

Thuy Nguyen:

And the second question. The survey is a very popular tool for in Vietnam now days and for any surveys, we in collaboration with our counterparts, we try to combine both open-ended questions and multiple-choice questions.

Thuy Nguyen:

The third question in how we targeted firms to benefits and link them to the demand in the U.S., so we support -- we tried to promote the linkages between SMEs and firms through two channels. First, we work through the BSOs, the Business Support Organizations who have a strong network of SMEs in the country and they also have a database of LID firms either in the U.S. or other countries and over the past few months, they I think, have had initial success with expanding their database with LID firms international or foreign firms.

Thuy Nguyen:

Another channel is LinkSME also works very closely with our government counterparts to organize business e-matching events. For example, they collaborate with foreign commercial service of Vietnam in the U.S. or the way of U.S. in Vietnam to promote business e-matching opportunities for SMEs and lead firms so that they can meet with each other and continue the assessment so that they can develop linkages.

Sashi Jayatileke:

Thank you, Thuy.

Thuy Nguyen:

Thank you.

Sashi Jayatileke:

I'm going to go back to a couple of questions to Yacine, if possible. Yacine, questions that came up from our prior session included, if you can share some of what you're doing in terms of the coaching based on the most common demands, and how willing the businesses are to adopt the behavior change to cope with the current context? And then secondly, in terms of the relief grants you mentioned, if you could share the criteria you're using?

Yacine Simpore:

Definitely, no problem. So, the type of needs that we're mostly common were the past months was to help, actually, the entrepreneurs to better manage their cash positions, to identify quick wins, quick ways to reduce their costs, so managing liquidity was the most urgent, actually, over the past months.

Yacine Simpore:

So there was a lot of support that was provided in these areas, so generally, actually, entrepreneurs come to us with some solutions that they have already identified themselves and they want to test them with us, and they want us to help them implement them and assess the visibility of the measures that they are thinking about. So our role is to help them -- to guide them actually, in the -- in choosing the best options and how to implement these type of measures, and so usually there is no -- there is no actually no opposition in adapting any change that are necessary to face the current crisis.

There is no top-down approach or one-on-one coaching with these type of entrepreneurs, and they propose things and we guide them to the best options that we think might be most relevant to their activity and their sector in general.

The second question was about the criteria of the relief fund, right?

Sashi Jayatileke:

Yeah. Exactly. The relief grants and how you're selecting your SGBs?

Yacine Simpore:

Yes. So about the relief fund, so at this stage what we're doing in order to provide some emergency financing to our portfolio companies, we are repurposing and using part of the grants that we received from USAID and from other donors in order to support our portfolio companies, but given our limited resources, we need to prioritize some businesses, and we'll focus, for example, on enterprises that have no other option of financing. We'll prioritize enterprises that had a good performance before the COVID crisis to make sure that the additional financing that we provide will be used to address the fragilities that were caused by the current crisis and not used to cure prior fragilities. We will also, from most of the enterprises that are part of our portfolio that have benefited from grants, reimbursed grants, we will reassess their reimbursement track record, and then the last criteria will be also on the sectors of these enterprises because we're focus on sectors mostly exposed to the crisis, such as tourism sector, education sector, some activity in the agrobusiness sector and some companies also in the retail sector.

Sashi Jayatileke:

Great. Thank you. And just to mention I think an important point that we wanted to highlight in today's seminar is that with the new program income waiver that USAID has permitted, we are able to provide a little bit more easily this type of relief capital that Yacine has got because we're essentially able to provide grants that can be repurposed for loans and or with zero interest.

Sashi Jayatileke:

A question for Thuy, actually, and this is a good question because I know there has been a lot of anecdotal evidence that the crisis has particularly been severe for women as a result of the burden of child and elderly care. Could you speak to how you're addressing constraints to women and youth?

Thuy Nguyen:

Thank you for the question. Originally, LinkSME is not specifically designed for women-owned businesses, and we are going to launch another new project that will focus more on women. But given the current situation, we have been approached by the Vietnam Women Entrepreneurs Council and part of their brand under the Vietnam Chamber of Commerce and Industry, VCCI, and we're going to conduct a series of training during the summer to improve the capacity for women-owned businesses, and we also help them to organize an exhibition to promote their products and so this is something that we designed specifically for women-owned small businesses in the LinkSME project.

Sashi Jayatileke:

Thank you, Thuy. And I think the next question is back to Yacine. Yacine, if you could share a little bit about how I&P addresses the demands and challenges in the market in terms of COVID, and then also a little bit about how the relief fund will evolve to a more permanent SPV.

Yacine Simpure:

Yes, of course, and so on the demand side, depending on the sectors, we observe different things. For example, when looking at enterprises with main purpose is to provide some essential goods and services, the demand was slightly lower, but not significantly, actually. Most of the enterprises, for example, in the food and beverage sector, only faced moderate loss of revenue over the past few months, but when looking at other enterprises that sometimes propose more sophisticated products, they have -- their demand, of course, was absolutely -- has been significantly reduced over the past months and so our role was to help these type of enterprises to diversify a little bit their activity in the coming months and to focus on types of goods and services needed in the crisis.

Yacine Simpure:

But we have some companies in Senegal and also in Burkina that are really showing very good results in the context of the PACE program and they have been operating in the cosmetics sector producing essential oils, perfumes, et cetera, and since the beginning of the crisis, they had to close some of their shops temporarily and they had started actually to refocus their businesses on producing some -- I don't know how to say that language, but soaps and sanitizers, et cetera, in order to address the immediate need on the market, and by doing that, they have been able to -- to have some cash inflows to face their expenses.

Yacine Simpure:

And on the second question about the duration of the relief fund, we're targeting and the fund is actually currently being designed by our team and it's under discussion with our potential partners, but the purpose of it is to have a fund of about four years of duration with three years that will be dedicated to disperse the funds that will be -- that will be the raise, actually, and will have one year, actually to recover the grants that we'll provide to the SMEs.

So, the other purpose of this fund is to provide grants to the SMEs that will need it and to recycle every -- the reimbursement of that we would receive to be able to finance future needs of other enterprises in the context of crisis.

Sashi Jayatileke:

Great. Thank you so much, Yacine. I think that closes the questions that we've received today. If you have any additional questions, feel free to write them into the chat box and we'll try to answer them. If everyone could also take a quick survey of today's webinar, we appreciate those of you could join again today. I know it was a little difficult, given the last session and the technology glitches so we appreciate those of you that were able to join once again today. If you have additional questions, do feel free to also reach out to any of us via email. Thank you all and have a great rest of your day wherever you are.

Yacine Simpore:

Thank you.

Thuy Nguyen:

Thank you. Bye-bye.

[End of Presentation]