



Market Scoping Study to Inform the Development of
the AfDB's Affirmative Finance Action for Women in
Africa Programme (AFAWA)

Final Report

TABLE OF CONTENTS

LIST OF FIGURES	4
LIST OF TABLES	5
LIST OF ABBREVIATIONS	6
EXECUTIVE SUMMARY	7
1. INTRODUCTION	10
2. STRATEGIC CONTEXT	12
2.1 <i>The Position of Women in Business in Africa</i>	12
2.2 <i>The Expected Role of AFAWA in Bridging the Gender Gap</i>	14
2.3 <i>AFAWA Programme Design Parameters</i>	15
3. AfDB AND OTHER DEVELOPMENT FINANCE INSTITUTION EXPERIENCE TO DATE	15
3.1 <i>Selected Lessons from GOWE Diagnostic</i>	15
3.2 <i>Previous and Current Donor Programmes for Africa's Women in Business</i>	18
3.2.1 Overview	18
3.2.2 World Bank	21
3.3.3 International Finance Corporation (IFC)	21
3.3.4 European Bank for Reconstruction and Development (EBRD)	23
3.3.5 United Nations Development Programme (UNDP)	24
3.3.6 KfW Development Bank	24
3.3.7 FMO – Netherlands Development Finance Corporation	24
4. INSIGHTS FROM AFAWA COUNTRY VISITS	25
4.1 <i>Overview</i>	25
4.2 <i>Cameroon Case Study</i>	30
4.2.1 Country Context / Gender Profile	30
4.2.2 Financial Sector Context & Inclusion Patterns	32
4.2.3 Overview of Existing Gender Finance Programmes	35
4.3.4 Insights from On-site Interviews	36
4.3 <i>Kenya Case Study</i>	39
4.3.1 Country Context / Gender Profile	39
4.3.2 Financial Sector Context & Inclusion Patterns	40
4.3.3 Overview of Existing Gender Finance Programmes	43
4.3.4 Insights from on-site Interviews	44
4.4 <i>Mali Case Study</i>	46
4.4.1 Country Context / Gender Profile	46
4.4.2 Financial Sector Context & Inclusion Patterns	48
4.4.3 Overview of Existing Gender Finance Programmes	51
4.4.4 Insights from on-site Interviews	51
4.5 <i>Morocco Case Study</i>	54
4.5.1 Country Context / Gender Profile	54
4.5.2 Financial Sector Context & Inclusion Patterns	56
4.5.3 Overview of Existing Gender Finance Programmes	59
4.5.4 Insights from On-site Interviews	61
4.6 <i>Nigeria Case Study</i>	63
4.6.1 Country Context / Gender Profile	63
4.6.2 Financial Sector Context & Inclusion Patterns	64
4.6.3 Overview of Existing Gender Finance Programmes and Enabling Environment	67
4.6.4 Insights from On-site Interviews	70

4.7 <i>Zambia Case Study</i>	72
4.7.1 <i>Country Context / Gender Profile</i>	72
4.7.2 <i>Financial Sector Context & Inclusion Patterns</i>	73
4.7.3 <i>Overview of Existing Gender Finance Programmes and Enabling Environment</i>	76
4.8.4 <i>Insights from on-site Interviews</i>	78
6. A PROPOSED PROGRAMME LOGFRAME	88
6.1 <i>The AFAWA Theory of Change (ToC)</i>	88
6.2 <i>Impact/Outcome indicators</i>	91
6.3 <i>Risk analysis</i>	93
7. PROPOSED OPTIONS FOR PROGRAMME DESIGN	94
7.1 <i>Option I: Downscaling</i>	94
7.2 <i>Option II: Market facilitation</i>	95
7.3 <i>Option III: Agricultural Value chain Model</i>	96
7.4 <i>Option Selection Criteria</i>	98
8. MAIN FINDINGS, KEY MESSAGES & RECOMMENDATIONS	99
Annex 1: List of Meetings and Contact Information	101
Annex 2: Questionnaires	110
Annex 3: The Landscape of African Commercial Banks Focused on Financing Women	117
Annex 4: Bibliography	120

LIST OF FIGURES

Figure 1: Reasons for gender gap in use of formal credit products in sub-Saharan Africa.....	13
Figure 2: Is access to finance a major/severe barrier to business owners worldwide?.....	26
Figure 3: Financial inclusion patterns.....	26
Figure 4: Characteristics of women-owned enterprises in the sample.....	28
Figure 5: Absolute gender credit gap as a proportion of GDP	29
Figure 6: Average gender credit value gap per enterprise (US\$)	29
Figure 7: Finance gap by type of enterprise and type of ownership.....	30
Figure 8: Use of banks	33
Figure 9: Sources of finance	33
Figure 10: Biggest obstacles to business environment in Cameroon.....	35
Figure 11: Sources of financial services for business	42
Figure 12: Use of financial service providers by gender	42
Figure 13: Use of financial service providers in rural and urban areas	43
Figure 14: Bank use by firms	49
Figure 15: Sources of finance	50
Figure 16: Biggest obstacles to business environment in Mali	51
Figure 17: Bank use by firms	57
Figure 18: Sources of finance	58
Figure 19: Biggest obstacles to business environment in Morocco.....	58
Figure 20: Main source of income by gender.....	64
Figure 21: Private credit by deposit money banks to GDP (%).....	65
Figure 22: Private sector access to finance, 2013 or latest available year.....	65
Figure 23: Financial inclusion patterns by gender.....	66
Figure 24: Dimensions of financial inclusion	81
Figure 25: Total credit gap by world region and across Africa (US\$ billion)	83
Figure 26: The scatterplot of GDP and credit gap and credit to private sector and women's access to credit from formal FIs (world).....	84
Figure 27: Sub-Saharan Africa average credit value gap per enterprise and distance to gender parity based on world region average credit gap per enterprise	84
Figure 28: Average credit value gap per African sub-region and across the continent (US\$ million).....	85
Figure 29: Average credit gap per enterprise for women in Africa.....	86
Figure 30: Average credit gap per enterprise for women in agriculture (US\$).....	87
Figure 31: Entrepreneurship ecosystem	89
Figure 32: Downscaling model and flow of funds	94
Figure 33: The structure of the market facilitation model.....	95
Figure 34: Components of the credit guarantee fund option	96
Figure 35: Agricultural value chain option structure.....	97
Figure 36: Bank mapping methodology	117
Figure 37: Number and types of financial institutions with gender focus	118
Figure 38: Number of FIs providing women-focused products.....	119

LIST OF TABLES

Table 1: Targets realised for the financial component	16
Table 2: Targets realised for the technical assistance component.....	17
Table 3: Selected DFI programmes for improving access to finance for women in business.....	19
Table 4: Borrowing behaviour of women in the selected countries	28
Table 5: Women-owned firm statistics.....	31
Table 6: Financial inclusion in Cameroon (2014).....	34
Table 7: Wage employment by selected industry by gender, 2014 (thousands)	39
Table 8: Women-owned firm statistics.....	47
Table 9: Financial soundness indicators in Mali.....	48
Table 10: Financial inclusion in Mali (2014).....	49
Table 11: Women-owned firm statistics.....	55
Table 12: Financial soundness indicators in Morocco.....	56
Table 13: Financial inclusion gap between men and women in 2014, Nigeria and sub-Saharan Africa	67
Table 14: Percentage of men and women in each PPI quintile according to type of income in Zambia.....	72
Table 15: Financial inclusion data for farming and non-farming women and men....	74
Table 16: Comparative financial inclusion for bottom two quintiles	74
Table 17: IFC categorisation of MSMEs based on their credit use	82
Table 18 AFAWA high-level Theory of Change (ToC)	90
Table 19: Indicative list of indicators for AFAWA's 'Logical Framework'	91
Table 20: International banks active in providing financial services to women	119

LIST OF ABBREVIATIONS

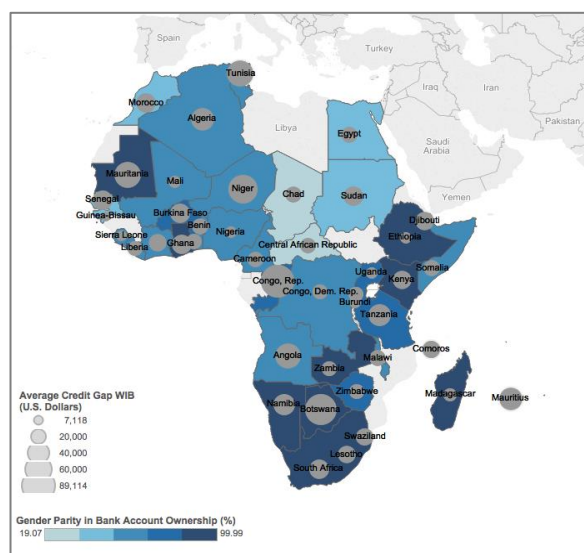
AFAWA	Affirmative Finance Action for Women in Africa
AfDB	African Development Bank
AMSCO	African Management Service Company
BDSP	business development services providers
BoP	bottom of the pyramid
CAR	Capital adequacy ratio
CEMAC	Economic and Monetary Community of Central Africa
CGF	credit guarantee fund
DFI	development finance institution
EBRD	European Bank for Reconstruction and Development
FAPA	Fund for African Private Sector Assistance
FIs	financial institutions
FMO	Netherlands Development Finance Company
FW	financing window
GAP	gender action plan
GIZ	German Agency for International Cooperation
GOWE	Growth-Oriented Women Enterprises
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
LoC	line of credit
MFI	microfinance institution
MSEs	micro and small enterprises
MSMEs	micro, small and medium-sized enterprises
NBFI	non-banking financial institution
NGO	non-governmental organisation
NPL	non-performing loan
PG	partial guarantee
PMU	Programme Management Unit
PPI	Progress out of Poverty Index
ROSCA	rotating savings and credit associations
SACCO	savings and credit cooperative organisations
SMEs	small and medium-sized enterprises
SSA	sub-Saharan Africa
TA	technical assistance
ToC	Theory of Change
UNDP	United Nations Development Programme
WB	World Bank
WBES	World Bank Enterprise Surveys
WEA	women entrepreneurs association
WEDP	Women Entrepreneurship Development Project
WIB	Women in Business (EBRD)

EXECUTIVE SUMMARY

Closing the gender gap is a crucial determinant of social and economic development and cross-cutting issues in the AfDB's Ten-Year Strategy, High-Five Agenda, Financial Sector Development Policy and Strategy, Private Sector Strategy, and Governance Strategy. African women in business experience higher access to finance barriers than African men do. These barriers widely affect their ability to take advantage of economic opportunities and access resources that can help them start, operate and grow their businesses. While the number of women entering the workforce in Africa has increased substantially over the last decade, women are primarily engaged in the informal sector, operating micro and small enterprises and performing low-earning activities. A major share of women-owned enterprises is found in rural areas where there are fewer opportunities for business expansion.

This study reflects the findings of a market scoping study commissioned by the AfDB to inform the design of the Affirmative Finance Action for Women in Africa (AFAWA) programme, in particular to assess the access to finance landscape for women in business in the 54 African economies and supported by six in-depth country assessments—Cameroon, Kenya, Mali, Morocco, Nigeria and Zambia. Women entrepreneurs as well as women's business associations were interviewed in each of the six countries to understand their opportunities and challenges in accessing finance and business growth from a demand perspective. Similarly, banks and non-bank financial institutions were interviewed to obtain the supply-side constraints in providing finance for women businesses. Furthermore, a financing gap analysis and bank mapping were completed to obtain a broader picture of the gender finance landscape throughout Africa.

The findings reveal that the landscape for women's access to finance in Africa remains limited. On the one hand, variation across countries is high, with the Eastern and Southern regions leading the way in financial inclusion, gender finance programmes and enabling environment. On the other hand, the North is characterised by higher levels of financial deepening overall; however, when disaggregating existing financial inclusion data by gender, women and women in business are more likely to be excluded from the financial sector than in any other African region. The Central region is lagging behind the rest of Africa on indicators covering both financial sector development, gender finance and enabling environment.



Source: IFC Enterprise Finance Gap Database (2016)

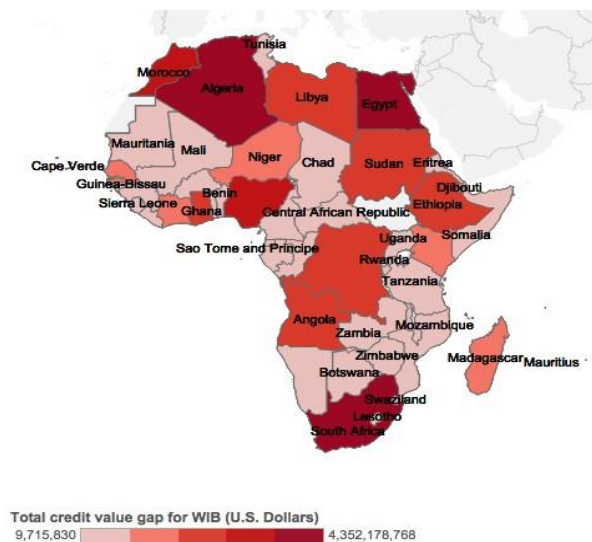
Banks' demands for high-value collateral and the charging of high interest rates were found to be impeding women's financial access in the six countries studied. As women face discrimination in accessing resources and personal property, they acquire fewer assets as compared to men. At the same time, banks perceive women's businesses as risky due to their low number of assets and smaller business size. In addition, banks' poor understanding of women's businesses results in demands for high-value collateral and the charging of high interest rates. In Kenya, for instance, the collateral requirement was seen as the biggest issue hampering women's access to finance, followed by high interest rates, resulting in low profit

margins. Additionally, women entrepreneurs in Kenya lack confidence in formal institutions and thus are not willing to ask for a loan.

Women’s inadequate financial literacy limits their knowledge of available funds and financial products that they could avail of otherwise. Women’s educational attainment and their financial literacy are usually lower than men’s; consequently, they are not aware of the development funds or financial products available that could better serve them. In a country like Kenya, where there is a sound financial system and many women-specific programmes are available, women entrepreneurs still face numerous challenges in accessing those funds. In addition, women’s limited access to domestic and international market information, market regulations, and socio-cultural norms further hamper their competitiveness and business growth.

A number of banks offer tailored products for women in business, but the country surveys suggest this typically does not represent a major share of their portfolio. Even when banks are involved in financing women, they usually deal with women entrepreneurs with large businesses and primarily have corporate clients. Some banks in the countries studied reported having higher rates of non-performing loans by women as compared to men, making them sceptical about the financial behaviour of their clients and requiring valuable collateral as security on loans disbursed to women. Microfinance institutions, leasing companies, guarantee funds, and other non-financial institutions were often found to have a substantial share of women in their portfolio. These institutions focus on micro, small and medium-sized enterprises (MSMEs) and have the necessary MSME lending methodology knowledge and the requisite know-how, in contrast to large commercial banks.

Various national governments and policy-makers have embraced an agenda for greater financial inclusion of women entrepreneurs, but existing gender finance programmes are typically of limited scale or still in their infancy. For instance, in Nigeria policy-makers have taken specific actions in order to increase women’s access to financial services for their businesses. Similarly, the Zambian government has increasingly integrated women’s empowerment and financial inclusion in government operations. Additionally, the government decided to create a Women’s Bank, but the institution still needs to elaborate its specific business model and financial sustainability approach.



Source: IFC Enterprise Finance Gap Database (2016)

The total financing gap for women in Africa is estimated at US\$ 42 billion. The financing gap for women in agriculture is estimated at US\$ 15.6 billion. The highest credit gap for women was found for women in the central and northern regions, followed by the southern, western and finally eastern regions. The central and northern regions alone make up more than half of the total credit value gap for the continent. The gap difference among regions on average can be as wide as US\$ 70,000 per enterprise. Moroccan women business owners appear to have the highest average credit value gap among the countries studied.

The AFAWA programme has a strong business case. AFAWA aims to address all critical elements of the entrepreneurship ecosystem of women in business in Africa, in particular finance, to support their economic empowerment, reduce vulnerability, and unleash unused potential for more sustainable and equitable growth. Going forward, the AfDB may wish to consider the following recommendations in order to further enhance the prospects for successful programme implementation:

- The vision for AFAWA is rightfully ambitious, yet there is a need to further streamline its value proposition and the sequencing of the planned interventions.
- AFAWA needs to treat women in business as a heterogeneous group of actors with different backgrounds, skills, literacy levels, ages, firm sizes, and, therefore, different needs.
- To be successful, AFAWA needs to take a country-by-country approach and leverage existing best practices in promoting access to finance.
- AFAWA will not be successful in isolation given the magnitude of the issue. It should probably think of itself as a catalyst for market forces to take over once there is solid proof of concept.
- A clear implementation plan and growth strategy are integral parts of the programme's long-term financial sustainability framework and are essential to communicating a long-term partnership vision to participating financial institutions.
- A short-term (at most one year) flagship programme should be launched. This will ensure that the AfDB knows in a timely fashion if the approach is working or if adjustments are necessary.

