

Paris, 12 May 2020

OPEN LETTER TO FINANCE MINISTERS

**Subject: Ensuring financial support to Save Our SMEs**

Dear Ministers,

I am writing on behalf of the International Chamber of Commerce (**ICC**)—the institutional representative of over 45 million businesses—regarding the imperative to ensure financial support measures are fully tailored to the needs of micro-, small- and medium-sized enterprises (**MSMEs**) in the context of the COVID-19 pandemic.

As you will be aware, MSMEs play a crucial role in the functioning of the global economy—constituting upwards of 90% of GDP and more than 50% of employment in most countries. Yet they are among the most vulnerable to the effects of economic shocks, with cash reserves limited on average to less than one month. Without adequate and immediate fiscal interventions, we fear that a significant proportion of MSMEs will be unable to weather the COVID-19 crisis—with potential systemic implications for employment and the functioning of global supply chains.

To “**Save Our SMEs**” and, by extension, protect lives and livelihoods the world over, we believe that a further evolution of recently enacted—and welcome—support measures is urgently required in many economies. There remains significant scope to scale pioneering MSME support schemes that could be adapted, as necessary, to the predominant modes of financial exchange used by small businesses in each country.

Based on consultations with our global network in over 100 countries, we encourage governments to apply six “best practice” principles that can ensure the maximum possible impact and reach of future interventions to safeguard the viability of MSMEs. Specifically:

- **Fully guarantee emergency loans up to pre-specified amounts at negligible interest rates.** The 2008-2009 financial crisis showed that commercial banks faced constraints in passing on liquidity to MSMEs without lengthy screening processes and higher risk premiums. By fully guaranteeing loans offered to MSMEs, governments and development banks can substantially reduce the risk borne by commercial banks—ensuring an expedited disbursement of emergency funding at zero or low interest rates.
- **Establish a tiered approach for funding approvals.** Fast-track loans are of vital importance to help MSMEs weather the liquidity crunch presaged by COVID-19. As such, low-value loan requests should ideally receive immediate approvals for fully-backed loans, while requests for larger, partially guaranteed funding, necessarily remain subject to standard due diligence vetting. If properly framed, this two-tier approach can ensure rapid access to critical liquidity for MSMEs, while still allowing banks to conduct risk analysis. Such a system has already been effectively deployed in Switzerland and we encourage other governments and institutions to follow this lead.

- **Make use of digital solutions to increase access to finance.** In economies where formal links between banks and smaller businesses are less prevalent, digital and mobile platforms should be viewed as credible alternatives for the disbursement of emergency support. In some regions, mobile operators, payment services and fintech firms have a broader reach than banks—with, for instance, mobile wallets reaching 60% of adults in Sub-Saharan Africa. Where necessary, we encourage governments to support the development of essential data ecosystems to enable emergency lending to be channelled through these platforms without delay.
- **Adopt risk-based “Know Your Customer” (KYC) rules to avoid funding backlogs.** Currently, the same KYC rules are applied by financial institutions to small and large businesses alike. Implementing effective risk-based KYC approaches could reduce the time to obtain a loan for MSMEs from a few weeks to a few days. Platforms such as SWIFT’s KYC Registry—which acts as a centralised and standardised KYC platform for all banking relations—could also enable further time efficiencies.
- **Leverage supply chains.** Relationships between high-quality buyers and MSME suppliers are an underutilised channel to deploy short-term liquidity to small businesses at minimal risk. We encourage governments to leverage value chain financing models—such as reverse factoring—to widen the reach of emergency funding through the crisis.
- **Engage chambers of commerce as focal points within the business community.** Chambers of commerce can not only help governments by acting as intermediaries to ensure that MSMEs are aware of what funding resources are available—but they can also help to manage applications for financial support, simplifying the process and routing small businesses to the appropriate institutions.

Speed is of the essence when assisting MSMEs. Despite the commonly held view that most entrepreneurs get back on their feet after a company failure, available data indicates that some 60% of small businesses never reopen after a disaster. By tailoring the provision of financial support through the channels most used by MSMEs, governments can help to preserve the operations of these businesses and avert a worsening situation of bankruptcies and layoffs.

ICC is committed to supporting the development and implementation of these emergency support measures. Through our global network and engagement with other organisations, we are working to identify and help develop mechanisms for ensuring financial support reaches small businesses as quickly and simply as possible.

We have mobilised to combat the public health challenges of this crisis, and we stand ready to partner with you to address the socio-economic consequences and eventual recovery as we collectively respond to the SOS call to “Save Our SMEs”.

Yours sincerely,



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Secretary General  
International Chamber of Commerce