

Financing the Future: Strengthening MSMEs Against Climate Shocks in Emerging Markets – English Transcript

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00:15

Hey everyone, Welcome to our session on financing the future and how to strengthen MSMEs against climate shocks in emerging markets. My name is Natalie Vergara and I'm really excited to be here, especially with the awesome panel we have lined up for this conversation. I bet the next 45 minutes are going to fly by! Today, we'll be hearing two different takes on what financing the future for MSMEs looks like. On one side, we have a corporate foundation like the Shell Foundation that's focused on boosting income while cutting emissions.

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We're playing a key role in financing and supporting partnerships and innovations in the ecosystem. On the flip side, we have two startups that are creating solutions in Africa and Latin America, providing essential funding for small and medium-sized enterprises (SMEs). Before we dive in and hear from our panelists, I just want to quickly explain why we're discussing this and why financing SMEs in the face of climate challenges is so important. I think everyone is pretty familiar with this by now.

01:34

Micro, small, and medium-sized enterprises (MSMEs) are super important for economic development. According to the World Economic Forum, they make up about 90% of businesses worldwide and are key players in providing goods and services in emerging markets. They account for 60 to 70% of jobs, giving millions of households around the globe a source of income. Plus, they contribute around 50% of global GDP and are vital for economic growth and sustainable development. But MSMEs have to deal with a lot of challenges.

02:13

They're dealing with a bunch of challenges, like not having enough access to funding, low productivity, and limited market reach, which really holds them back. As if that wasn't tough enough, they're now facing one of the biggest threats of our time: climate change. At Mercy Corps Ventures, we've been looking into how micro, small, and medium enterprises (MSMEs) are being impacted by climate change. What we've found is that, on average, 40%

of these MSMEs say they have unmet needs, and a whopping 90% have reported being affected by weather-related issues.

02:53

Businesses are affected by weather, especially when it comes to droughts and floods. Even if they don't really get what climate change is, they can see that the weather is changing a lot, and those changes are impacting how they operate. So, we need to discuss these issues and figure out how we can secure funding for the future. Today, we have Johnathan Berman here to talk about it.

03:26

The CEO of the Shell Foundation is in charge of strategy and delivery, and on top of that, he sits on the boards of several organizations, including Factor A and Asoko Insight, along with other innovative groups. Before joining the Shell Foundation, he was a managing partner at a private investment firm that focused on emerging markets, so he's got tons of insight and knowledge in that area. We also have Alejandro McCormack, the co-founder of Abaco, a startup that offers financing options in El Salvador.

04:07

We've got Dami Olawoye here, the CEO of PayHippo, a startup that helps finance clean energy access. I'll let them explain more about what they do in a bit. But Jonathan, I want to start with you. Can you tell us a bit more about Shell's Foundation's goals and strategy? I really like your straightforward mission: raising incomes while lowering emissions. What does that mean? How are you making it happen? How do you ensure we're boosting incomes while also reducing emissions?.

04:47

Thanks, Natalie. Thanks to Accion for sponsoring this discussion! I'm really happy to be here, both as a guest and a partner with Accion. The Shell Foundation has been around for 24 years, and we're about to celebrate our silver anniversary. Over the years, we've focused on different ways to tackle poverty through enterprise solutions. These days, that's a pretty common idea—it's like the air we breathe. A lot of people see enterprise solutions as a way out of poverty, but when the foundation started, it was a different story."

05:21

"That was a pretty unique way of thinking. Over the last couple of years, Natalie, you're right, we really honed in on this challenge you mentioned—the triangle with two sides. So, how do we increase incomes while also cutting emissions in a way that makes financial

sense? The reason it has to be commercially sustainable is that it's going to take around \$350 billion to help all the people who can actually make a difference, especially those who are low-income."

05:52

To help low-income people reach a decent living standard with clean energy, we're looking at around \$350 billion. That's way more than what's currently being provided through public assistance. However, there's actually plenty of money available in private markets—there's trillions of dollars in private capital already set aside for emerging markets, and a lot of that is now tied to achieving net-zero emissions goals that were set about two years ago. So, when you think about it...

06:21

About \$350 billion sounds like a lot, but when you consider it's part of \$7 trillion, it feels a bit more doable. That's why it's crucial to approach this commercially. We want to help people boost their incomes while cutting down emissions on a business level. We focus on three main areas: we support early-stage companies because there just aren't enough solutions that hit all those marks, and we work with partners to scale the best solutions out there.