1. INTRODUCTION

In addition to experiencing the normal access to finance obstacles faced by all micro, small and medium-sized Enterprises (MSMEs) and large firms, African women entrepreneurs¹ face specific access to finance disadvantages as compared to African men entrepreneurs.

Available research indicates that access to finance is one of the major constraints for women entrepreneurs worldwide. Access to finance is not gender neutral: men have better access to finance than women. Women account for only 20% of the banked population as compared to 27% for men in the region.² Non-financial barriers often restrain women from accessing financial services. These include (i) the broader business and legal environment that may differentially affect women and men in businesses; (ii) personal characteristics of the entrepreneurs (such as differences in educational attainment and skills); (iii) characteristics of the firm (size, area of specialisation, location, formal/informal sector); and (iv) constraints within financial institutions (little familiarity with women entrepreneurs).

The AfDB is launching the Affirmative Finance Action for Women in Africa (AFAWA) programme to effectively address the financing needs of African women-owned or women-managed businesses, including those businesses whose owners or managers constitute the so-called bottom of the pyramid (BoP). AFAWA is a pan-African programme with the overarching objective of broadly addressing the access to finance challenges faced by women in business, specifically women entrepreneurs and small-scale farmers (commercial) in Africa, through the mobilisation of financial and other non-financial resources. For the AFAWA, a woman-owned business is defined as a business in which women are the majority shareholders. AFAWA will consist mostly of micro, small and medium-sized enterprises, but larger businesses and small-scale farmers should also be taken into account.

Based on its initial design, AFAWA intends to attract resources from various sources on a partnership basis (including the AfDB) to fund activities supporting women in business. The overall programme will largely comprise four main components:

- i. A financing component, which will make use of various bank financing instruments, depending on the needs of the women entrepreneurs, through financial intermediaries, specifically financial institutions with the necessary infrastructure and mechanisms to serve women-owned enterprises (including microenterprises and SMEs). Also under this component, AFAWA will provide long-term resources to creditworthy tier 1 and tier 2 financial institutions for on-lending to microfinance institutions (MFIs) and savings and credit cooperative organisations (SACCOS) serving women at the bottom of the pyramid (BoP);
- ii. A technical assistance (TA) component focusing on providing TA to financial institutions dealing with women in business and the other secondary-level intermediaries and agents (MFIs, SACCOS, business development institutions, etc.) to assist them in building capacity to better serve the target market (women);
- iii. Support to regional member countries to assist and influence policy-making, with the objective of creating a gender-sensitive environment for improved women's access to finance; and
- iv. A knowledge centre/digital platform promoting access to information and exchanges on the dynamics facing women in accessing finance, as well as possible solutions and success stories.

¹ The terms 'women entrepreneurs', 'women in business' and 'women-owned enterprises' are being used interchangeably and within the context of AFAWA to include women-owned micro, small and medium-sized enterprises, women-owned large businesses, women commercial agricultural farmers and producers, including small-scale farmers, etc.

² According to the World Bank Group's Global Findex Database 2014.

The AfDB contracted A2F Consulting to conduct a market scoping study to inform the design of AFAWA. The A2F team of experts travelled to Abidjan, Côte d'Ivoire, in early April 2016 to meet with the AFAWA leadership team at the AfDB headquarters and kick-start the assignment. The team held a series of meetings with various AfDB counterparts over three-days. Following this, the A2F team and representatives from AfDB visited six African economies (Cameroon, Kenya, Mali, Morocco, Nigeria and Zambia) to carry out deep assessments of the access to finance landscape for women in business. This report summarises the findings of both the country visits and the secondary research carried out for all 54 African countries during and after the visits.

As part of the assignment, A2F:

- (i) Conducted an assessment of the needs, constraints, gaps and opportunities that women entrepreneurs face in accessing finance, the challenges faced by financial institutions in delivering financial services to women, and the enabling policy and regulatory environment and level of commitment from national governments;
- (ii) Mapped the financial intermediaries that are focused on women in business operating in the 54 African countries and that could be potential AFAWA clients;
- (iii) Estimated the aggregate financial resources needed to address the credit gap in Africa; and
- (iv) Provided an overview of past and existing financial interventions from other bilateral and multilateral banks and development institutions that support women and women-owned businesses in Africa.

A2F used the analysis to develop:

- (i) A definition of what success would look like, presented in a high-level Theory of Change (ToC) framework, including a risk analysis and possible mitigators;
- (ii) A set of options for AFAWA's programme design (including appropriate financing instruments, an appropriate client financial intermediary, and a targeted group of beneficiaries);
- (iii) Key messages and outlook for implementation.

This report is organised as follows: Section 2 aims to make the case for the importance of improving access to finance for women in business in Africa and provides an overview of AFAWA's programme design parameters, scope and objectives. It first gives an overview of the existing landscape for financial services for women entrepreneurs in Africa, highlighting supply- and demand-side challenges and constraints that hinder women's access to finance. The analysis leverages existing research and data available from various secondary sources, data provided by the AfDB, FinScope data, as well as data and analysis from A2F's own data repository and past project experience.

Section 3 recognizes relevant lessons from the AfDB's Growth-Oriented Women Enterprises (GOWE) development programme. GOWE was similarly based on an integrated approach aimed at empowering women entrepreneurs and enhancing the viability and success of their enterprises by providing access to credit and technical assistance. The section looks separately at both the implementation patterns of and results achieved by GOWE's financial and technical assistance components piloted in Kenya and Cameroon, in order to identify key messages and improve the design of AFAWA.

Section 4 provides an overview of the key determinants of access to finance in Africa, and the six countries in particular, followed by detailed case study reports for each of the countries visited during the inception phase: Cameroon, Kenya, Mali, Morocco, Nigeria and Zambia. The case studies share the insights gained from the existing market dynamics and regulatory environment in every country, as well as the financial inclusion patterns prevalent in each country and a summary of the main findings from discussions with various stakeholders from

government, women in business, women's associations, financial institutions, non-financial intuitions and others. A list of meetings conducted in each country is set out in Annex 1: List of Meetings and Contact Information. The questionnaires used for the discussions with financial institutions, women entrepreneurs and women's associations are presented in Annex 2: Questionnaires.

Section 5 estimates the value of the credit gap for women business owners in Africa and provides a description of the methods used. The methodology combines various sources, namely the IFC Enterprise Finance Gap database, 2011, the World Bank Enterprise Surveys (various years) and the FinScope surveys for select countries. The objective of the section is to provide an estimation of the aggregate financial resources needed to address the consolidated needs of financial institutions within the 54 African countries in their efforts to deepen access to finance businesses owned or controlled by women.

Section 6 assembles the findings from previous sections in terms of development impact in order to paint a realistic picture of what success would look like once AFAWA is launched. This picture is presented in a Theory of Change framework in terms of development impact, such as possible contributions to women's economic empowerment, economic growth, and jobs created. The section also details potential risks and how they can be mitigated to ensure AFAWA achieves maximum and sustainable impact.

Section 7 sets out several options for AFAWA's programme design, including choice of partner, choice of instruments, and other programme parameters. Specifically, the report develops three specific options for AFAWA's consideration. The focus is placed on identifying options that are feasible, that feature specific interventions that can be implemented in the short term, and that have an impact that is transformational and scalable in nature.

Section 8 draws conclusions, provides a summary of the main findings, and develops recommendations for expanding access to finance for women in business in Africa. These include recommendations on how to strengthen AFAWA's design and other key success factors to enable AFAWA's successful implementation.

2. STRATEGIC CONTEXT

2.1 THE POSITION OF WOMEN IN BUSINESS IN AFRICA

The number of women entering the workforce in Africa has been increasing substantially over the last decade. Women-owned businesses are a growing share of all enterprises in many African countries.³ According to World Bank Enterprise Surveys (WBES)⁴, about one-third (34.5%)⁵ of formal firms surveyed in Sub-Saharan Africa reported women ownership participation. In Africa in particular, development institutions increasingly agree on the huge business potential that women represent, a fact that policy-makers and financial institutions have not widely recognised. To varying degrees across the continent, women in businesses in Africa continue to face institutional discrimination when accessing the financial sector due to several factors, including prevalent social and legal constraints.

A lack of business management skills, bankable collateral, and flexible financing options tailored to their specific needs hampers the growth of women businesses. Consequently, supporting women entrepreneurs and catalysing private investment for inclusive growth are

³ Triki and Faye, 2013.

⁴ World bank Enterprise Surveys during 2010-2016

⁵ Country averages are calculated by the WBG team using surveys during 2010-2016

crucial measures to benefit African economic growth. African entrepreneurs face many challenges, but when compared to men, women often experience additional challenges. One of women’s main entrepreneurship constraints is access to finance. According to a recent study on gender finance in sub-Saharan Africa commissioned by GIZ/Making Finance Work for Africa (MFW4A) and carried out by A2F Consulting, there is a case for public interventions to facilitate access to finance for women in business in Africa.⁶ The study shows that the gender difference in access to formal credit is not a result of gender discrimination per se, meaning that the requirements are the same for men and women. However, women do face a major disadvantage in their ability to provide the necessary documentation and collateral to apply for credit. Banks need to consider this if they want to increase outreach to women. The study summarises the main reasons for the gender gap in accessing credit in sub-Saharan African countries.

In consideration of the nature of the challenges women entrepreneurs face, and based on our analysis, we believe that there is a strong case for supporting women entrepreneurs through well-structured financial instruments complemented by targeted capacity building initiatives. Training is necessary to help women, but it is not sufficient. Apart from the traditional focus on loans and other debt instruments for short-term working capital, the GIZ/Making Finance Work for Africa (MFW4A) study interviewees also expressed a clear need for additional services and products (e.g. advisory services on financial management, acquisitions, equity finance, working capital and long-term financing, invoice discounting, etc.) that mainstream financial institutions do not offer. Qualified advisory support through each stage of the transaction and at each phase of the business cycle is also necessary.

Figure 1: Reasons for gender gap in use of formal credit products in sub-Saharan Africa



Source: GIZ and Making Finance Work for Africa, 2012

⁶ GIZ and Making Finance Work for Africa (MFW4A), 2012. The A2F team conducted up to 75 interviews in each country with, among others, women entrepreneurs, clients of formal and informal financial entities, women’s associations, and stakeholders.

2.2 THE EXPECTED ROLE OF AFAWA IN BRIDGING THE GENDER GAP

At the AfDB, gender equality is seen as a cross-cutting priority. The AfDB has embraced gender equality as a high priority policy issue as reflected by its Gender Strategy for 2014-2018. Accordingly, gender is one of the cross-cutting issues reflected in its Ten-Year Strategy, High-Five Agenda, Financial Sector Development Policy and Strategy, Private Sector Strategy, and Governance Strategy. Through these policies, the AfDB considers that women's economic empowerment is not only a key element but also an indispensable component of poverty reduction and sustainable development. The launch of the African Women in Business (AWIB) Initiative in 2004 was an acknowledgement that improving access to financial and non-financial services by women-owned small and medium-sized enterprises and marked the beginning of a series of programmes aimed at emphasising the role of women in business. Further, through the recognition that women entrepreneurs also face disproportionate obstacles in obtaining credit, the AfDB is committed to supporting initiatives that improve women's economic opportunities, such as access to finance, capacity building and education, labour policies, and land tenure and administration.

AFAWA is a new AfDB-sponsored programme focussing entirely on providing a holistic approach to women's financing challenges, with the objective of bridging the gender gap in access to financial services and helping women entrepreneurs reach their full potential. In fulfilling this important mission, AFAWA will use a combination of AfDB instruments and partnership channels. The agenda of solving the challenge faced by Africa's women in accessing financing is paramount in AfDB's overall strategy to alleviate poverty and improve the lives of Africans in general. AFAWA's design builds on various lessons that have been drawn from previous and ongoing AfDB initiatives, such as the Africa SME Program, the Water Facility, and the Growth-Oriented Women Enterprises (GOWE) programme.

AFAWA, in its current preliminary design, is intended to be a broad partnership-based programme involving both a financing facility and a TA (technical assistance) component to address a wide range of issues affecting women's access to finance challenges within Regional Member Countries. An Empowerment Lab (a knowledge centre) will support both the financing facility and the TA components. The overall AFAWA design requires the AfDB to play specific roles and functions in each of the programme's four components. These roles will include: (i) overall coordination and management (including monitoring and reporting) of AFAWA and (ii) providing catalytic financing, which other funders will match, largely on a co-financing basis.

AFAWA's aim is to set ambitious goals and be transformative and far-reaching. AFAWA success factors will be measured in terms of providing financial resources to women in business and women-owned enterprises⁷ in all productive sectors in Africa and using these same resources as a catalyst to further their success. The financing component of AFAWA will be done in parallel with technical assistance for improving the installed capacity of tier 1 and tier 2 financial institutions⁸ as well as secondary level intermediaries (MFIs, SACCOS, business development institutions, etc.) to better service the women in business segment and make them bankable. Furthermore, AFAWA will work with AfDB member countries to improve gender policies and to influence policy-making, gender mainstreaming and the establishment of an enabling legal and regulatory framework for an improved gender-sensitive business

⁷ The terms 'women entrepreneurs', 'women in business' and 'women-owned enterprises' are being used interchangeably and within the context of AFAWA to include women-owned micro, small and medium-sized enterprises, women-owned large businesses, women commercial agricultural farmers and producers, including small-scale farmers, etc.

⁸ While the terms are commonly used, there is no legal definition for tier 1 versus tier 2. The designation is often made based on a classification by market share, financial soundness, etc.

environment and improved women's access to financing. The combined effects of AFAWA's programme components are expected to be far reaching. The programme has set an ambitious target to leverage US\$ 3 billion to improve women's access to finance.

2.3 AFAWA PROGRAMME DESIGN PARAMETERS

The focus of the market scoping was to identify feasible intervention(s) that can be implemented by the AfDB in the short, medium and long term and have an impact that is transformational and scalable in nature. The initial meetings with the AfDB team in Abidjan and the AFAWA draft Concept Note indicated the following parameters should be taken into account in exploring a potential financial solution such as this one:

- **Choice of instrument:** based on the AfDB's internal rules and procedures, it is recommended that at this point in time, the AfDB engage in line of credit (LoC), senior debt guarantee and partial credit guarantee under AFAWA. Even if other instruments exist and could potentially be viable options for AFAWA, they may not be initially feasible given the timing and the AfDB's current internal approval process. In other words, equity and quasi-equity, including the context of private equity funds, will not be feasible in the short term.
- **Choice of client:** AfDB will only engage with regulated tier 1 or tier 2 financial institutions as AFAWA implementation partners, with a preference for well-established low to moderate-risk tier 1 financial institutions.
- **The programme scope is broad and covers all women in business, including women-owned microenterprises; small-sized businesses; women-owned medium- and large-sized businesses; women commercial agricultural farmers and producers, including small-scale farmers.** Interventions through tier 1 and tier 2 financial institutions and non-banking financial institutions (NBFIs) are expected to impact formal SMEs and large-sized women-owned businesses. To reach the informal MSMEs owned by women and other commercial small-scale women rural farmers (otherwise known as women entrepreneurs at the bottom of the pyramid (BoP)) AFAWA will indirectly fund specific strong MFIs and savings and credit cooperative organisations (SACCOs).

Six countries were selected for the on-site visits under the market scoping exercise. The selected countries reflect Africa's five geographical regions (North, West, East, Central and South). They are representative of both middle-income and low-income countries (referred to as ADF and non-ADF countries by the AfDB).

3. AfDB AND OTHER DEVELOPMENT FINANCE INSTITUTION EXPERIENCE TO DATE

3.1 SELECTED LESSONS FROM GOWE DIAGNOSTIC

The AfDB developed, designed and funded the GOWE programme under the AWIB Initiative in 2005 to support women-owned SMEs. It was based on an integrated approach that aimed at empowering women entrepreneurs and enhancing the viability and success of their enterprises by providing access to credit and technical assistance. The programme consisted of a partial guarantee (PG) facility to selected financial institutions, combined with a capacity-building framework that would: train women entrepreneurs on business and financial management, strengthen women entrepreneurs associations (WEAs) and Business Development Services Providers (BDSPs), and sensitise financial institutions to SME lending in general and women's finance in particular. The AfDB ran pilot GOWE programmes in Kenya

and Cameroon starting in 2006 and 2009 respectively, selecting three commercial banks in Kenya and two commercial banks in Cameroon to participate in the programme.

