

Recovery Lending for Resilience

By Christopher Shore, Chief Development Officer, WVUS

In my hometown right now our old-time diner is closed. So is the nail salon my wife likes. The woman who cuts my hair cannot cut my hair (alas!), and the store that sells the best chocolates and candies around is shuttered. The farmers' market in our town is closed, although the Saturday market in the neighboring city is open.



VisionFund Myanmar employee's mask up as they help with the Covid-19 pandemic. ©2020 VisionFund International

We all can relate to the challenge facing our neighbors who are running their own small business or farm. When they can finally reopen, the diner is going to need to buy new food to fill its refrigerators, the nail salon will need to check supplies and get the word out, my barber/hairdresser will need to advertise and get cutting, and hopefully the farmers will have fruit and vegetables in season, having suffered with a lot of spoiled produce that cannot be taken to market.

All of these and many more are using their savings to survive. Some are selling assets, and others are borrowing where they can. A small few business owners are lining up at the local food bank to get desperately needed food, and others are working with landlords to stretch out payments. Some have received a stimulus check, and some lucky ones are getting government grants/loans.

Nearly everyone that World Vision works with is self-employed, too! Most of the people living in extreme poverty have no employment opportunities, so they create their own "job" by running their own small farm or business. Most have very little "margin" or "buffer" to cope with the economic shock of having the government close businesses to help slow the pandemic. Almost none of them have government support to get through the resulting economic crisis. Most started with very little savings, and so most are now "decapitalized" – both in terms of their business assets as well as their household assets.

So, how are the people living in extreme poverty coping? How are they feeding their families?

Some are not overly affected. They are the very lucky ones. Many have limited cash savings, and are consuming their savings - and



In Latin America, VisionFund employees wear protective gear as they help clients. ©2020 VisionFund International

some are beginning to sell farm and business assets - in order to buy food. They are forced to mortgage their future to survive in the present. For many people who live mostly from hand to mouth, this crisis is devastating.



In Latin America, VisionFund employees wear protective gear as they prepare to help clients. ©2020 VisionFund

What is the answer? It is rapid re-capitalization. It is getting loans to these people so they can get their businesses moving once more. The businesses of the poor need working capital – food that will be cooked for restaurants, wood for carpenters, seeds for farmers. If we move fast they won't sell their tools, their land, or their animals. They do need to get their farms and businesses moving again so they can earn the money they need for food, shelter, clothing, and the like. Fortunately, our microfinance arm, VisionFund International, has developed expertise in Recovery Lending. That is, lending to clients who need exactly this kind of capital to get going again after a disaster.

Our entire June newsletter will be focused on Recovery Lending for Resilience. We are in the midst of launching a \$55 million offer to support this effort. To get an early peak at what we are doing and planning, [click here](#) to see Christopher Shore interview VisionFund's CEO Michael Mithika.

Thanks for partnering with us. We are likely to provide the only stimulus check or economic recovery package the poor World Vision serves are going to see.