06:53

Millions of low-income folks rely on us, and we've teamed up with some of the biggest agricultural businesses and transport companies out there. We've also got partnerships with companies that connect to tons of retailers around the globe. This way, we can bring really great innovations to millions of people. Plus, we work on securing funding to support these efforts, like tapping into some of that institutional capital.

07:23

We're trying to attract investment into the markets we want to work in to support our customers, who typically earn between 40% and 70% of a living wage. These customers are all commercial, which is why we refer to them as customers; they're important players in a fair marketplace. However, it usually requires some effort and concessional capital to get global investors to take a chance on these customers, and that's where we come in to help.

07:55

Let me pause for a moment to say that you might think the best approach is to focus on nurturing early-stage innovations one after the other—get those right, then scale them up, and finally secure funding. You could go that route if you had all the time in the world. But if

you recognize the urgency of the climate crisis and the income inequality crisis—and I do—then you...

08:27

We need to figure out how to get things done quicker and do multiple things at once, which is why we're tackling all three projects simultaneously. Jonathan and I totally see eye to eye on this last part you mentioned—especially about the urgency. We really have to test, finance, and scale these solutions all at once and take some risks to push those innovations forward. That's exactly what we do at Mercy Corps Ventures, just on a different scale.

09:00

"We're involved in investing in and supporting innovations that help tackle climate change and build resilience for underserved communities in emerging markets. I'm really excited to share more about these solutions and how the Shell Foundation can help them scale and thrive. Now, Alejandro, I'd love for you to talk about what you're doing in El Salvador."

09:32

"Thanks to Milan Natalie for the support in getting funding for small and medium-sized enterprises. It's awesome to be part of this panel with such interesting people to discuss an issue that's really important to me. I'm the founder of Abaco, a platform we started about 14 months ago to address what we see as one of the biggest problems in Latin America—the trillion-dollar microcredit gap. As you probably know, getting loans can be really tough."

10:05

They didn't have enough data and no collateral, plus things weren't very organized. So we had to get really creative. We built a digital platform and figured out a business model from scratch. We realized that the most valuable thing on their balance sheet wasn't their physical stuff—they don't own much real estate. What they do have is accounts receivable; they have good relationships with their clients. So we thought about how we could help with that.

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These small and medium-sized enterprises (SMEs) advance their receivables to generate cash flow. We noticed early on that our customers usually come to us for one of two reasons: either to seize an opportunity and grow their business, or because, as we say in Spanish, they're feeling a bit stuck. This is where resilience really kicks in. As a small business owner, when you face challenges or tough situations, that's when it really matters.

11:09

You weren't expecting that, right? So how do you prepare for it? You really can't, but what's super helpful is having tools that let you react properly. That's why we created this platform that helps businesses get cash advances quickly based on their sales and relationships. It gives them the boost they need to grow faster. Basically, we're providing the funds to help businesses expand quicker. And Dami, you're the last one to...

11:39

"Show us your innovation! I really love what people are doing; it basically connects everything. So, can you share more about the financing you're offering for MSMEs in Nigeria? Thanks for having me! In most African countries, access to finance is the biggest hurdle for transitioning to clean energy. At Payhippo, we provide easy financing to help buy clean tech equipment."

12:16

We deal with different stages of the distribution chain. We offer asset financing to end users so they can buy tech equipment and spread the costs over time. We also provide inventory financing to installers, distributors, and asset operators, which helps them purchase equipment in bulk. We originally started by offering unsecured working capital loans, and while doing that, we noticed the biggest challenge that...

12:59

Most small businesses in Nigeria struggle with access to electricity. Solar power seems like an obvious solution, but the big hurdle for them is the initial cost of switching to solar. So, we started our journey in climate finance to help solve that problem for small businesses. And that's basically what we do now.

13:45

"With my next question, you refer to yourself as providing climate finance because you're helping these small and medium-sized enterprises access equipment that allows them to use solar energy. This has a positive impact in two ways: first, it gives them reliable energy sources, and second, it helps them secure the right financing for these products. So, Dy, could you elaborate a bit more in your own words about how you see the work that Pipo is doing contributing to climate resilience?"

14:23

So, these MSMEs, right? As you mentioned, two big challenges they face in Africa are flooding and droughts. And what happens because of those is they have less access to

energy and inflation goes up. With our financing, we can actually help tackle those two issues. If an MSME can get access to a solar system, then...