The financial component was far from achieving the target. Only 5% of the target number of GOWEs received a loan. The resources incurred in establishing the programme (e.g. market studies, due diligence of banks, drafting and signing of agreements, communication, etc.), the cost of activity coordination and management, and the monitoring and supervising of missions far exceeded the value that the 46 financed businesses contributed to the economic growth of the pilot countries, even without considering the non-performing loan (NPL) impact of the loans.⁹ Over time, all participating banks in Kenya abandoned the GOWE guarantee product. The participating banks stayed active in the programme for only three years out of the planned five and disbursed only 42 loans out of the targeted 400, representing US\$ 1.1 million out of US\$ 10 million available. Similarly, both participating banks in Cameroon abandoned the programme and began marketing ARIZ and other products (e.g. leasing) to potential GOWE customers.

In addition, longer-term outcomes, such as improvement of the banks' lending terms, were not fulfilled. The main objective of the financial component was to facilitate access to finance for eligible women entrepreneurs by reducing collateral requirements, but this did not occur. Despite the GOWE partial guarantee, women were required to provide an initial outlay of 20% in cash or business assets and collateral for 50% to 100% of the requested amount. The selected commercial banks maintained their fixed collateral requirements in the form of property titles that women traditionally do not have. Therefore, the choice of the financial instrument did not succeed in reducing the collateral requirements. The women interviewed reiterated that the fixed collateral requirements remained an important constraint to access to finance for women. Interestingly, some women managed to receive funds from non-participating banks that accepted alternative collateral (usually business assets), even if the funds had higher interest rates.¹⁰ The additional funds from non-participating banks created confusion: participating banks could not help, while non-participating banks granted loans without any additional guarantee.

Table 1: Targets realised for the financial component

Objectives	Kenya		Cameroon	
	Target	Realised	Target	Realised
Obj. 1: n. GOWEs that received a loan with the programme guarantee	400	36 ¹¹	400	10
Obj. 2: Amount of guarantees provided	US\$ 10 million	US\$ 1.1 million	€ 10 million	€ 0.5 million
Obj. 3: % NPL	15%	16%	7.5%	13%
Obj. 4: Number of jobs created	488	150	584	68

Source: AfDB, 2011.

⁹According to the *GOWE Expanded Supervision Report* (AfDB, 2011) for the two pilot countries, the programme created a total value of about US\$ 1.6 million, while ILO services for 3 years alone cost US\$ 571,893 and more than US\$ 3.5 million were allocated to technical assistance. See the *Expanded Supervision Reports* for detailed analysis.

¹⁰ See Box 3: FSGP (Fund for the Private Sector) on page 57 and Box 5: Women in Mining on page 87 of this report.

¹¹ In Kenya, 42 loans were disbursed to 36 women's enterprises.

In terms of the technical assistance component, most of the respondents were very satisfied. Most of the respondents indicated that the training course content had a real impact on their daily business management skills and on their business growth. At this stage, it is nevertheless difficult to conclude with certainty as to whether these few cases are indicative of the overall performance of the programme's technical assistance component. One issue found with the technical assistance component was that without integrated and structured measurement and impact monitoring of the women enterprises, training appeared to be an end in itself. In addition, the linkages between the programme's financial and technical assistance components were limited, in part due to the inadequate definition of the targeted beneficiaries and the misunderstanding of a direct link between training and financing.

Table 2: Targets realised for the technical assistance component

Objectives	Kenya		Cameroon	
	Target	Realised	Target	Realised
Obj. 5: number of GOWEs trained	400	602	400	563
Obj. 6: number of WEAs trained	3	12	3	9
Obj. 7: number of BDSPs trained	5	59	15	44
Obj. 8: number of bank staff trained	10	35	8	45

Source: AfDB, 2011.

However, linkages to banks were inadequate. Financial institutions were trained in the very first phase of the programme, but a lack of refreshers and high staff turnover seem to have affected the programme's results. Since credit officers were not sensitised to the specific financial needs of women in business and were not aware of the programme's peculiarities, they did not market it effectively and at times even proposed alternative products. In addition, training courses were initially promoted incorrectly as a gateway to the GOWE guaranteed loans. This misunderstanding of a direct link between training and financing created disappointment and de-motivation as women gradually realised that this was not the case. The marketing and communication strategy had to be changed in order to adjust the women's expectations and the appeal to participants regardless of the promise of financing.

In summary, the GOWE programme has provided the following important lessons to the AFAWA design:

- **The financial needs of women are diverse and require different instruments.** Women entrepreneurs are a broad and diverse group, including women with different levels of education, with businesses of different sizes, from different sectors, and above all with different financial needs. A sound understanding of the specific target group and their issues is vital to properly assess the market environment and design effective solutions to promote greater financial inclusion of women.
- **A specific and well-crafted programme value proposition is required.** Effective demand from women entrepreneurs should not be automatically assumed. Similarly, to be sustainable a potential programme for women entrepreneurs with a commercial bank will have to be competitive in terms of (risk-adjusted) profitability against other business lines within the institution. The AfDB will therefore need to approach commercial banks with a solid value proposition for them to have incentives to

fundamentally alter the way they do business. Otherwise, the initiative risks remaining nothing more than a corporate social responsibility action and will fail to reach both scale and sustainable impact.

- **As part of the definition of the value proposition, the AfDB should carry out a critical self-assessment of its own operational and resource capabilities.** Under GOWE, inadequate operational resources combined with a lack of clarity as to who did what; as such, there was inadequate commitment and a lack of accountability. Activities were split haphazardly between AfDB origination and supervision groups. As transactions moved between different owners, things tended to fall into a bureaucratic/legal/operational limbo.
- **When picking partner banks, the commercial strategy of the bank (SME, micro, corporate), gender strategy, geographic reach, incentive schemes, cost structures, and technological savvy should be carefully assessed.** Not only did some of the banks selected under GOWE not service SMEs, but in general, they also lacked the right flexibility in terms of products and services when it came to providing loans with guarantees. In addition, leasing companies, cooperative institutions, microfinance companies, and other specialised institutions can provide more effective alternatives to commercial banks in terms of their ability to reach the target group.
- **The implementation approach should be tailored to each country's specific circumstances.** GOWE applied the same approach in two countries with very different financial and economic landscapes. The Kenyan financial system was far more vibrant than Cameroon's as it had several banking and non-bank institutions. While Kenyan women were seeking more sophisticated solutions, Cameroonian applications were being declined because business plans were not well documented.
- **Strategic alignment is essential to the programme partnership strategy.** Under GOWE, there was no clear strategic alignment between the AfDB, IFC and ILO, apart from a general sharing of a 'common vision' of assisting women entrepreneurs. Roles and responsibilities were not laid out in sufficient detail and there were no joint progress reports or performance indicators.
- In order to ensure that programmes of this complexity stay on track, a **rigorous mechanism to monitor performance results** for the AfDB and on the ultimate beneficiaries at short, medium and long term should be put in place. Rather than a single, periodic event, results measurement should be an ongoing process.

3.2 PREVIOUS AND CURRENT DONOR PROGRAMMES FOR AFRICA'S WOMEN IN BUSINESS

3.2.1 Overview

This section gives an overview of an array of development finance institutions (DFIs), including the AfDB, that have past or existing programmes aimed at improving access to finance for women in business in Africa and other world regions, specifically funding initiatives targeted at women in business. The analysis covers the scope of each programme, its value, reach, geographic coverage and engagement model. The summary table below provides a snapshot of the programmes identified, categorised by DFI. Programme details are discussed thereafter.

Table 3: Selected DFI programmes for improving access to finance for women in business¹²

Name of DFI	Programme	Year	Region	Targeted beneficiaries	Partner	Amount of funds	Outcome
World Bank	Women Entrepreneurship Development Project (WEDP)	2012 Ongoing	Ethiopia	MSEs owned or partly owned by women entrepreneurs	Development Bank of Ethiopia	US\$ 45 million	From January 2014 to September 2015, the line of credit disbursed over US\$ 38 million to 3,227 final beneficiaries, with an average loan size of US\$ 10,942. The number of WEDP clients trained increased to a total 5,100 as of the end of September 2015
IFC	Gender Entrepreneurship Markets	2006 Ongoing	Nigeria	Women entrepreneurs	Access Bank, Nigeria	US\$ 15 million line of credit	During 2006-2009, a US\$ 35.1 million loan was disbursed; over 1,300 new deposit accounts and over 1,700 checking accounts were opened
IFC	Women in Business	2006 Ongoing	Uganda	SMEs, with emphasis on women entrepreneurs	DFCU Bank	US\$ 6 million loan, US\$ 2 million of which to women entrepreneurs	DFCU has since financed over US\$ 20 million to women entrepreneurs under its Women in Business programme
IFC	Exim Bank's Women Entrepreneurs Finance Program	2007 Ongoing	Tanzania	SMEs headed by women entrepreneurs	Exim Bank, Canadian International Development Agency, Sero Lease and Finance	US\$ 5 million line of credit, of which US\$ 1 million brokered to Sero Lease and Finance	Disbursed over US\$ 4.7 of IFC funding, with an average loan size of about US\$ 160,000; New women's savings and loan product launched—the Tumann account; US\$ 1 million committed to a woman-owned microfinance institution targeting 30,000 women
IFC	IFC Banking on Women Program and Coca-Cola 5by20 women's	2013-2016	Developing markets across Eurasia and Africa	Women-owned distribution companies across Coca-	Access Bank Nigeria, The Coca-Cola Company, Nigerian	US\$ 22 million risk-sharing facility	The US\$ 100 million three-year joint initiative is expected to provide much-needed access to finance for thousands of women entrepreneurs in Africa and other emerging markets

¹² Publicly available information does not reflect outcomes in terms of beneficiaries reached.

	economic empowerment			Cola's value chain	Bottling Company		
IFC	Goldman Sachs 10,000 Women	2014 Ongoing	World	Women entrepreneurs worldwide	Goldman Sachs 10,000 Women	Together with Goldman Sachs 10,000 Women, provided over US\$ 150 million	As of January 2016, the Women Entrepreneurs Opportunity Facility completed 19 investments amounting US\$ 333 million in 13 countries, including Kenya and the Democratic Republic of Congo; Chase Bank in Kenya received a US\$ 25 million line of credit (LoC), US\$ 10 million of which has been disbursed to women-owned SMEs as of October 2015.
IFC	Banking on Women	2016 Ongoing	Kenya	SMEs, women entrepreneurs and the housing sector	Goldman Sachs 10,000, Co-op Bank	US\$ 105 million loan, US\$ 30 million of which was allocated for women-owned businesses	N/A
EBRD	Women in Business	2015 Ongoing	World	SMEs owned or partially owned by women	National Bank of Egypt	US\$ 20 million loan focused on women-led businesses, along with training programme	N/A
UNDP	Fanikisha Initiative	2008-2012	Kenya	Women entrepreneurs	Equity Bank, ILO and the Ministry of Finance	Together with Equity Bank, provide US\$ 81 million in loans	N/A
FMO	Access Bank's W initiative	2014 Ongoing	Nigeria	Business women in Nigeria	Access Bank	US\$ 30 million line of credit	N/A

3.2.2 World Bank

a) Gender Action Plan: Gender Equality as Smart Economics

Launched in 2007, The World Bank Group Gender Action Plan is a four-year initiative to advance women's economic empowerment by influencing the way the Bank does business in its economic sectors. Under this action, the Gender Action Plan aims to increase women's access and participation in private sector development and formal finance through private banks. In its lending initiatives, the Gender Action Plan funds eleven initiatives that focus on increasing women's access to finance to build the capacity of women entrepreneurs, client country counterparts and Bank Group staff, focusing on SMEs finance and microfinance at the community and household levels. For example, the Gender Action Plan, co-financed by the IFC and CIDA, funded access to finance activities in Tanzania and Senegal. The Gender Action Plan has also partnered with the Doing Business Project, which is a research programme on reforms that improve business opportunities for women.

b) Women Entrepreneurship Development Project – Ethiopia

The Women Entrepreneurship Development Project was designed to increase the earnings and employment of micro and small enterprises (MSEs) owned or partly owned by women entrepreneurs. This is an ongoing project launched by the World Bank in Ethiopia in 2012. With the aim to further fulfil the World Bank's Road Map to Gender Mainstreaming by focusing on the economic empowerment of women, this project consists of three components that focus on improving women entrepreneurs' access to microfinance and designing and implementing available training programmes to develop women entrepreneurs' skills.

To achieve the project objectives, the World Bank invested over US\$ 45 million, in collaboration with the Development Bank of Ethiopia, which will serve as an MSE finance wholesaler engaged in the business of lending to qualified participating financial institutions, with the specific requirement of on-lending and providing financial products only to qualified woman-owned MSEs. In addition to the proposed financial services, the World Bank also coordinated with the Federal Micro and Small Enterprise Development Agency in Ethiopia to develop growth-oriented women entrepreneurs' skills through designing and implementing a capacity building technical assistance programme.

The project has been moving forward rapidly since its implementation. The line of credit has continued to disburse at an extremely fast rate: from January 2014 to September 2015, the line of credit disbursed ETB 768 million (approx. US\$ 38 million) to 3,227 final beneficiaries, resulting in an average individual loan size of ETB 219,605 (approx. US\$ 10,942).¹³ The training programme is also making good progress. The number of WEDP clients trained has increased to a total 5,100 as of the end of September 2015.

3.3.3 International Finance Corporation (IFC)

a) Gender Entrepreneurship Markets programme

IFC Gender Entrepreneurship Markets is a cross-cutting initiative to help mainstream gender issues in emerging markets throughout IFC operations. The programme was launched in December 2004 with an initial regional focus on Africa and the Middle East. Gender Entrepreneurship Markets helps partnered banks better serve businesswomen markets by

¹³ World Bank, Ethiopia – Women Entrepreneurship Development Project: P122764 -Implementation Status & Results Report: Sequence 07, 29 December 2015.

providing financing for on-lending to women entrepreneurs, advising on financial products and collateral options, and offering training to staff and women borrowers.

In Nigeria, IFC provided US\$ 15 million line of credit, along with a US\$ 400,000 Advisory Services Program in response to Access Bank's Women in Business Program in 2006. The investment made great achievements beyond original expectations. During the 2006-2009 period, a US\$ 35.1 million loan was disbursed to women entrepreneurs and maintained a non-performing loan ratio of less than 1%; 650 women were trained, over 1,300 new deposit accounts and over 1,700 checking accounts were opened.¹⁴ Women-friendly and more flexible collateral options, such as the pledging of equipment and cash-flow-based lending, were developed under this programme.

In Uganda, IFC partnered with DFCU Bank in response to its Women in Business programme and made a US\$ 6 million loan to enhance the bank's ability to increase its SME portfolio. Of the US\$ 6 million, one-third of the amount was specifically allocated to support Ugandan women entrepreneurs. With the help of IFC, DFCU Bank was able to achieve the objective of this programme to increase bank financing for women entrepreneurs and increase women's access to training and networking. The entire IFC line of credit dedicated to women was disbursed by DFCU within three months of the programme's launch in February 2007. By the end of 2007, US\$ 2.3 million in local currency loans was disbursed and 170 new bank accounts opened. Under the women in business programme, DFCU specifically formatted some of its loans and savings products to address the needs of women entrepreneurs. For example, DFCU created a 'land loan', with which women are able to obtain a loan to purchase property that they could later use as collateral for a business loan. Under this programme, DFCU has financed over US\$ 20 million to women entrepreneurs.¹⁵

In Tanzania, IFC set up a US\$ 5 million line of credit with Exim Bank, along with business advisory services funded in part by the Canadian International Development Agency. Integrated with IFC's comprehensive training programme for women entrepreneurs, this project has achieved impressive results since its implementation. The project has successfully disbursed over US\$ 4.7 million to SMEs, with an average loan size of about US\$ 160,000, and launched a new women's savings and loan product—the Tumaini account. US\$ 1 million was committed to a women-owned microfinance institution targeting 30,000 women in the country. Specifically, IFC brokered a US\$ 1 million on-lend from the US\$ 5 million-investment to Sero Lease and Finance, a pioneer in micro-leasing in Tanzania, which enabled women to move from microfinance to the formal banking sector by facilitating the transfer of borrowers' good credit histories from microfinance institutions to commercial banks.¹⁶

b) Banking on Women in Business programme

IFC's Banking on Women programme is an overarching programme that focuses on regions and countries that have strong enabling ecosystems for SMEs and a large number of women entrepreneurs. It has reached out to women-owned SMEs in Eastern Europe, East Asia, Africa and Latin America since its implementation in late 2010.