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You know, after a flood, businesses can bounce back faster, right? It's way easier for them to get back to making money compared to if they didn't have that support. Plus, from a business standpoint, costs are rising with inflation, so small businesses are looking for creative ways to save money. Switching to clean energy can actually help them cut costs.

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The reason for this is that gas and diesel prices are going through the roof, making it really expensive for businesses to operate. If they switch to a solar system with our financing, their monthly payments are often lower than what they'd spend on gas or diesel. So, it actually helps these businesses become profitable.

16:36

So, what we're seeing right now is that we're really focused on helping businesses keep running smoothly while also cutting energy costs and reducing emissions. Jonathan, I'll hand it back to you, but Alejandro, I'm interested in your thoughts too. Mercy Corps Ventures has been all about investing in financial inclusion and fintech for quite some time, and it makes sense that to be resilient to climate change, you first need to have...

17:13

"Financial resilience is super important. If you don't have savings or access to credit, it's tough to handle shocks—especially when those devastating climate impacts hit us even harder. Sometimes, it's hard to see how providing funding to small and medium-sized enterprises (SMEs) can actually help build that resilience and connect to climate issues. I know it's still in the early stages and they're trying a lot of different things, but I'm really curious to learn more about it."

17:45

It sounds like you're considering your theory on why giving the right funding to small and medium-sized enterprises (MSMEs) really helps them become more resilient, especially when it comes to climate challenges. I wish it were as straightforward as that! I really enjoyed hearing Dami's story as an entrepreneur; I can totally relate. You often have to change your business model a few times because you discover that there might be a bigger opportunity in one place or a chance to make a bigger impact in another. In our case...

18:14

Abaco's Journey started pretty unexpectedly with climate resilience. We kicked off the company in July 2023, and right around then, Central America was hit with a ton of flooding. We were working to validate our business model, figuring out that advancing accounts receivable is a cool way to finance SNES with less risk. Surprisingly, we found ourselves in a niche we didn't see coming. We initially thought most of our demand would come from service providers, but it turned out differently.

18:43

We started off helping smallholder farmers because they were really hit hard by the crazy weather. They were facing a ton of rain and flooding in the area, and on top of that, they were waiting forever to get paid. Just to give you some background, in Central America, the payment terms can be pretty long—like anywhere from 30 to 120 days, especially when it comes to exports. So these farmers selling to exporters were really feeling the pinch.

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They're currently dealing with a lot of chaos right now. Their farms are getting flooded, and their team is really struggling to reach the farms where they work. They're having to cover a lot of extra costs out of their own pockets while waiting for their corporate clients to pay them, which can take up to 120 days. There's a huge disconnect when it comes to cash flow for these small businesses. That's actually how we started talking about crime and resilience, and I'd love to share more about it.

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It was really intentional, but as an entrepreneur, the journey is kind of a mix of strong belief, some random accidents, and a bit of luck. We were really fortunate to find ourselves in a segment that's getting a lot of value from what we offer. Exporters in El Salvador and Central America, which are very export-driven economies, usually face the same cash flow issues. They have to wait until their goods are unloaded at a dock in the U.S. before they get paid, like when their stuff arrives at Walmart or whatever.

20:21

Customers aren't getting paid, so what they do is tighten the screws on their suppliers. They're like, "I'm not going to deal with this cash flow issue; I'll just push it onto my supplier." So if they're waiting 120 days to get paid, they make sure their suppliers are waiting the same amount. We tried to step in and fix that issue for everyone because a company is only as strong as its supply chain. If there are problems there, it's going to cause issues down the line.

20:47

So, here's how all this connects to climate resilience: we noticed that our regular customers were relying on us when they really needed us. Right now, El Salvador is having record coffee harvests, so there isn't a big demand due to climate issues. Instead, it's more about seizing the opportunity. There's way more crop than we anticipated, so now we're figuring out how to hire more people on the farms and how to push certain invoices forward to keep things moving.

21:16

"We need working capital to grow our businesses and make the most of this unique opportunity. So, we're kind of balancing things out—going after opportunities while also dealing with challenges, especially with climate issues these days. It's great how these two solutions work together. Even if you're working with both MSMEs and providing financing, they're really different. Jonathan, I'm curious about what you think—how do you see MSMEs playing a role in raising awareness or support with Shell Foundation?"

21:50

Making money while cutting down emissions is key, and there are different ways to tackle this. If you have any other ideas, feel free to share! I want to connect what we're discussing with these two solutions. First off, I want to touch on something Alejandro mentioned—his unexpected journey into climate issues is a story I hear often in the financial inclusion community. It seems like many people have a similar experience.

22:22

There are smaller startups like Alejandro's and Dami's, as well as bigger organizations like Technoserve and Accion, and even our own group. We didn't originally focus on climate issues, but each of these organizations has explained how they approached their financial inclusion efforts and realized they couldn't keep that going without tackling climate problems. So, I think that's a pretty typical path, and honestly, it's a significant one.

22:51

You're still really focused on helping that person grow, and that's key. If you want to connect with them, that's where you need to start. If you just drop in from nowhere and say, "Hey, you need to cut your emissions for the planet," that's not gonna resonate with most people out there.

23:17

"So, the four of us are working on this, and we're starting with the needs of that individual MSME. Recognizing that addressing climate change is a really honest way to approach this.

As for the role MSMEs play in building resilience, I want to mention two things from our recent experience. First, they're closest to the customer, and second, a lot of initiatives come from a big global foundation like ours."

23:54

So, it seems like a lot of ideas that came from places like New York, DC, or Palo Alto just didn't work out when they tried to enter emerging markets. The problem is that the folks behind these ideas weren't really in touch with the local customers or the realities of people living in poverty there. We think that's a big risk.

24:24

MSMEs are a way out of that because they're always connected to their customers and understand the environment they're in. They just get it right. Also, we've realized this year that while we used to think big corporations were the way to scale, it turns out it's actually the smaller businesses, like MSMEs and even smaller ones, that are the key to accessing the market.

25:10

The head of our former Port portfolio came to me and said, "Hey, in Nigeria, we've been exploring different ways to collaborate with the big companies we work with to help millions of Nigerians boost their incomes while reducing emissions on a business level. I bet Dom knows this story, but we've noticed that these companies aren't really committed to it, or they're not in it for the long term, especially with the significant currency risks that definitely exist in Nigeria."

25:42

"We have SMEs available for that work, and if you can build a relationship with a network of SMEs—like through a bank that serves them, which is what we're working on—then you can really scale and connect with those businesses. We know this works better than any other kind of platform approach because we've tried it ourselves. Now, I'm going to follow up with the next question you mentioned."

26:17

"Basically, it's all about being really close to our customers and figuring out the best solutions for them. I just wanted to follow up because we were chatting earlier, and I think there are two main types of climate solutions we discuss. One is the direct climate solutions. We have companies in our portfolio that focus on things like predicting wildfires

or weather patterns, helping people know when a drought or flood is on the way. But then there's also..."

26:53

So, Alejandro and Jonathan were mentioning that there are other kinds of solutions that might not prioritize climate change first. But if we don't keep a climate perspective or analysis in mind—since climate change is real—we need to think about how we're serving customers affected by it and how our business can adapt. Just putting that out there because we've been working on what we call our climate adaptation strategy internally.

27:25

"Resilience frameworks help us think through how to connect different solutions to climate adaptation. I really appreciate everything you're sharing! I want to circle back to Dami and Alejandro before we dive into some questions from the chat. It sounds like you've all been working on creating the right products for small and medium-sized enterprises (SMEs). So, how do you go about building those products?"

27:58

"How do you create products that people actually want to use, meet their needs, fit their challenges, and are affordable, while also allowing you to make a profit so you can grow your business? This is a question every entrepreneur and investor should consider. One thing Jonathan pointed out is really important: staying close to your customers."

28:29

Customers have the upper hand these days, especially when it comes to financial services and digital solutions. We have a unique chance to connect with our clients more than ever before. In Central America, for example, mobile usage is at an all-time high, and people are getting smarter about digital finance solutions.

29:01

"We're starting to get the hang of this stuff, and it means we can really connect with our clients. That's a big focus for us. When we first started, we didn't plan on working with farmers, but we realized it ties back to climate resilience."

29:25

"We didn't think these would be our clients, and we saw them coming down to the office to meet us and get a better grasp of the solution. We were still in the product discovery phase, and you could see the dirt under their nails, so these were folks who really worked with

their hands. When we asked where they were coming from, they mentioned they traveled quite a distance from the inner parts of the area."

29:45

"We realized that it's crazy for people to have to drive three hours just to meet with us and then drive three hours back. That's probably how they're handling their financing right now—having to trek to some bank, wait around, and then find out two or three weeks later if they'll get a loan, and at what rate and terms. So, we thought, okay, we need to change that."