In Nigeria, under the Banking on Women programme, IFC has made two more investments in Access Bank of Nigeria. One of them is in partnership with the Coca-Cola Company to extend financing to mostly women-owned distributors across Coca-Cola's value chain. In 2013, IFC

¹⁴ International Finance Corporation, n.d.

¹⁵ International Finance Corporation, 2011c.

¹⁶ International Finance Corporation, 2008b.

invested in a US\$ 22 million Risk Sharing Facility, which is part of a US\$ 100 million, three-year joint initiative with the Coca-Cola Company to Access Bank in support of lending to distributors of Coca Cola's Nigerian bottler.¹⁷ Additionally, IFC announced a US\$ 50 million loan in the same year to help Access Bank further expand lending to SMEs, a quarter of which will be women-owned.

Another investment to Access Bank under this programme was a US\$ 30 million line of credit for on-lending to women entrepreneurs, along with advisory services provided by IFC experts. By helping the bank explore non-traditional collateral options, develop new financial products, and provide training to staff from the bank and local businesswomen, the IFC has looked beyond the typical challenges faced by SMEs. Since partnering with IFC in June 2006: a US\$ 16.56 million loan was disbursed to 117 women entrepreneurs from October 2006 to October 2007; 1,000 new accounts were opened; and more flexible collateral options, such as the pledging of jewellery and equipment, were introduced, giving Access Bank more women-friendly internal credit ratings.¹⁸

In 2014, IFC joined with the **Goldman Sachs 10,000 Women** programme under the Banking on Women programme to provide more than US\$ 150 million to launch the Women Entrepreneurs Opportunity Facility, the first-ever global finance facility dedicated exclusively to women-owned SMEs. As of January 2016, the facility had completed 19 investments, most of which in the form of long-term line of credit, totalling US\$ 333 million in 13 countries, including Kenya and Democratic Republic of Congo.¹⁹

The Chase Bank in Kenya, for example, received a line of credit through the Women Entrepreneurs Opportunity Facility to disburse US\$ 25 million to Kenyan women entrepreneurs due to its leading position in the national women financial markets space. Over and above the line of credit to the bank, IFC has also partnered to conduct a market assessment and provide training to staff. As of October 2015, Chase Bank Kenya had lent US\$ 10 million to women-owned SMEs, most of which through collateral-free loans. Another investment in Kenya made by IFC through the Women Entrepreneurs Opportunity Facility is a US\$ 105 million loan with a seven-year tenure to the Co-operative Bank of Kenya, the second largest bank in the country. It is estimated that the bank will use this financing to extend a wider range of financial services to entrepreneurs, with US\$ 30 million earmarked for women-owned businesses.

3.3.4 European Bank for Reconstruction and Development (EBRD)

Under the Gender Action Plan 2009 and the Strategic Gender Initiative, the EBRD launched the Women in Business (WIB) programme, which is specifically focused on SMEs owned or partially owned by women. Its objective is to help women entrepreneurs unlock their potential and strengthen their skills. The EBRD provided access to finance through lines of credit to local banks, and business advice, training and support for businesswomen and women-led business under this overarching programme.

In 2015, the EBRD teamed up with Egypt's largest commercial bank, the National Bank of Egypt, to launch the WIB programme in Egypt, with an aim of strengthening the role of women entrepreneurs in the country. The collaboration expanded the earlier work that the two banks had done together in 2014. The EBRD provided a line of credit of US\$ 20 million to the National

¹⁷ Ezeamalu, 2013.

¹⁸ International Finance Corporation, 2008a.

¹⁹ Sud and McNally, 2016.

Bank of Egypt for on-lending to women-led business. In January 2016, the EBRD announced another US\$ 20 million loan focused on women-led businesses to the National Bank of Egypt.²⁰

3.3.5 United Nations Development Programme (UNDP)

Aligned with the Millennium Development Goals, under the **UNDP Kenya Inclusive Economic Growth Programme**, the **Fanikisha initiative** was launched in Bondo, Kenya in 2008 to promote women in business and investment in the country. The UNDP partnered with Equity Bank, a former microfinance institution that has turned itself into a commercial bank in Kenya, to set up a fund to provide US\$ 81 million in loans exclusively to women. Equity Bank expected to open three new branches in Nairobi to serve only women under a Kenya Shilling 5 billion programme with UNDP, aiming to continually increase financial aid to women entrepreneurs over the next 5 years.²¹ An initial 2,000 businesswomen were selected for free training in the joint programmes as organised by UNDP, ILO and the United Nations Industrial Development Organization.

3.3.6 KfW Development Bank

Women's World Banking launched the Isis Fund in January 2012 to make direct minority equity investments in high-performing, women-focused MFIs worldwide in accordance with the investment programme established by Women's World Banking. KfW Development Bank has made contributions in the amount of US\$ 6 million to the Isis Fund to support microfinance institutions around the world that target small women-led companies.²²

3.3.7 FMO – Netherlands Development Finance Corporation

In November 2014, FMO – Netherlands Development Finance Corporation, in support of Access Bank's W Initiative, launched the Access Bank project to help women entrepreneurs in Nigeria. The current transaction builds on two Nigerian Sustainable Banking Principles—Women's Economic Empowerment and Financial Inclusion—in the hope of providing better banking services to businesswomen in the country.

FMO and Access Bank agreed to establish a US\$ 60 million line of credit, for which FMO will provide US\$ 30 million to assist Access Bank in deepening the interest of women entrepreneurs by increasing its lending to women-owned SMEs in the country.²³ In the same year, FMO also agreed to provide a US\$ 20 million facility to Access Bank Ghana, with Proparco, a development financial institution partly owned the Agence Française de Développement, as lead arranger. The funding focused mainly on lending to corporate clients to strengthen trade finance activity, with a significant portion of the facility used to grow Access Bank Ghana's SME portfolio by extending inclusive loans to women in the SME sector.

²⁰ Zgheib, 2015.

²¹ United Nations Development Programme, n.d.

²² KfW Development Bank, 2012.

²³ FMO - Netherlands Development Finance Corporation, n.d.

4. INSIGHTS FROM AFAWA COUNTRY VISITS

4.1 OVERVIEW

The following section provides an overview of key determinants of access to finance issues in Africa, and in six countries in particular—Cameroon, Kenya, Mali, Morocco, Nigeria and Zambia—followed by detailed case study reports for each of the countries visited during the inception phase. The selection of countries was guided based on the following criteria: (i) they represent Africa’s five geographical regions (East, Central, West, South and North); (ii) they also represent both middle-income and low-income countries (referred to as ADF and non-ADF countries by the AfDB); and (iii) they include preference for countries where the AfDB has previously engaged on related issues or there is some evidence of government commitment to supporting businesses owned or managed by women. The case studies share the insights gained from the existing market dynamics and regulatory environment in each country, followed by a country gender profile, and a section on the financial inclusion patterns prevalent in each country (using qualitative data from the country visits, as well as FinScope, World Bank and IFC gender-disaggregated data when available).

Africa’s financial system lags behind other developing regions in every dimension of financial sector development,²⁴ from regulations and product sophistication to access, gender and inclusion. Africa’s financial systems are small, concentrated and unaffordable, with limited outreach. However, financial systems in Africa have also seen dramatic transformation in market structure and stability over the past two decades. There are enormous differences across sub-regions and countries, ranging from well-developed financial systems in middle-income countries, to shallow banking systems offering only the most basic banking services in fragile and poor states. Variation and disparity also exist within countries, such as Nigeria’s polarised demographic structure between the northern regions torn by violence and unrest, and the fast developing southern regions.

Every sub-region on the African continent fares differently in terms of progress towards financial development, but as a whole, access to finance is one of the major constraints for private sector development. The data from the World Bank’s Enterprise Survey reveals that many African MSMEs report access to finance as a major barrier.²⁵ The analysis of firms’ perception of access to finance by world regions and firm ownership (see Figure 2 below) indicates that many African women MSMEs perceive access to finance to be a major obstacle (44%), more than any other developing region, including when disaggregated by gender. On average, more women than men across the developing world consider access to finance to be a significant barrier (except for Central Asia and Eastern Europe). This finding is in line with economic literature and the available research on gender access to finance issues.

The access to finance landscape by gender varies across the six countries, with Kenya and Zambia being the most equal and Morocco followed by Nigeria as the least equal. The 2014 Global Findex data²⁶ on the six countries (Kenya, Cameroon, Nigeria, Zambia, Mali and Morocco) paints a picture of major differences in financial inclusion, measured as the share of accounts in financial institutions held by women and men. Financial inclusion overall is highest in Kenya, with

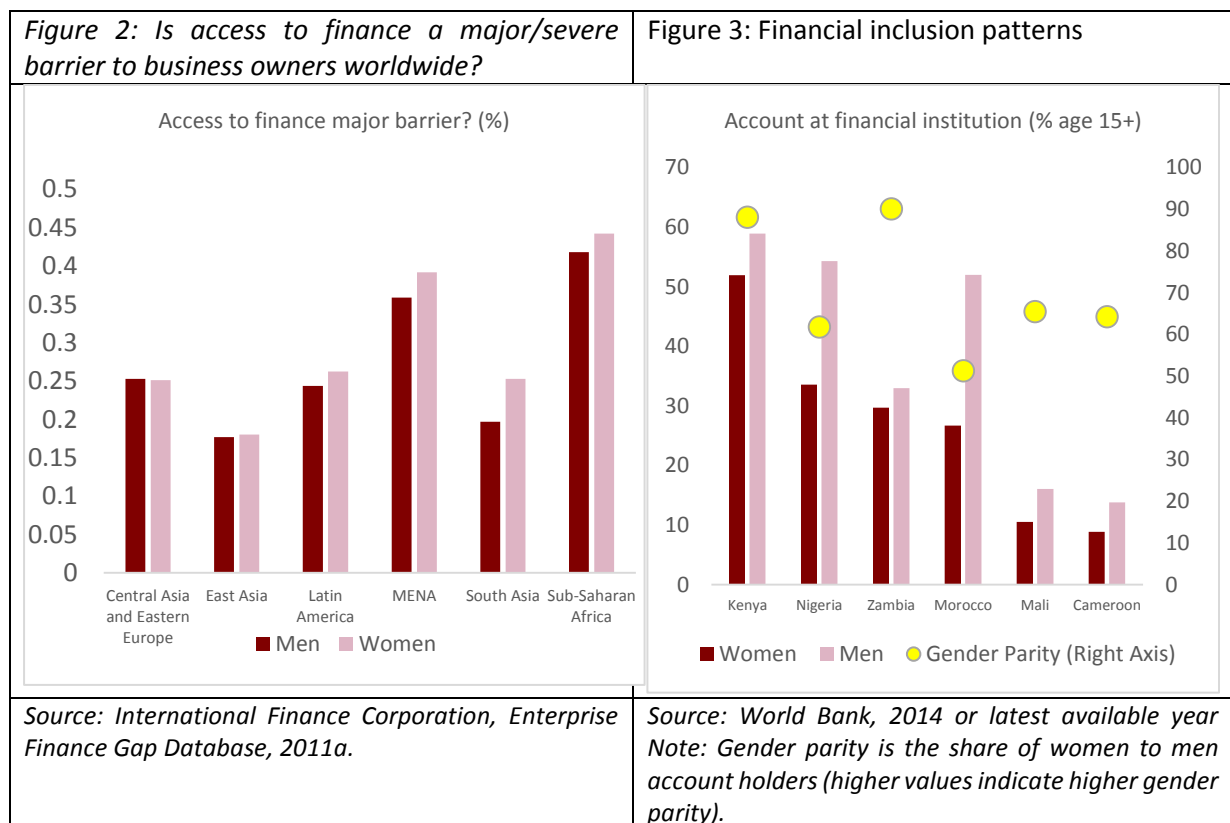
²⁴ Beck and Cull, 2014.

²⁵ Based on International Finance Corporation Enterprise Finance Gap database, 2011a.

²⁶ World Bank Group, 2014.

over 50% of women holding a bank account, followed by Nigeria (33%), Zambia (29%) and then Morocco (26%). However, when comparing differences in access to finance by gender, the high disparity in inclusion patterns seen in Morocco and Nigeria is stark. The share of women holding accounts in financial institutions is only half that of men in Morocco and two-thirds that of men in Nigeria. The determining factors for this disparity are demographic characteristics and gender equality issues, as well as business practices and the regulatory environment. Mali and Cameroon are underperforming in terms of both the share of persons holding accounts in financial institutions and gender disparity, measured as lower account ownership by women than men. According to Findex data, only 10% of women in Mali are reported to have a bank account and that number is even lower for Cameroon at 9%. (See Figure 3: Financial inclusion patterns.) Access to finance is more favourable to men, as men have better access to banks and financial institutions. Despite low levels of financial inclusion, Mali and Cameroon fare better than Morocco and Nigeria in terms of gender disparity in access to finance, with gender parity levels 15 percentage points higher as illustrated in Figure 3.

This group of six countries is a good representation of the diversity of African women in business both as users and as potential users of financial services. African women are a diverse group reflecting many different cultural settings, occupations, income levels, age groups and roles in the economy and society. Women and men engage in different economic activities and have different access to public and private services. This determines women’s demand for financial products and services, which are intrinsically different than men’s as they correspond to the sectors where women are economically active.



To meet the diverse needs of African women in business, a wide range of gender-sensitive financial services is needed. Women in business require finance both at the household level to

protect and plan ahead to ensure the well-being of their families (which is generally the responsibility of women) and at the enterprise level to grow their businesses and invest profits in ways that positively impact their families and communities. As borrowers, African women in business demonstrate solid repayment behaviour and have a solid record of accomplishment as savers, often through informal institutions such as unregulated savings and credit cooperative organisations (SACCOs) and rotating savings and credit associations (ROSCAs) rather than formal financial institutions.²⁷ They seek safe and convenient ways to save small amounts, as women are more concerned with the security and convenience of deposits and withdrawals than they are with interest income. Another characteristic of women's financial behaviour is the smaller and much more frequent nature of transactions. Women are more reliant on cash transfers, calling for delivery channels that improve access, such as mobile and on-line services. Convenience is an important driver in women's use of financial services. The size of the branch network of banks in African countries is marked by low density, especially in rural areas where the majority of women are at the bottom of the pyramid (BOP). Women use savings as part of their risk management strategies. Beyond transactional short-term savings, there is expanding interest in long-term savings to work toward a specific goal, such as business expansion or children's education.

Most women are forced to grow their businesses using little or no formal credit facilities.

Dependency on personal assets and informal sources of capital are the result of inaccessibility to formal financial institutions. The Global Findex data shows that in Kenya, only 12.6% of all women who borrowed actually borrowed from a financial institution. The share of women borrowing from a formal financial institution is even lower in the rest of the group, at 4.1% in Nigeria and Zambia, 3.6% in Morocco, 1.8% in Mali, and 1.7% in Cameroon. Figure 4 depicts the size of the informal sector for women-owned enterprises by country. Most businesses remain informal and small-scale due to the lack of attractive and suitable products and services, which can allow women entrepreneurs to bridge the capital gap and grow their businesses from micro to small to medium to large. Informal sources of credit are not sufficient to bring them into the SME range.²⁸

Women entrepreneurs are overly represented among smaller, informal enterprises.

Informal enterprises are a major source of employment and income generation for African women. The group of six countries similarly exhibits a large number of informal women-owned businesses, with an average of 86% of women-owned enterprises operating in the informal sector, while that number for businesses owned by men is 65%. In a recent brief, the ILO²⁹ concluded that most women-owned businesses remain informal because they receive no clear benefits from formalizing³⁰ (McKenzie 2009, ILO 2014a, van Elk and de Kok 2014). While registration, in theory, would allow them to apply for larger loans, expand markets, and issue receipts, most businesses are too small to take advantage of these opportunities. At the same time, public support for the smallest enterprises in Africa is non-existent or is very limited³¹ (Heintz and Valodia 2008). The smaller size of women-owned businesses is caused in part by barriers women face in society and in the market. Limited access to wage employment for women in Africa means women are more likely to be pushed into self-employment as a survival strategy.

²⁷ Making Finance Work for Africa, 2012.

²⁸ International Finance Corporation, 2013.

²⁹ ILO, n.d.

³⁰ McKenzie, 2009; ILO, 2014a; Van Elk and De Kok, 2014

³¹ Heintz and Valodia, 2008

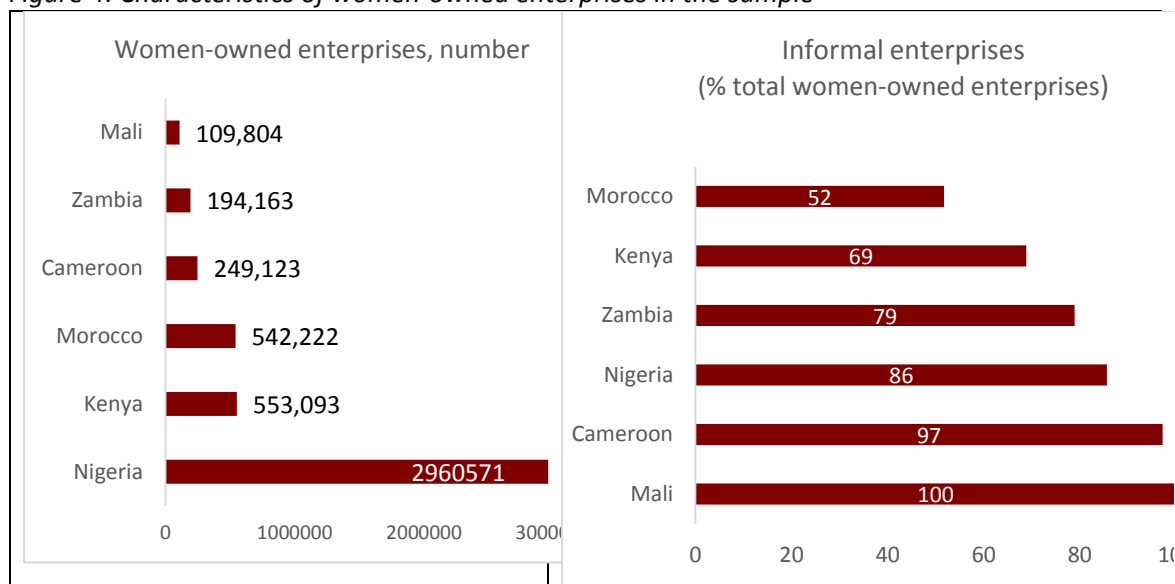
Table 4: Borrowing behaviour of women in the selected countries

	Loan in the past year, women (% age 15+)	Borrowed to start, operate, or expand a farm or business, women (% age 15+)	Borrowed from a financial institution, women (% age 15+)	Borrowed from a private informal lender, women (% age 15+)
Cameroon	48.8	8.8	1.7	8.8
Kenya	66.5	21.1	12.6	5.6
Mali	28.7	6.1	1.8	2.1
Morocco	43.3	Na	3.6	2.1
Nigeria	45.7	14.6	4.1	2.7
Zambia	49.8	21.1	4.1	5.0

Source: World Bank, Global Findex database (latest year available for each country), 2014.

Both men and women require financing to scale up their businesses and there is a specific need for more flexible loan conditions, larger and longer-term loans, and the use of alternative collateral.

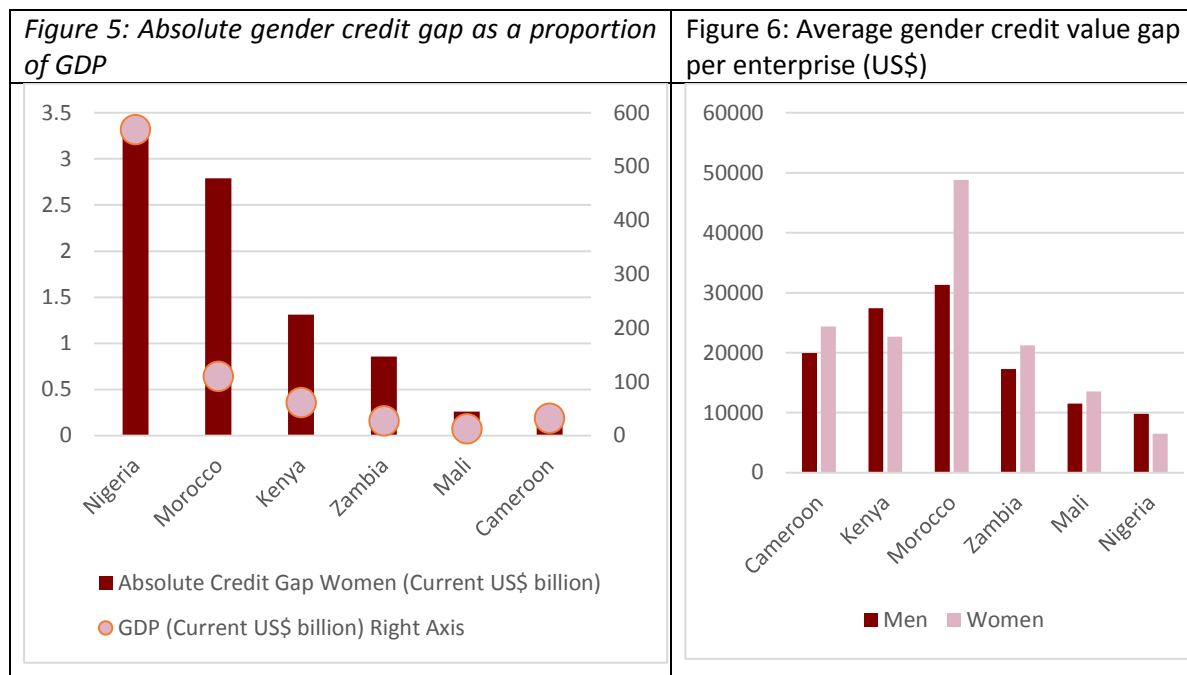
Figure 4: Characteristics of women-owned enterprises in the sample



Source: International Finance Corporation, 2011a.

There is a sizable credit gap for women in business in all of the countries studied. The absolute size of the credit gap is proportionate to the size of the economies in the sample, with the exception of Cameroon. It is logical to assume that larger economies have higher demand for credit. Countries with booming economic activity such as Nigeria, the largest economy in the group in terms of GDP and population, and Morocco, the second largest by GDP, are estimated to have the largest credit gaps for women in business. Nigeria's credit gap for women in both formal and informal businesses amounts to US\$ 3.2 billion, followed by Morocco with an estimated US\$ 2.8 billion. Kenya comes in third in terms of GDP size and has an estimated credit gap of US\$ 1.31 billion. However, Cameroon exhibits a different trend. According to the size of GDP, Cameroon comes after Kenya. The absolute credit gap, however, appears to be the smallest in the sample, indicating that either demand for credit is highly met (which is unlikely) or that there is inadequate

provision of formal credit to the private sector, which is exacerbated by a weak enabling environment and a large number of enterprises concentrated in the informal sector, as illustrated by Figure 4 above.



Source: World Bank WDI, 2014 and International Finance Corporation, 2011a.

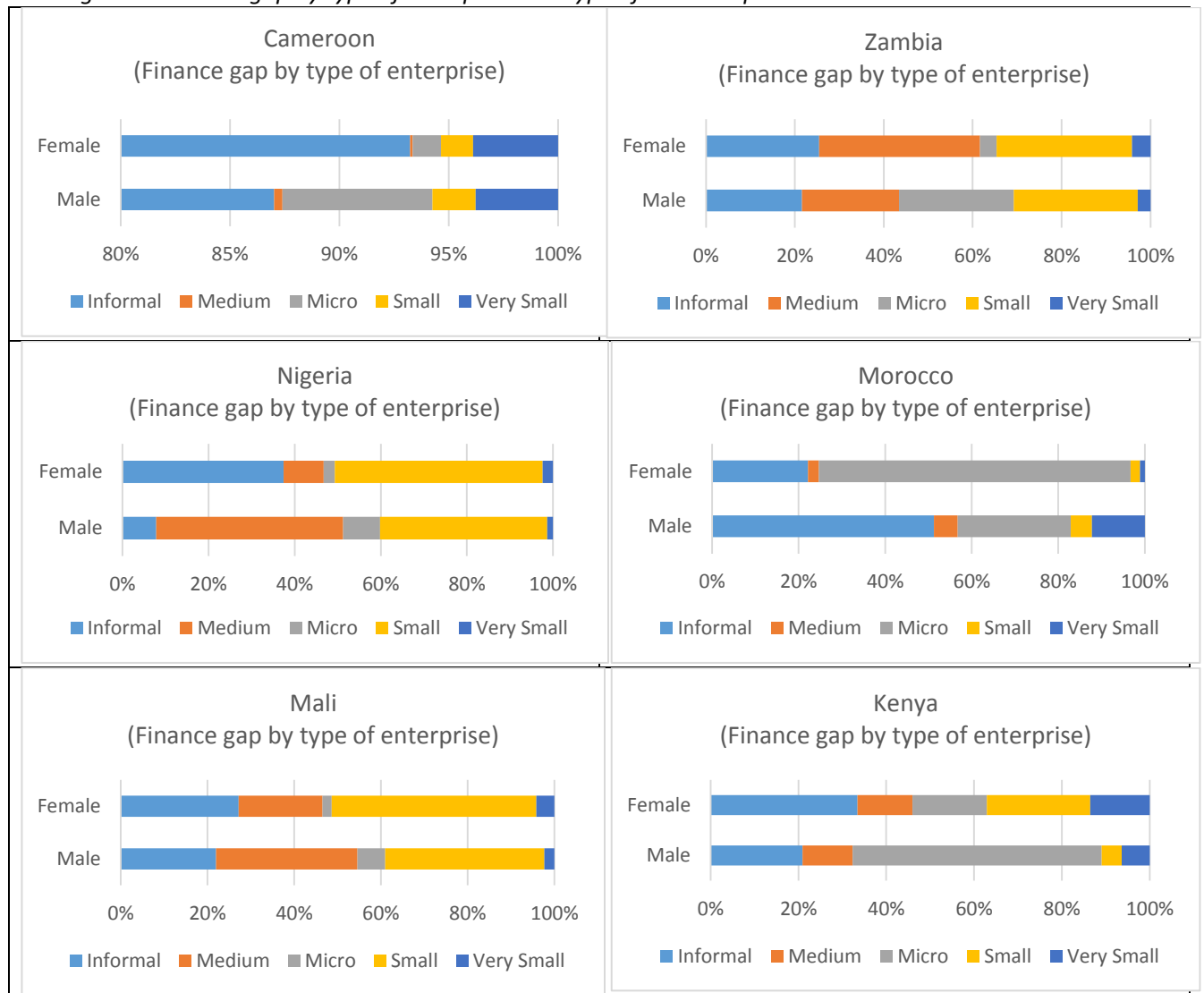
The average credit gap per enterprise also varies by country. Moroccan women business owners appear to have the highest average credit value gap in the sample. Similarly, only 3.6%³² of Moroccan women have ever borrowed from a formal financial institution and only 2.1% have borrowed from an informal private lender. According to the Findex data, loans are sourced primarily from family and friends (39.2%). The high average credit gap between women and men who own businesses paints a picture of great differences in financial inclusion and far greater gender disparities in access to finance. Yet, at 50%, Morocco has the highest share of formal women-owned enterprises among the six economies in the group, pointing to more favourable public policy and incentives for firms to register their business. Figure 7 depicts the finance gap by type of enterprise and type of ownership for all six countries in the sample.

There is a particular need for gender-sensitive insurance products in Africa. The product should incorporate an understanding of the risks women at the bottom of the pyramid face and the important role household dynamics play in determining risk behaviours.³³ Insurance products are a component of risk management strategies that are especially prevalent among African women. Women have a greater need for appropriate means to manage risk given the higher levels of vulnerability they face, conditioned by lower earnings than those of men, lower ownership of property and other assets, as well as the responsibility of ensuring the welfare and security of their families.

³² World Bank, Global Findex Database, 2014.

³³ Making Finance Work for Africa, 2012.

Figure 7: Finance gap by type of enterprise and type of ownership



Source: International Finance Corporation, 2011a.

4.2 CAMEROON CASE STUDY

4.2.1 Country Context / Gender Profile

Cameroon is a low- to middle-income country with a GDP per capita of about US\$ 1,407 (current US\$, 2014). Cameroon's GDP growth rate reached nearly 6.2% in 2015. The tertiary sector, such as telecommunications, transportation, and financial services, has mainly driven this expansion in GDP. Although GDP growth has been accelerating over the years, it has not been sufficient to reduce poverty and inequality substantially. About 37.5% of the population still lives below the national poverty line and inequality remains high. Overall poverty has declined since 2001; however, rural poverty increased from 52% in 2001 to 56.8% in 2014. Moreover, the change in the poverty rate has been uneven across the country, with northern Cameroon becoming poorer and southern Cameroon becoming richer. Weak governance is reported to be the main

development challenge in the country.³⁴

Women make up about half of the country's population. The majority of these women live in rural areas and primarily depend on agriculture for their livelihoods. Women constitute the majority of the agricultural labour force, ranging from 50-70% across different regions and producing 80% of the food in the country. Women are engaged in various agricultural sub-sectors, including food, cash crops, fishing and forestry. Empowering these women would have substantial impact on the country's economy in terms of increasing food security and alleviating poverty.³⁵

However, women's participation in the private sector is disproportionately low. Women have limited access to job opportunities and to productive resources. As a result, their abilities remain unexploited. According to a recent World Bank enterprise survey, only 15.7% of the surveyed firms had women's participation in ownership and only 10% of firms had a woman as top manager. This demonstrates women's lack of involvement in the private sector. Furthermore, the study found that the majority of the firms owned by women were small enterprises. Additionally, 28.8% of all small firms were owned by women, compared to only 3% of the medium-sized firms and 3.9% of the large firms. Women operate smaller firms with fewer employees and therefore generate lower revenues and income than men do.

Significant gender gaps exist in both formal and informal economic activities. Furthermore, men own or manage about 75% of the formal, modern enterprises, whereas women are more engaged in informal activities, where most SMEs operate. Women own only 25% of the firms and occupy 27% of the jobs in formal enterprises. Even within the informal sector, there are significant differences in the activities performed by men and women. Women are usually involved in agro-food production, food services, and the clothing industry, whereas men are found in repair, construction, transportation, and wholesale trade activities. Socioeconomic and cultural norms as well as limited access to infrastructure are reported to be the major obstacles forcing women to rely on the subsistence sector. Furthermore, about 60% of formal modern enterprises are located in Douala and Yaoundé, accounting for about 68% of employment and 74% of revenues generated by enterprises. However, these two centres together comprise only about 19% of the country's population. This indicates that the majority of the women-owned SMEs are found in rural areas.³⁶ The Global Gender Index³⁷ ranks Cameroon 90th of 145 countries covered.

Table 5: Women-owned firm statistics

Indicators	% of total
Firms with women's participation in ownership	15.7
Firms with a woman as top manager	10
Firms with majority women ownership	10.1
Permanent full-time workers that are women (%)	27.8
Small firms with women's participation in ownership	28.8
Medium-sized firms with women's participation in ownership	3.0
Large firms with women's participation in ownership	3.9

Source: World Bank Enterprise Survey, 2009

³⁴ World Bank, 2015a.

³⁵ Ministry of Women Empowerment, Cameroon.

³⁶ Stevenson and St-Ong, 2011.

³⁷ World Economic Forum, 2015.

According to the International Labour Organization³⁸, as gender is not mainstreamed in the economy, women entrepreneurs are often isolated and excluded from many government and development programmes. The majority of women are engaged in informal activities, many of which are often not registered or licensed. Getting reliable data on these informal activities is difficult. Gender-disaggregated data in general and data on women MSMEs in particular are very limited. Moreover, there are few studies on women entrepreneurship in Cameroon. Limited information makes it difficult for policy-makers and DFIs to make informed decisions. Furthermore, as the informal economy is not a part of the mainstream economy, women entrepreneurs have limited access to information on available business development, capacity-building programmes, and other services. The 2014 Global Entrepreneurship Monitor (GEM) report³⁹ indicates that Cameroon's total entrepreneurial activity rate is 37.4%. Cameroon's adult population has relatively favourable attitudes toward entrepreneurship: 69% perceive opportunities to engage in entrepreneurship over the next six months; they have low fear of failure (29%).⁴⁰

4.2.2 Financial Sector Context & Inclusion Patterns

Cameroon is a member of the Economic and Monetary Community of Central Africa (CEMAC) and has its largest financial system, accounting for about 30% of financial assets in the CEMAC region. There are 13 financial institutions in the country and the sector is dominated by foreign banks. The sector also includes non-bank financial institutions, insurance companies, pension, and social security funds, as well as over 700 microfinance institutions. Non-bank financial institutions play a minor role in the sector.

Financial sector performance has been unsteady. The profitability of banks in the country declined between 2010 and 2012 but started recovering in 2013. Return on assets declined from 1.5% in 2013 to 0.8% in 2014, whereas return on equity fell from 42.7% in 2013 to 21.8% in 2014. Even though the percentage of NPLs to total loans declined slightly from 10.3% in 2013 to 9.7% in 2014, it is still very high. The financial sector is still characterised by excess liquidity and heavy concentration of loans and deposits. Excess liquidity often leads to interest margin and profit reductions.