30:11

We need to find a way to do this all online. You know, what's the right digital solution for our customers? An app or a web app isn't really something our agricultural service customers are comfortable with. They don't like downloading apps; that takes up space on their phones that they'd rather use for other things. We want to meet them where they are, like on WhatsApp.

30:39

WhatsApp is like the operating system for a lot of people, and I really believe that any digital financial solution or tech service will need to move onto WhatsApp if they want to make a real impact at the grassroots level. That's where we're focusing our efforts right now—meeting customers where they already are instead of trying to force them to switch. Jonathan put it nicely when he mentioned coming from the north and saying, "I've done fintech stuff."

31:05

"Europe, you know, this is how it should be, but here it's totally different. We say, let's make it more tropical, let's adapt it to the local vibe. It's all about finding our customers where they actually are, whether that's online or in-person, and connecting with them there. I think that's really important, along with educating them throughout that journey. I really like what you're saying about not pushing extra solutions, but instead using what we already have."

31:33

They're already using WhatsApp to build things, which is awesome! So Dy, can you share a bit more about how you managed to listen to your customers and shift from traditional financing to clean energy financing? Like, how did that all come about? And how do you keep listening to your customers to ensure you're creating the right solutions? Well, our

pivots and journey with CID Finance have really come from paying attention to what our customers want, you know, right from the start.

32:05

When we kicked off our asset finance product, it was based on feedback from small businesses that were really struggling with electricity, both in terms of cost and reliability. We started brainstorming how we could help them tackle this issue, since it was their biggest hurdle in running their operations. We figured that switching to solar energy was probably the best way to go, but they were hitting some roadblocks with that.

32:39

Switching to solar was a bit of a hurdle because the initial cost can be pretty high—solar kits can be pricey. That's what led us to create our asset finance product. When we first started, we didn't have the complete product; we just recognized there was a problem to fix. We began testing a few loans, and it eventually evolved into what we have now. The same goes for our inventory finance product. When we launched the asset finance, we were heavily focused on solar installations.

33:13

So, these companies were the ones sending customers our way, but we realized that they were running things pretty inefficiently. They were buying equipment piecemeal—like, when an order came in, they'd grab the money and then go buy the product. That's not a smart way to do business, you know? If you're not buying in bulk, you miss out on discounts. And like Jonathan mentioned, there's also the currency issue to consider.

33:49

"We had this issue with price fluctuations, where you could take money from a customer, but by the time you went to pay the supplier, the dollar-to-naira rate had changed, making it more expensive. Then you'd have to go back to the customer and say, 'Hey, you need to pay more.' So, we created an inventory finance solution to tackle the problems that solar installers and dealers were facing. Right now, we're working on a third solution that addresses these issues as well."

34:26

Another issue we're noticing is with the voluntary carbon markets, specifically the money coming in from them. You know, things like carbon certificates and renewable energy certificates can help lower the cost of equipment for borrowers. However, in many African countries, most clean tech assets aren't included in these voluntary carbon markets.

35:07

We're working on solutions to address that, but it all comes down to real problems we're seeing and what our customers are telling us. I really like your example, Dami, because you started with one product, and by listening to your customers, you ended up creating another one. Now you're building a whole suite of solutions! Jonathan, I'm interested in your thoughts on enterprises.

35:41

"Can you tell us how you stay close to your customers and keep the original idea you started with, like being flexible and focusing on the problem instead of just the solution? I'm curious about what you're seeing that you could share with us. Well, let me address that last question."

36:14

How does the foundation stay focused on the problem instead of just jumping to solutions? That was tough for us because we had been backing specific solutions for decades, sometimes even individuals' solutions. Over time, those solutions became less relevant to our customers, and we often found ourselves tracking with those solutions instead of staying connected to what our customers actually needed. This hurt our overall impact, so we made a deliberate shift to change that.

36:49

We're all about being customer-focused here at the foundation. We're set up around three main types of customers: farmers, transporters of goods and services, and micro entrepreneurs, like small retailers. Most of our conversations start or end with how what we're doing impacts these groups. It's really ingrained in our culture.

37:22

Sure, you have to be willing to let go of certain solutions and even companies if it means focusing on the actual problem. It's important to do this responsibly, with a clear plan in place. Whether you're working with a big global corporation or a small local business, we need the guts to admit what's best for the end user and move in that direction.

37:55

"It's been quite a journey for us as a foundation. I want to touch a bit on the markets we operate in. As I mentioned, we aim to attract global capital for our customers, including companies like Alejandro and Dami. One challenge we face is connecting that customer,

say in the streets of Nairobi or Lagos, to the asset manager sitting in New York, who has around \$12 trillion in assets."

38:38

"During climate week, managing all that money is quite a task, right? You really need to have a way to communicate with them because when you've got that much capital, you can only think on a grand scale. I've been in a room with that level of funding, and the managers were only focused on huge solutions. But when it was our turn to chat with them, we said, 'Hey, sometimes...'"

39:12

If you want to tap into these markets, sometimes the answer isn't always a huge solution. Take, for example, a fishmonger on the streets of Nairobi. They sell fish portions to smaller retailers. This person really benefits from having a small solar panel on their roof to power a fridge, rather than relying on big infrastructure.

39:45

You know, sometimes you can't even find energy solutions in the city. There's this product we recently backed that won an award called Green Pod. It's basically a small sachet that looks like a tea bag, filled with enzymes that can keep 20 pounds of fruit fresh for an extra 40 days—no energy needed at all! It only costs five cents. Those are the kinds of smart solutions we need.

40:22

You've got to connect with the biggest companies and asset managers out there, but it's really important to work closely with folks on the ground, like Alejandro's and Dami's, and the small and medium enterprises they support. I appreciate you being open about how, as a big corporate foundation, you also deal with these challenges and analyze what you're doing right or wrong. I think we all go through that sometimes.

40:57

"Yeah, so what you said really applies to entrepreneurs and early-stage startups. I mean, we all know that organizations that don't adapt are likely not going to last long because they're ignoring what's changing. We've been through a lot of those changes ourselves. And about what you mentioned regarding big global markets and local solutions—you nailed it! We definitely need both!"

41:31

We've got some big macroeconomic changes and major projects that can really make a difference, but we also need to focus on smaller solutions for farmers, microenterprises, and women who fish and sell their catch. So that's really important. I'm going to grab a couple of questions from the audience. I think we already touched on the first one, but yeah, we've discussed the challenges of getting financing for MME because they're...

42:10

They're informal and don't have any collateral and all that. So, Alejandro, how have you managed to tackle that issue and offer products that fit their needs while also ensuring they pay you back and that you can make a profit? That's the tricky part of lending, right? I mean, we'd love to lend to everyone, but then we'd be...

42:41

Charity isn't a business, so it's all about finding that balance where we can make the biggest impact and figuring out where we do our best work. If I'm looking at that question from Addisu, I think the key point is when traditional financial institutions come into play. That's super important when we talk about the journey of financial inclusion. We can't just rely on these small fintechs; I really hope that PayHippo can make it happen.

43:14

There are some big players out there, and a few companies are managing to reach a decent size. But I think a key part of that journey is having access to larger amounts of capital, which Jonathan mentioned too. We've had to be real with ourselves as a company—at some point, we're going to move our customers beyond our basic offerings. And that's not a bad thing; it means we did our job right. We educated them and helped them grow.

43:44

At some point, they should switch to a more established bank—someone bigger who can manage larger loans. I think it's crucial for everyone in these ecosystems to push traditional banks to see fintech not as competition, but as a valuable partner and a source of reliable leads. One of the tricky things, and one reason for this...

44:14

A big reason why many traditional banks don't lend money is that they think the risk of defaults is too high. But if I'm bringing you a customer who has successfully paid back 17 loans, that's a solid borrower, right? If they end up not paying, then there's an issue with your service, not with them. So, if banks could be more open to working with fintech

companies, I think that would help bridge the gap in underserved markets, where traditional finance still isn't doing enough.

44:42

"Institutions and fintech haven't really come together yet. Some markets, like Colombia, are handling these issues better, but it's a key aspect that needs attention. I can't really comment on sub-Saharan Africa since I don't have much experience there, but I can share what I've seen in Latin America, which might be similar. Dami, Jonathan, do you have anything to add?"

45:12

It's kind of like what we see in Sub-Saharan Africa, where traditional lenders tend to shy away from micro and small businesses. But with our tech, we've developed credit scoring tools and systems that actually do a better job of assessing small businesses than traditional lenders do. So, if we can team up, that would be crucial. Like Alejandro mentioned, they have the funds, and we don't have the cash to finance these businesses.

45:51

You know, we've developed the processes and technology to identify a good borrower. Like Alejandro mentioned, we've had borrowers who have gone through 10 or 15 loan cycles with us. So, if we could improve our collaboration with traditional lenders or find other ways to access low-cost funds, that would really help a lot. Also, I just wanted to...