Commercial bank lending to the SME sector is negligible; SMEs primarily rely on microfinance institutions to meet their financing needs. Bank lending is limited due to a perception of high credit risk. The banks are less diversified and provide only a few financial products. The collateral requirement is allegedly one of the biggest factors hampering access to bank loans. A recent International Monetary Fund financial sector assessment⁴¹ suggests that weaknesses in the legal and regulatory frameworks are hampering the creation of venture capital and private equity institutions in the country. Furthermore, the majority of the banks' branches are concentrated in major cities where most of the formal modern enterprises are present, limiting the ability of SMEs to reach out to these banks.

³⁸ ILO, 2011/ Stevenson and St-Onge, 2011

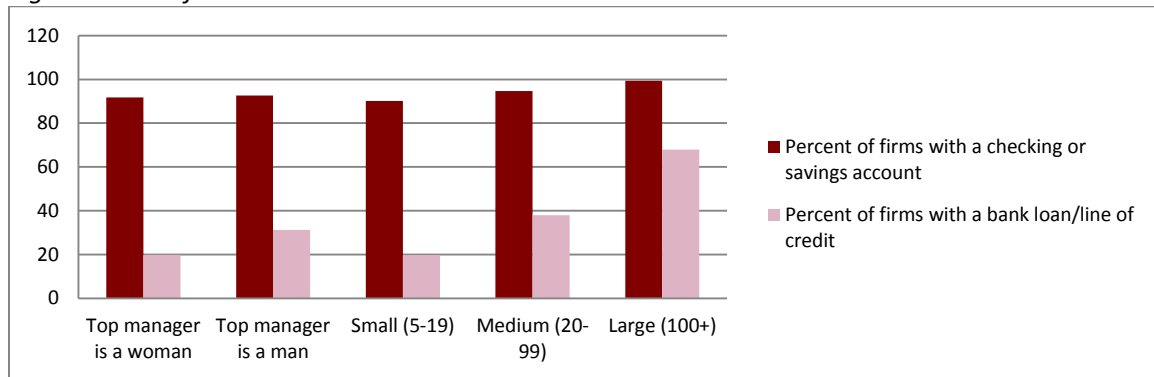
³⁹ Singer et al., 2015.

⁴⁰ <http://www.gemconsortium.org/country-profile/48>

⁴¹ IMF, 2009

Use of banks varies by firm size and gender. Recent data on SMEs in general and women SMEs in particular is limited. However, the World Bank’s Enterprise Surveys of 2009⁴² reveal that while the majority of the enterprises surveyed held a bank account, only 19% of small enterprises and 38% of the medium-sized enterprises had a bank loan, in contrast to 68% of the large firms. Moreover, only 19.9 % of women entrepreneurs⁴³ had a loan at the bank, compared to 31.3% of men.⁴⁴ Most of the loans required collateral, the value of which was very high, up to 248% of the loan amount for small enterprises and 198% of the loan amount for large enterprises.

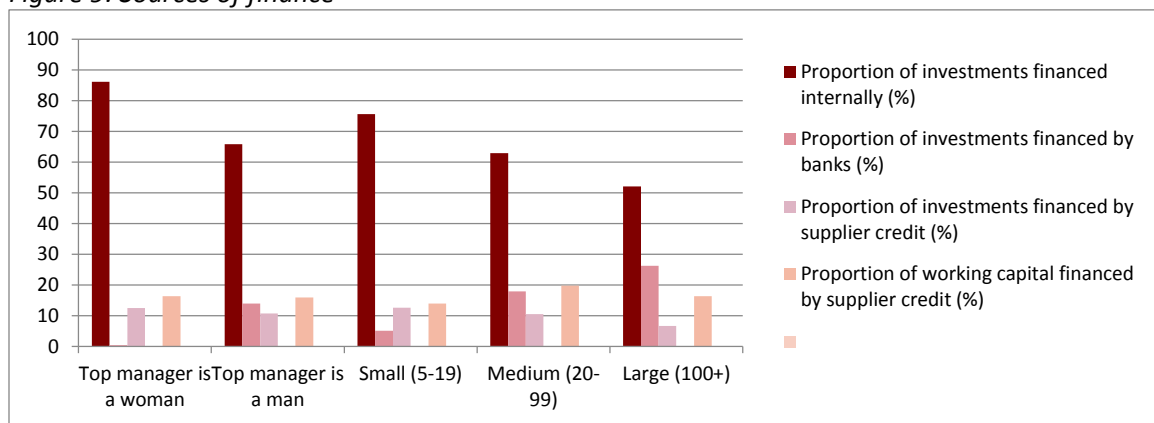
Figure 8: Use of banks



Source: World Bank Enterprise Survey, 2009.

Furthermore, the use of formal financial institutions for business purposes is minimal. The World Bank’s Enterprise Survey data shows that banks financed only 13% of the firms’ investments and 14% of the working capital. Most of the investments were financed by internal sources. Furthermore, the share of investments and working capital financed by working capital is much less for women and small entrepreneurs as compared to men and large entrepreneurs respectively. Women entrepreneurs seemed to finance their capital needs internally, followed by supplier credits. Banks seem to finance larger firms more than small and medium-sized firms.

Figure 9: Sources of finance



Source: World Bank Enterprise Survey, 2009.

⁴² World Bank, 2009a.

⁴³ The firm having a woman as top manager.

⁴⁴ The firm having a man as top manager.

Limited access to finance is still a major problem in the country. Global Findex Data indicate only about 11.4% of the country’s population (age 15+) held an account at a financial institution, compared to 14.8% of the population that held an account in 2011. This shows a decline in the percentage of the population having an account. Furthermore, the percentage of the women holding an account was 8.9%, compared to 13.8% of men. Additionally, richer people were more likely to hold a bank account as opposed to poorer people. The data shows that only 1.9% of the poorest 40% population and 17.7% of the richest 60% population held a bank account in 2014. The share of poorest 40% of the population holding a bank account declined dramatically, from 13.1% in 2011 to 1.9% in 2014. On average, the use of financial services by women and the poorest segment of the population are significantly less compared to that of men and the richest segment.

Table 6: Financial inclusion in Cameroon (2014)

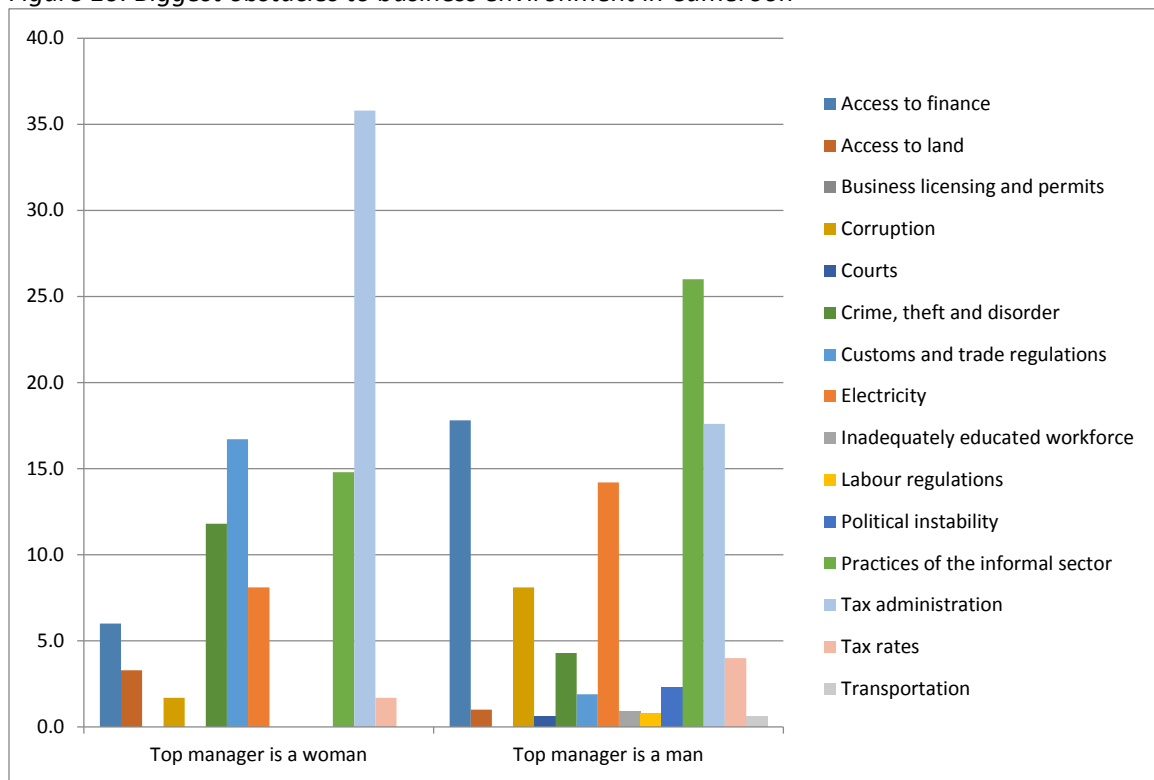
Indicator	Women (age 15+)	Men (age 15+)
Account at a financial institution	8.88%	13.82%
Borrowed any money in the past year	55.91%	57.39%
Borrowed from a financial institution	1.71%	2.19%
Borrowed from a private informal lender	1.04%	2.16%
Borrowed from family or friends	41.34%	43.15%
Borrowed to start, operate or expand a farm or business	8.84%	13.20%
Mobile account	2.09%	1.50%

Source: World Bank, Global Findex Database, 2014.

Non-financial barriers are more critical obstacles than financial barriers. The Enterprise Survey⁴⁵ show that the share of women entrepreneurs who did not need a loan was higher than the share of entrepreneurs who are men and that more entrepreneurs who are men (56.8%) reported that access to finance is a major constraint than did women entrepreneurs (39.5%). This indicates that women might be facing other non-financial barriers when starting and growing their businesses. When asked about their biggest business environment obstacles, women business owners and top managers reported tax administration, customs and trade regulations, as well as the practices of the informal sectors, as major impediments. On the other hand, business owners and top managers who are men reported that the practices of the informal sector, access to finance and tax administration are the biggest obstacles to their businesses. Overall, the practices of the informal sector and tax administration were the biggest deterrents for the firms in Cameroon. In this situation, the impact of programmes intended to increase only access to finance on improving businesses may not be fully realised. Non-financial factors should also be considered when designing development programmes for firms in Cameroon.

⁴⁵ World Bank Enterprise Survey, 2009

Figure 10: Biggest obstacles to business environment in Cameroon



Source: World Bank Enterprise Survey, 2009.

4.2.3 Overview of Existing Gender Finance Programmes

There is no obvious gender discrimination in accessing finance for business or for acquisition of property in Cameroon, from a legal and regulatory perspective.⁴⁶ This might be one of the reasons why there are very few gender policies or initiatives addressing women’s financing or business development issues. While the government has undertaken some initiatives for the development of the SME sector overall, the government’s SME policies overlook women entrepreneurs. For example, the government established a new ministry for SMEs in 2004, also known as the Ministry of Small and Medium Enterprises, Social Economy and Handicrafts, in order to promote SMEs by providing support in product promotion, integrating informal enterprises into the formal economy, reducing institutional constraints, and increasing their access to finance. Following its formation, the National Assembly approved the SME Law in 2010 in order to support the creation of enterprises, the development and upgrading of existing SMEs, and the financing of SMEs through an SME Promotion Fund.⁴⁷

The Ministry of Promotion of Women and Family and several other ministries have principles in place for the promotion of women SMEs. Whereas the Ministry of Promotion of Women and Family is committed to the promotion of women SMEs and women’s integration into SME activities, other ministries are involved in SME support activities and projects for women in selected sectors. However, specific programmes for women entrepreneurship are lacking in the country. The existing support activities and projects for women SMEs have not been able to bring

⁴⁶ Stevenson and St-Onge, 2011.

⁴⁷ Njemo Batumani, 2014.

a substantial impact for the subgroup. According to the ILO⁴⁸, the lack of coordination between the ministries in implementing the projects to improve women entrepreneurship is the main reason why the activities and projects incur little impact on women entrepreneurs.

Furthermore, there is limited evidence of gender financing programmes by DFIs or banks in the country. The IFC in collaboration with the African Development Bank launched the GOWE programme in Cameroon in 2008. The programme's overall objective was to create employment and reduce poverty by empowering women by enhancing access to finance and relevant business development services, as well as the provision of capacity building programmes for women entrepreneurs. The programme was based on an integrated approach that combined a partial guarantee (PG) facility made available to selected financial institutions with a capacity-building framework to train women entrepreneurs on business and financial management. However, the GOWE programme did not show satisfactory results in terms of increasing access to finance for women entrepreneurs. The lack of SME/gender strategy in banks, banks' lack of knowledge to serve the programme's specific market segment, as well as the lack of proper monitoring of the projects resulted in the under-performance of the programme.

4.3.4 Insights from On-site Interviews

Women entrepreneurs in Cameroon are engaged in a variety of sectors. Interviews with women entrepreneurs revealed that women entrepreneurs are found in the IT sector, the agribusiness sector, cosmetics, construction, transportation, etc. However, the women engaged in the IT and agribusiness sectors are believed to be performing well in the country despite the many challenges they face. For example, transformation in the agribusiness sector is very little. Women still face challenges in accessing markets and selling their products. Women in micro and small agribusiness sell by aggregating their products in order to meet marketing standards.

While there is no legal gender discrimination in operating a business in Cameroon, women are affected in practice by many socio-cultural norms and society's perception about the role of a woman in the family, society and the economy. Like many other countries, women are perceived as only needing to raise children and do household activities. After marriage, they are highly dependent on their husbands for any kind of decision-making. Furthermore, women entrepreneurs have little access to land and property ownership, which makes it difficult for them to meet the collateral requirements of banks.

Women are more constrained in accessing finance from financial institutions than men. One reason is due to banks' perception of the ability of men and women to operate and grow a business. For example, the perception that women cannot do well in certain types of economic activities such as construction, engineering or transportation hampers access to financing for women engaged in these sectors. Even for small loans, women sometimes take their husbands or business partners who are men to the financial institutions in order to increase their probability of obtaining loans. In addition, more women are found to be engaged in informal activities compared to men. Most of these women do not go to banks because they do not have formal businesses and the bankers will not serve them.

Issues of collateral and long loan approval processes were also reported to be major factors affecting women's access to finance. They have to provide 50% of the loan amount as guarantee

⁴⁸ ILO, 2011

(e.g. land, equipment, etc.). Women entrepreneurs lacking assets and income are not able to meet the high collateral requirements. Moreover, the loan approval process is very long and women entrepreneurs are unable to obtain the loan at the time it is needed. In addition, women entrepreneurs lack financial and technical skills, which again hampers their likelihood of getting a loan from banks. They are often not aware of the financial products available in the market and the mechanisms of different financial services.

Start-up businesses are usually financed internally, but for growth capital, women entrepreneurs want support from financial institutions. As it is difficult to obtain loans from financial institutions in the initial years, women depend on internal sources such as family and friends to meet their start-up capital needs. As the business grows, they want large loans for business expansion. The owner of one construction company interviewed said she needs at least US\$ 1 million to design and organise a new project, to hire engineers, to launch the products, and to increase facilities and production. Similarly, the owner of a transportation company in Doula said her financial need is about US\$ 100 million to enlarge the park and renovate the business building. She approached the Afriland bank for a loan, but did not obtain it because of the bank's extreme caution.

Based on the discussions held, it seems that commercial banks in Cameroon do not often have a gender finance strategy. The banks usually do not serve rural women. Interviews with EcoBank revealed that women entrepreneurs account for only 10% of its loan portfolio, seemingly the majority of which are women with large businesses. For this bank, a client is a client irrespective of gender. What is most important for them is a viable business to evaluate and provide loans. This indicates to commercial banks that making a profit motivates them to want to deal with large or more viable businesses.

Microfinance institutions deal with women SMEs and rural women to some extent. For example, CECIC is a microfinance institution in Cameroon serving about 13,000 clients, of which about 26% are women. These women are mainly from rural areas and are primarily involved in agribusinesses. However, the women need to meet some eligibility criteria, such as being trained by the ministry in business management and capacity building, have enough experience in business, provide a physical guarantee, etc. CECIC has branches in rural areas led by women. It receives lines of credit from the government. To date, they have disbursed loans amounting to CFA 250 million, with an average disbursement of CFA 500,000 per client. The average loan period ranges from 6-12 months, with an interest rate of 15%. Contrary to commercial banks, it has the motive of preserving the well-being of the rural population and can serve all types of women clients.