46:42

Let's take another question from Addisu about financial literacy and the general public. This is something we often see in emerging markets, especially with MSMEs and the broader community. There's this rush of financial products available, and people are getting access to credit for the first time but aren't always using it wisely. I'm wondering if any of you see a role in addressing this issue or if it's something MSMEs need to tackle on their own.

47:20

"Taking care of themselves, just making sure they're using the right products for the right purposes. Yeah, yeah, I mean, I think we should get back to basics. A lot of what we've talked about before is really about being close to the customer. It's something that's part of our company's mantra—taking things that are usually seen as disadvantages and flipping them to find an advantage. You know, when we..."

47:48

We were trying to raise money in our first round, and the challenge was that even though we had a solid platform, a great product, and an awesome founding team, we were based in El Salvador. People thought the market was too small and just weren't interested. I feel like this kind of bias also happens with financing for other groups, like people with disabilities, women, or refugees, who often face similar issues.

48:15

Here are some platforms that have really succeeded in funding these groups. A lot of the time, when you look beyond the biases and focus on the end customer, you see that some of these traits actually make them better borrowers. For instance, we've seen this with Abaco—on average, female-led businesses pay back their loans more reliably. There's lots of research out there on this, but we've experienced it firsthand, so we can't overlook it.

48:47

That feeds into our decision-making process. There are some extra points to consider, but it's not about bias; we're just running a business, and it's a smart business move. Just like it's a smart decision to tackle climate change and build resilience against it—it's good for business. I believe if we can think creatively about these groups, we can pinpoint what makes them unique and valuable.

49:15

If we provide them with the right tools or solutions, we can make them better customers, and that's really impactful. I think that's what being an entrepreneur is all about. So, the answer to the question might be that we need more entrepreneurs and more capital to support them. It might sound repetitive, but that's really what it comes down to. You know, if you're waiting for the big...

49:44

"Big money isn't really interested in tackling the refugee crisis and figuring out how to fund it—it just won't happen. But if you look at some of the solutions in South America for the Venezuelan diaspora, they're huge successes. Whether you call them displaced people or refugees depends on how you define it, but in the end, these are solutions that banks wouldn't have touched before. Now, though, there are plenty of banks backing those kinds of startups."

50:14

They've realized it's a money-making business model. They don't want to dive in headfirst, but they can still get involved in a roundabout way. I really think we need more of that. In the

end, we need a stronger ecosystem with more players who understand the value of these solutions. I believe that's some of the fantastic work the Shell Foundation is doing, and you guys at Mercy Corps are also doing a great job of highlighting these solutions.

50:35

Somewhere out there, there's definitely opportunity. I believe the world is full of solutions; we just need to focus on where the real opportunities are. Those will draw in investment because it's opportunities that attract capital, not just solutions. So, that's great. As I expected, we're running out of time, so I'll pass it over to you for your final thoughts. I also wanted to ask you one last question, Jonathan—I'm curious about your take on the Shell Foundation's main goal.

51:06

They're saying it's like the energy transition while also boosting income in a business way. Can you explain more about this energy transition, both on a big scale and a small scale? What are we seeing in different countries? One of the questions in the chat is about how specific countries are handling this transition and being open to letting alternative energy sources develop. So, I'm really interested in your take on this and how you see the energy transition unfolding.

51:38

"Emerging markets, well, I think I agree with what Alejandro said—that capital chases opportunities, not solutions. People are pretty similar; they go after opportunities that promise some kind of benefit or lower risk, especially if it makes economic sense for them. I was also thinking about what Dami mentioned earlier and what Bill Gates has said."

52:16

You know the shift will happen when the price of the energy transition makes sense, whether for the company or the individual. We've definitely seen this in Nigeria, where fuel subsidies have been reduced. As a result, the move to green energy is increasing, and the companies we support are suddenly turning a profit.

52:43

In Kenya, just like in other places, I've seen so many companies where their profits really depend on whether or not tariffs on solar panel imports are lifted. If the costs go down, suddenly the switch to green energy kicks in on different levels, whether it's the price of the panels or the cost of financing. It might sound a bit oversimplified, but you could say that each factor plays a crucial role.

53:14

It all boils down to the basic economics of the gender issue. You know, whenever I think about gender, I believe we all have a responsibility to help as many women as men transition to higher incomes while also reducing emissions. Honestly, that's a really tough goal to reach, but it's not because it's bad for businesses—in fact, it's quite the opposite. It's actually beneficial for almost every business out there.

53:42

"We're focused on helping women customers because they often don't get the service they need. This is usually because they lack the voice and agency to seek out products, or simply because they're new customers and tend to be overlooked by businesses. I'm glad to hear that Alejandro has added points in his algorithm to support lending to women; it really makes sense."

54:12

I've seen the data, and it's pretty much the same across the board. There's this basic idea that if you can show it's in the financial interest of the customer or the company, or the finance side, then the money starts coming in. That's a big part of what we aim to do with the foundation. I'd really encourage others who have money in the system to think the same way. Yeah, I think that's where we're at.

54:44

Alright, we're wrapping things up, so I want to give each of you a chance to share any final thoughts or calls to action on the topic of financing MSMEs and helping them bounce back from climate shocks. You'll each have about a minute. I'll kick it off—I've already taken my minute, so it's all good. Okay, who wants to go next? Yeah, I can jump in. So, just to highlight, less than 1% of global climate startup funding goes to African startups, which is pretty dismal.

55:30

Okay, so at the same time, we're starting to see a lot of really innovative climate startups popping up, right? If we can put a bit more money into these African climate startups, we're going to see more solutions addressing the challenges we've been talking about. I think getting more funding to the African region is a huge issue that we really need to tackle. Al, go ahead; we can't hear you. Al, I don't know what happened. Sorry!

56:25

"I was on mute, which is just as well because I was interrupting at the end there. I totally agree with what Dami is saying, and I think we've made some really good points. I don't want to keep bringing up money, but a lot of our discussion has revolved around access to capital. That's a universal issue. It's important for MSMEs to have better resilience to shocks."

56:56

"Look for more ways to expand their business and become more resilient. For startups, like Dami mentioned, I believe that as more money flows into these real opportunities, we'll see a lot more unicorns and big returns for investors in emerging markets and impact sectors. The world is heading that way."

57:23

There's a growing awareness about climate change and financial inclusion. Where there's more awareness, there's more attention, and where there's more attention, there's more investment. More investment means better returns. I really think we're at a turning point here. Having spaces like this is super important because it lets entrepreneurs from all over the world connect.

57:52

"I picked up a few things from Dami that I want to discuss with my team and see how we can implement some of that here. I also think what Jonathan has contributed is really important too. It's essential to raise awareness about the issues we're dealing with and the opportunities we're tackling, as well as the impact we're making. I encourage anyone listening to dive into this."

58:17

"Let's make room for these kinds of conversations wherever they happen. Jonathan, is there anything else you want to say? Uh, if I could just take a moment to wrap up, I'd like to talk about human dignity. You know? Yeah, of course, go ahead. So, Alejandro seemed a bit shy when it came to discussing money, but I don't think that'll last. We really shouldn't shy away from it, because both things we're discussing—whether it's giving people the means to earn an income or helping them live within their means—are important."

58:55

"On a planet that's sustainable for everyone, it's all about respecting human dignity. This really empowers people, helping them see themselves as capable of changing their own lives and the lives of those around them. I think the work Dami and Alejandro are doing, and

what you, Natalie, are doing at Mercy Corps Ventures, really reflects that. As long as we're supporting that community, we're on the right track."

59:23

"In the right company, it's been super exciting to have this conversation with you. I've been taking notes and I'm just full of ideas based on what you've shared. I wanted to highlight a couple of things that really stood out to me. We all agreed that SMEs are the backbone of the economy, and it's crucial that we understand and listen to them so we can offer the right products."

59:55

There are a bunch of companies like Payhippo and Abaco that are coming up with solutions to help small and medium-sized enterprises (SMEs) tackle specific challenges they face when trying to get financing or make the energy transition. We've all discussed how to allocate capital to these underserved customers, startups, and countries that have so many solutions available. It's important to highlight this to make it happen.

01:00:28

To make a real impact, we need to encourage more collaboration and conversations with like-minded organizations. Ultimately, we all want to create a better future where everyone has dignity and can live a fulfilling life, just like Jonathan mentioned. I'm really excited to keep working together towards this common goal. Thanks for sharing your experiences with us, and thanks to everyone in the audience for listening and asking questions. I encourage you to follow the center!

01:01:06

"About financial inclusion and the social media presence of organizations like Payhippo Abaco and Shell Foundation on LinkedIn, we need to collaborate with Mercy Corps Ventures to move forward with the work we're all doing. Thanks, everyone. Bye!"