Unfavourable tax systems, weak jurisdiction, and restrictive regulations adversely affect access to finance and entrepreneurship development in the country. The tax rate on business activities is very high in the country. This results in a low profit margin and provides few incentives to women entrepreneurs to grow their businesses. In addition, the judicial environment is not favourable to credit. As reported by PRO-PME Financement, a case has been pending for the last six years that needs to be resolved. However, they are still waiting on a decision from the magistrate. Moreover, the license they have does not allow them to mobilise certain sorts of resources. They abide by the laws and regulations, which sometimes limit their ability to provide certain financial services.

CECIC and PRO-PME Financement are very interested in gender finance programmes like AFAWA. CECIC would need assistance in availing of funds, capacity building, and the acquisition of some transportation means as many women are in rural areas very far from their business centre. CECIC management recommended that the AfDB partner with financial institutions that are close to women. The AfDB may work with PRO-PME Financement to identify women and provide capacity-building programmes to the women while the financial institution will disburse the loans for them. In addition, it also recommended that once the programme is launched, the AfDB should avoid covering on the ground in order to lessen non-repayment by the beneficiaries. According to PRO-PME Financement, the AfDB should work with institutions that are more likely to target women and choose institutions that are in financial need. The AfDB should serve all categories of businesswomen with the right instrument. Leasing was mentioned to be the best instrument to finance investment and equipment by PRO-PME.

Box 1: PRO-PME Financement

PRO-PME specialises in financing SMEs. It has a license from the central bank as a 'Specialised Financial Institution'. Initially, it was a Canadian project that was financing SMEs and had disbursed around CFA 3 billion (about US\$ 5.2 million). Upon completion of the project, the government decided to continue it as an institution to serve SMEs. The State is a 20% shareholder in PRO-PME; however, it has not influenced the management of the institution. PRO-PME does not use public savings. It receives lines of credit from other financial institutions and DFIs or borrows from banks to lend to SMEs. Until now, it has received three lines of credit from the European Development Bank amounting to 3 to 8 million euros.

Since 2007 they have been involved only in SME finance. PRO-PME is currently serving around 300 clients, with an outstanding portfolio amounting CFA 13 billion. The majority of the portfolio, about 90%, is in the industry sector. Women clients account for about 10-15% of the portfolio. In general, the clients are from the services, industry and transport sectors. Women clients, however, mainly come from the hotel, restaurant and cosmetics sectors. It does not finance start-ups or the agriculture sector during the initial stages. PRO-PME primarily provides investment finance, with interest rates varying from 13-16% and loan terms of 36 months on average. The average amount of loan disbursement is about 50-60 million CFA, but sometimes up to 500 million can be disbursed to long-term clients.

PRO-PME has been very successful in financing SMEs, with its budget increasing from CFA 4 billion in 2014 to CFA 5 billion in 2015. It has experience with lines of credit and guarantee funds and can be a potential AfDB client in the AFAWA initiative to increase access to finance for women SMEs.

Moreover, gender financing programmes must include technical assistance components in order to have a greater impact. Women entrepreneurs need training and capacity building programmes to build and sustain their businesses. They need support in developing business models, marketing their products, and accessing proper market information. Many of the women employees learn technical things during their studies, but they do not learn how to work in the field. They need to be trained in order to improve their skills. There are not many training institutes available for SMEs or women SMEs in the country. Young women themselves are often

not confident that they can run a business. Training and mentoring as well as capacity building programmes are believed to enhance women businesses in the country.

4.3 KENYA CASE STUDY

4.3.1 Country Context / Gender Profile

Kenya is a lower middle-income country with GDP per capita of about US\$ 1,245. Kenya's average annual GDP growth has been at about 5% for the past several years. However, a large segment of the population (approx. 46%) falls below the national poverty line. The majority of the population lives in rural areas and primarily depends on agriculture for their livelihoods. Agriculture is the backbone of the Kenyan economy, contributing approximately 30% of GDP while the industry sector contributes about 20% of GDP. The recent growth in GDP has been a result of expansion in agriculture, construction, manufacturing, finance and insurance, information, communications and technology, and wholesale and retail trade.

Gender plays an important role in the Kenyan economy. The world development indicators⁴⁹ reveal that women make up more than 50% of the Kenyan population and that women constitute about 47% of the total labour force. Data also indicates that 67% of working-age men and 56% of working-age women were employed in 2014. However, women in Kenya are primarily engaged in agricultural work and therefore contribute to the majority of food production. They are less engaged in income generating activities compared to men, and often earn only a small fraction of the income. As a result of this disparity in income, many women-headed households, which make up approximately 40% of the total households in Kenya, suffer from poverty.⁵⁰

Table 7: Wage employment by selected industry by gender, 2014 (thousands)

Industry	Total	Men	%	Women	%
Agriculture, forestry and fishing	333.3	220.6	66.19	112.7	33.81
Manufacturing	287.4	234.4	81.56	53	18.44
Construction	143.7	117.1	81.49	26.6	18.51
Wholesale and retail trade	220.2	164.7	74.80	55.5	25.20
Transportation and storage	79.7	58.3	73.15	21.4	26.85
Information and communication	99.1	61.9	62.46	37.2	37.54
Financial and insurance activities	67.5	40.4	59.85	27.1	40.15
Public administration and social security	233.5	147.6	63.21	85.9	36.79
Education	450	215.4	47.87	234.6	52.13

Source: Kenya national Bureau of Statistics, Economic Survey, 2015.

The informal sector is the major contributor of employment, including for women. It is comprised of mostly small businesses such as retailers, hawkers, boda boda operators and other service providers, and has only recently expanded into activities such as manufacturing, transport, information, communication and technology. In 2014, employment among informal sector enterprises constituted 82.7% of total employment. The majority of the women income earners are employed in the informal sector.⁵¹

Women's involvement in the small-business sector is comparatively high in Kenya. Women's

⁴⁹ WDI, 2016

⁵⁰ Elliott & Fowler, 2012.

⁵¹ Kenya National Bureau of Statistics, Economic Survey, 2015.

businesses are predominantly found in sectors such as food processing, clothing, agro-processing, horticulture, retail, entertainment, and other manufacturing sectors. According to a recent report by the IFC⁵², women businesses account for nearly half of all micro, small and medium-sized enterprises (MSMEs), which accounts for 20% of the country's GDP. The 2013 World Bank's Enterprise Survey (2013a) revealed that the share of firms with women's participation in ownership was 49.2%, as opposed to an average of 35.8% for sub-Saharan African countries. However, only 13.4% of the firms had women as top managers compared to an average of 15.2% for sub-Saharan African countries.

Gender inequality is an important issue to consider. In spite of the greater potential, women-owned businesses tend to be smaller than those owned by men and on average tend to have fewer employees, resulting in less income for women entrepreneurs. This gender inequality is believed to stem from supply-side gender disparities in education, training, employment, asset distribution, empowerment and rural-urban disparities. In addition, demand-side constraints such as limited access to finance, legal and regulatory barriers, low entrepreneurial skills, as well as socioeconomic gender norms are reported to be the causes of gender inequality in the business sector.⁵³ The Global Gender Gap report⁵⁴ ranked Kenya 48th of 145 countries in 2015—the highest ranking in the group of six countries under study.

4.3.2 Financial Sector Context & Inclusion Patterns

Kenya has one of the most diverse and well-developed financial systems in the region. The Kenya Bankers Association (2015)⁵⁵ reported that the current financial sector consists of the Central Bank of Kenya as the regulator, 44 commercial banks, 1 mortgage finance company, 7 representative offices of foreign banks, 9 microfinance institutions, 2 credit reference bureaus, and 101 forex bureaus. The banking sector accounts for about 70% of the total financial sector.⁵⁶ The Central Bank of Kenya classifies banks according to shareholding, where banks are categorised as foreign owned, banks with government participation, or locally owned banks.

The banking sector is growing due to increases in pre-tax profits and net assets. Banks' assets increased at a rate of 21.4%, from KES 3.0 trillion in June 2014 to KES 3.6 trillion in June 2015. During the same period, pre-tax profits increased from KES 71 billion to KES 76.7 billion. Loans accounted for 58% of banks' balance sheets and total deposits increased by 20.3%. Capital adequacy ratio (CAR) guidelines are being met across the industry, with CAR equalling 20%, which is higher than the minimum requirement specified by the Central Bank of Kenya. Bank liquidity indicators are solid as the sector posted a liquidity ratio of 38.7%, well above the minimum requirement of 20%. Additionally, all banks met the minimum core capital-to-deposits ratio and the 10% maximum foreign currency exposure limit.⁵⁷

Overall lending in Kenya has increased dramatically since 2010 as the gross loan portfolio has risen from KES 876 billion to KES 2,167 billion. Loans to various sectors have been increasing over time. The portfolio is expanding and the ratio of NPLs to gross loans is declining. The loan portfolio

⁵² Kenya Country Profile, 2013. IFC

⁵³ International Labour Organization, 2008.

⁵⁴ World Economic Forum, 2015.

⁵⁵ Kenya Bankers Association, 2012

⁵⁶ Central Bank of Kenya, 2014.

⁵⁷ Central Bank of Kenya, 2015.

of the banking sector is becoming healthier as the ratio of NPLs to gross loans declined from 6.3% in 2010 to 5.72% in 2015. Bank loan portfolios indicate the main sectors receiving loans and advances are personal, trade, manufacturing and real estate, which accounted for 72% of the total loan portfolio in 2015.

Table 8: Breakdown of banks' loan portfolio by sector, June 2015

Sector	Gross loans (KES billion)	% of total	Gross NPLs (KES billion)	% NPLs
Household	540.80	24.96	26.50	4.90
Trade	430.20	19.85	31.90	7.42
Manufacturing	267.50	12.34	11.00	4.11
Real estate	322.93	14.90	15.90	4.92
Transport & communications	180.70	8.34	12.80	7.08
Agriculture	89.82	4.14	5.60	6.23
Financial services	80.12	3.70	1.80	2.25
Construction	90.70	4.19	12.90	14.22
Energy & water	99.44	4.59	1.20	1.21
Tourism	49.42	2.28	2.80	5.67
Mining	15.34	0.71	1.50	9.78
Total	2,167.00	100.00	123.90	5.72

Source: Central Bank of Kenya Annual Report (2015)

Bank lending to SMEs is increasing over time. An increasing number of small and medium-sized enterprises are now able to access funding from commercial banks. A recent report by FSD Kenya⁵⁸ shows that in December 2013, 23.4% of total lending was being directed to SMEs. Bank lending to SMEs grew from 19.5% of total lending in 2009 to 20.9% in 2011. This shows that the commercial banks are increasing the share of SME financing in their portfolios. However, the majority of the banks involved in SME financing are domestic banks, while foreign banks show a decreasing share of SME lending in their portfolios over time. Moreover, small and mid-sized banks tend to have a higher share of SME portfolios compared to large banks.

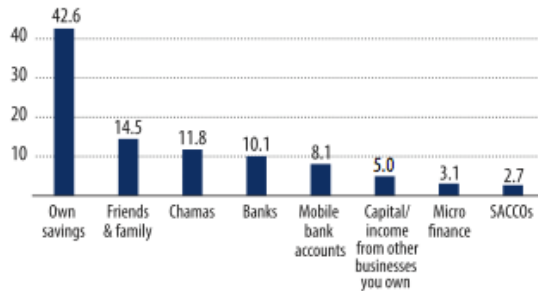
However, the 2016 FinAccess survey⁵⁹ shows that business owners still rely primarily on their own savings, as well as on loans from family and friends, to start or grow their businesses. About 42.6% of the business owner respondents said they financed their business out of their own savings and 14.5% of them borrowed from family and friends. Even though they use all types of financial services, they were found to be the leading users of microfinance institutions and informal sources. This data shows that the use of banks is less popular among businesses. This could be a result of demand-side as well as supply-side constraints that limit businesses access to finance from banks.

⁵⁸ World Bank, Central Bank of Kenya, and FSD Kenya, 2015.

⁵⁹ Central Bank of Kenya, FSD Kenya, Kenya National Bureau of Statistics, 2016.

Figure 11: Sources of financial services for business

12.3: Most important source of financial services for business (%)

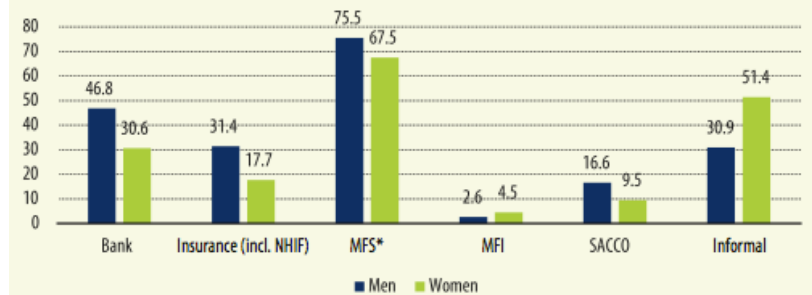


Source: Adapted from 2016 FinAccess Household Survey Report

Whereas banks are popular among financial services users, informal mechanisms are equally popular among women and the rural population. Whereas formal inclusion for both men and women has increased over time, the percentage of women relying on informal sources is always higher than that of men. The FinAccess 2016 survey data⁶⁰ reveals that though 50.4% of men had access to formal prudential sources, only 34.6% of women had access to formal prudential institutions. Similarly, only 32.1% of the rural population has access to formal prudential sources in contrast to 59.9% of the urban population. The percentage of women accessing informal sources was found to be 10.2% compared to 4.1% of men. Similarly, 9.1% of the rural population was found to have access to informal services, compared to 4.1% in urban areas. Moreover, men’s use of financial service providers is higher than that of women for all types of service providers except for informal service providers. The figure below shows that 51.4% of women use informal service providers compared to 30.9% of men.

Figure 12: Use of financial service providers by gender

6.4: Usage of financial service providers by gender (%)



Source: Adapted from 2016 FinAccess Household Survey Report.⁶¹

The use of mobile financial services has been increasing in Kenya. The recent FinAccess survey⁶² shows that 15.1 million individuals surveyed use mobile financial services, 8.7 million use informal mechanisms and 8.1 million use banks. Moreover, 75.5% of men and 67.5% of women use mobile

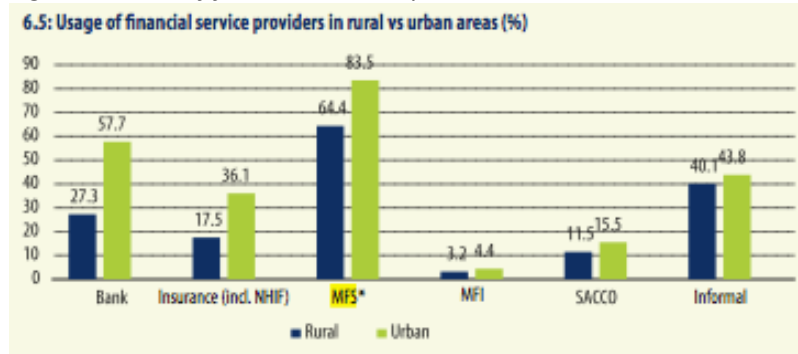
⁶⁰ Central Bank of Kenya, FSD Kenya, Kenya National Bureau of Statistics, 2016.

⁶¹ Central Bank of Kenya, FSD Kenya, Kenya National Bureau of Statistics, 2016.

⁶² Central Bank of Kenya, FSD Kenya, Kenya National Bureau of Statistics, 2016.

financial services. Mobile financial services are also popular in both rural and urban areas: 83.5% of the urban population and 64.4% of the rural population use mobile financial services.

Figure 13: Use of financial service providers in rural and urban areas



Source: Adapted from 2016 FinAccess Household Survey Report.⁶³

4.3.3 Overview of Existing Gender Finance Programmes

- **Women Enterprise Fund**

The government of Kenya initiated the Women Enterprise Fund in 2006. It was officially launched in 2007 with an objective to achieve the economic empowerment of women. The fund's loans reach the target beneficiaries directly through the Constituency Women Enterprise Scheme and through the partner financial intermediaries. The Ministry of Gender, Children and Social Development Gender Policy mandates the following:

- Provision of affordable and accessible credit to women for enterprise development;
- Capacity building of women beneficiaries and their institutions;
- Promotion of local and international marketing;
- Promotion of linkages between micro, small and medium-sized enterprises owned by women with larger enterprises;
- Facilitate and support investments in infrastructure that support women enterprises, e.g. markets or business incubators, etc.

In 2014-15, the fund collected KES 134,705,639 from internal resources and received KES 15.1 million as a recurrent grant from the government. It also received KES 153.8 as a development grant from the government for lending. In 2014-15, the fund provided loans to over 165,054 target beneficiaries, amounting to KES 1.6 billion. Over 70,000 women were trained in business management and entrepreneurial skills. The fund continues to provide marketing support for goods and services produced by women entrepreneurs.

- **Equity Bank (Fanikisha Initiative)**

The FANIKISHA initiative is a joint effort by UNDP-Kenya and Equity Bank. It was launched in 2008 to promote women entrepreneurs in Kenya. The fund was expected to be used for medium- and long-term lending to increase women's business and competitiveness. The Fanikisha loan targets women's groups of 15-30 members with a loan amount between KES 1,000-300,000. The loans are provided based on an evaluation of cash flow rather than on collateral, i.e. borrowers can obtain a loan depending on their previous repayment record. It also provides access to business improvement training.

⁶³ Central Bank of Kenya, FSD Kenya, Kenya National Bureau of Statistics, 2016.

- **Kenya Women Microfinance Bank**

Kenya Women Microfinance Bank, formerly known as Kenya Women Finance Trust, was formed by a group of women in 1982. In 2009, it was transformed into a deposit-taking institution and became the largest non-bank microfinance institution in Kenya, serving 250,000 women clients. It now serves over 800,000 clients across the country, with more than 80% of clients based in rural areas where agriculture is the main economic activity. It provides various loan products, including business loans and asset financing to women. It has three types of business loans tailored especially for women SMEs. The *Biashara* loan is designed to help women with micro, small and medium-sized businesses access affordable financial services. This loan includes a flexible security need, monthly loan repayment, flexible loan amounts, business skills training, low processing fees, low monthly savings, loan amounts from as little as KES 10,000, with premium insurance cover. The *Mwangaza* loan is designed for medium- and large-sized women-owned businesses to access affordable financing. The features involved in this type of loan are flexible securities, access to business skills training, flexible loan amounts, fast processing of loans, monthly loan repayment, and loan amount starters from KES 50,000 to develop strong businesses. The *Mwamba* loan is tailored to individual women entrepreneurs with medium- and large-sized businesses to access affordable financing individually without a group co-guarantee. This loan features flexible loan amounts, flexible monthly loan repayment plans, flexible security requirements, and fast processing of the loans. Moreover, Kenya Women Microfinance Bank also provides asset financing to new and old clients with flexible collateral and repayment periods and affordable interest rates.

- **Chase Bank**

Chase Bank Kenya set up the **first women-banking unit** in the Kenyan banking sector in order to provide affordable lending to help create business development opportunities for women in Kenya. In this context, the International Finance Corporation (IFC) and the Goldman Sachs 10,000 women initiative in collaboration with the Women Entrepreneurs Opportunity Facility has provided KES 2.5 billion to Chase Bank to provide a collateral-free fund for women-owned SMEs. However, the women-owned SMEs must meet some eligibility criteria, including operation period and shareholding criteria, and must be a Chase Bank client. To date, Chase Bank Kenya has disbursed KES 1 billion to women-owned SMEs and the bank also plans to provide technical expertise, training and networking opportunities to women entrepreneurs. (Note: Chase bank has been closed by the Central Bank of Kenya. The regulator took over the bank on 7 April and it is currently being sold. Therefore, the continuity and future of its women's programme will be defined by its next investors.)

4.3.4 Insights from on-site Interviews

Insights from the roundtable discussion with women entrepreneurs and interviews with financial institutions in Kenya revealed that access to finance is one of the major problems for women-owned MSMEs. Limited access to finance was found to be a result of both demand-side and supply-side obstacles facing women and financial institutions.

Lack of collateral seems to be one of the biggest issues hampering women's access to finance in Kenya. The collateral requirements from the bank are very high; in addition, the terms and conditions for loan repayment are not flexible and do not favour small enterprises. As a result, women-owned SMEs that often have a low level of assets and income are not able to meet the

collateral requirements and are therefore restricted in accessing loans. Borrowers sometimes have to deposit cash in order to obtain a loan. The women-owned SMEs that lack financial capital and therefore intend to apply for a loan cannot afford to deposit cash and are unable to obtain the loan.

Women have less confidence in formal financial institutions, such as commercial banks.

According to the women entrepreneurs, banks, especially commercial banks, do not understand women's businesses. Women's businesses are perceived as high-risk activities because women-owned businesses are usually small and have limited capital to deal with business risks. As a result, banks usually charge very high interest rates on loans provided to women entrepreneurs. Higher interest rates result in very little margin from the investment. Kenyan women entrepreneurs prefer risk or venture capital as well as quasi capital. Moreover, loan-processing time is often lengthy for women, as banks require verification of women's eligibility. Furthermore, the loan approval process takes so long that in many cases, producers do not have enough time to fulfil their orders and SMEs are unable to honour contracts or enter larger markets.

Women's inadequate levels of financial literacy and lack of knowledge about available financing limit their ability to access finance.

Kenyan women are among the best educated in Africa in terms of years of schooling, yet many of them lack an adequate level of financial literacy. Women often do not know how to prepare a loan application or whom they need to talk to about the loan application. Many women are not aware of financing programmes for women or the right financing sources and financial products. Moreover, even if some women meet the eligibility criteria and obtain a loan, they lack the knowledge to use the fund correctly to grow their businesses. Capacity building and knowledge sharing about how they can access all the available funding along with mentorship on fund use and business expansion are required to increase their financial access and business growth.

The majority of commercial banks do not have women-focused financial products. The financial services and financial products are not designed for micro or small enterprises or women entrepreneurs. The majority of commercial banks do not differentiate between clients in terms of gender. Women clients in these banks are mainly salaried women. Commercial banks with a profit motive usually deal with large enterprises and primarily have corporate clients. For instance, when asked about a gender-financing programme, the management of NIC Bank said they would be interested in gender financing programmes; however, at this stage, they would like to deal with medium- to large-sized enterprises based on their cash flows. NIC Bank is a bank with a historically strong focus on corporate lending; only in recent months has it decided to offer services for SMEs.

A lack of adequate credit appraisal methods was reported to be one of the biggest constraints in facilitating financing for women entrepreneurs.

Earlier we discussed that banks perceive women's businesses as risky. However, many banks do not have adequate credit appraisal methods to evaluate the eligibility of women entrepreneurs as clients. Appropriate decision-making tools and parameters are not available to support credit appraisal procedures. As a result, it is difficult for banks to judge the viability of women's businesses and to select the appropriate women entrepreneurs to provide loans to. Adequate credit appraisal methods along with sound due diligence and risk analysis processes and adequate lending methodologies would help in achieving risk mitigation.

Banks reported that they would need technical assistance in designing gender-specific products and in staff capacity building to execute the financial product or service. As the majority of banks do not have products tailored to women and they are less aware of the financing needs of women in general and women entrepreneurs in particular, banks require technical assistance in designing women-specific products. Moreover, bank staff is required to be trained to execute the products. Barclays Bank, which intends to initiate women-specific products in the near future, reported that staff training requires huge expenditures. As a result, it is looking for partners that can provide technical assistance to its staff as well as partners that can support the opening up of opportunities for women-owned businesses. However, it intends to target only large women-owned enterprises.

Box 2: Africa Guarantee Fund

Contrary to the commercial banks, the AfDB's Africa Guarantee Fund (in collaboration with the Danish and Spanish governments) seems to be working well in promoting financial access to SMEs. The Africa Guarantee Fund was established in order to facilitate SME financing by partnering with financial institutions and helping them increase their exposure to SMEs. It provides portfolio guarantees and financial guarantees to partner lending institutions and capacity development support to partner lending institutions and SMEs. The fund provides capacity building activities, such as developing and strengthening the skills, management practices, strategies, systems, competencies and abilities, to partner lending institutions in order to increase their SME financing business. SMEs receive assistance in the form of business development support services to improve their business management skills. **An interview with Africa Guarantee Fund management indicates that they would be willing to partner in a gender-financing programme.**

4.4 MALI CASE STUDY

4.4.1 Country Context / Gender Profile

Mali is a low-income country with GDP per capita of about US\$ 705 (current USD). It is among the lowest human development countries in the world and is one of the world's major foreign aid recipients. Mali's GDP growth has not been consistent in the past years, showing high variations due to highly fluctuating commodity prices, climate change, and partly because of political problems. The poorest segment of the population is employed in the primary sector. More than 80% of the population is engaged in agriculture and the sector accounts for about 40% of the country's GDP. The manufacturing sector is mainly based on processing agricultural products such as textiles and cloth, vegetable oil, leather and wood. Slow economic growth, high population growth and structural weaknesses have resulted in limited economic opportunities and increasing unemployment in the country.⁶⁴

Informality is high in the Malian economy. The informal sector employs about 87% of working-age men and 88% of working-age women, and the pay is very limited. The informal sector consists of almost all of the primary sector, 25% of the industrial sector, and about 70% of the tertiary sector, accounting for about 65% of total GDP. Moreover, informal enterprises are found more in

⁶⁴ Directorate-General for External Policies of the European Union, 2014.

rural areas. The high prevalence of the informal sector has led to a structural imbalance in the economy.⁶⁵

The industrial sector in Mali is very small, mainly consisting of privately owned small enterprises and only a few large enterprises. These consist of anything from micro and small enterprises such as vegetable farming to large enterprises like gold exports. There is limited data on the business sector and apparently, there is no official statistical data on the SME sector in Mali. However, the 2006 industrial census revealed that 85% of industrial enterprises had less than 50 workers and only 4% of enterprises employed more than 200 workers. Corruption and regulatory frameworks were found to be among the major factors hindering entrepreneurship growth in Mali. Furthermore, poor infrastructure leads to higher transaction costs for inputs and intermediary products. In addition, small domestic markets, less access to external markets, lack of skilled labour, and high energy costs all combine to hinder entrepreneurship development in Mali.

Women entrepreneurs tend to operate in the informal sector. About 88.5% of economically active women work in the informal sector and of them 60% are found in the primary sector, while 30% work in the services sector, and only 12% work in the industrial sector. Three types of women entrepreneurs are found in Mali: (i) women entrepreneurs who have well-structured businesses with an annual turnover higher than CFA 30 million and include women involved in trade (mainly agriculture related), construction, public works, services, and professional women; (ii) women artisans and food processors who are usually involved in tailoring, hairdressing, and food-processing, with an annual turnover of less than CFA 30 million; and (iii) women MSMEs, that are primarily involved in the trade of food products and sales of textiles, with an annual turnover of less than CFA 5 million.

Women have not been able to hold a significant numbers of top management positions at firms in Mali. World Bank Enterprise Surveys⁶⁶ show that only 58.3% of the surveyed firms had women’s participation in ownership. However, only 21% of firms had a woman as top manager and only 14.6% of firms had majority women’s ownership. This shows that even if a large number of women own or participate in ownership, fewer of them are found in top management positions. In addition, more women hold top management positions in small firms compared to medium-sized and large firms. Furthermore, the majority of the firms owned by women were found to be small and medium-sized enterprises: 58.5% of the small firms and 59.5% of medium-sized firms were owned by women, compared to 42% of large firms.

Table 8: Women-owned firm statistics

Indicators	% of total
Firms with women’s participation in ownership	58.3
Firms with a woman as top manager	21
Firms with majority women’s ownership	14.6
Small firms with women’s participation in ownership	58.5
Medium-sized firms with women’s participation in ownership	59.5
Large firms with women’s participation in ownership	42.0
Small firms with a woman as top manager	24.1
Medium-sized firms with a woman as top manager	8.6
Large firms with a woman as top manager	8.2

Source: World Bank Enterprise Survey, 2010.

⁶⁵ International Labour Organization, 2011.

⁶⁶ World Bank, 2010.

The gender gap prevails in other sectors of the economy as well. Women possess less human capital than men as a result of high illiteracy and low levels of educational attainment. This further hampers their employment opportunities compared to men. For instance, the women’s labour force participation rate is much lower than the men’s participation rate. Whereas about 80% of working-age men participate in the labour force, only 50% of working-age women do so. Moreover, women in Mali possess fewer assets, have less control over resources, and tend to depend on men for decision-making.

4.4.2 Financial Sector Context & Inclusion Patterns

The financial sector in Mali is dominated by banks. There are 13 commercial banks and 2 financial institutions, of which the 5 biggest banks hold two-thirds of the assets and more than 70% of the deposits. Moreover, 11 banks are foreign-owned, with over 80% of the sector’s assets. Additionally, there are 9 insurance companies, 2 life-insurance companies, and a pension system. Government and public entities play an important role in the sector, accounting for about 10% of total bank loans. In addition, there are about 125 licensed microfinance institutions in the country.

Mali’s financial sector resources remain insufficient and undiversified. Bank deposits have been growing in past years; however, most of the deposits are short-term demand deposits. Banks hold excess liquidity because of the lack of loanable projects and a high level of NPLs. In spite of sufficient liquidity in the financial sector, local banks lack resources and only provide short-term loans. Banks primarily provide loans to large public and private enterprises and mostly to enterprises involved in cash crops, trade, and the energy sector. Large amounts of loans are disbursed to a few large entrepreneurs.⁶⁷

Table 9: Financial soundness indicators in Mali

Indicators	2011	2012
Capital to risk-weighted assets	13.4%	14.8%
NPLs to total loans	18.7%	19.7%
Return on assets	1.3%	
Return on equity	15.6%	
Liquidity assets to total assets	47.4%	49.1%
Liquidity assets to short-term liabilities	89.4%	88.8%
Deposit rate	4.9%	
Lending rate	9.4%	

Source: International Monetary Fund, 2013.

Access to finance is a big constraint affecting the overall population in Mali. Global Findex data⁶⁸ indicates only about 13.25% of the country’s population (age 15+) held an account at a financial institution in 2014. Whereas 16.07% of men held an account at a financial institution, only 10.52% of women held one. Furthermore, whereas 41.46% of women and 44.12% of men borrowed money last year, only 2.74% of women and 3.68% of men actually borrowed from a financial institution. The majority of the population was found to have borrowed from family or friends, indicating low use of financial services in Mali.

⁶⁷ International Monetary Fund, 2013.

⁶⁸ World Bank, Global Findex Data (2014).

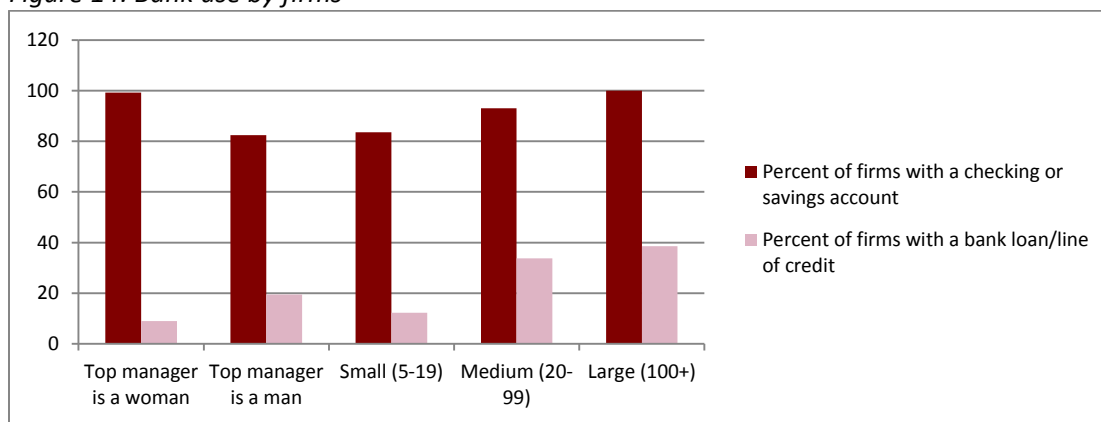
Table 10: Financial inclusion in Mali (2014)

Indicator	Women (age 15+)	Men (age 15+)
Account at a financial institution	10.52%	16.07%
Borrowed any money in the past year	41.46%	44.12%
Borrowed from a financial institution	2.74%	3.68%
Borrowed from a private informal lender	2.21%	2.86%
Borrowed from family or friends	33.28%	32.42%
Borrowed to start, operate, or expand a farm or business	6.08%	8.71%
Mobile account	8.99%	14.38%

Source: World Bank, Global Findex Database, 2014.

Bank loans to firms vary across gender and firm size. The World Bank's Enterprise Surveys of 2010 show that about 99.2% of the women entrepreneurs⁶⁹ and 82.4% of the men entrepreneurs⁷⁰ held a bank account. However, only 9% of the women entrepreneurs had a bank loan compared to 19.5% of men entrepreneurs. Furthermore, although the majority of firms held a bank account, only 12.2% of small firms had a bank loan, compared to 33.8% of medium-sized firms and 38.5% of large firms. This data indicates that women entrepreneurs and small firms are likely to have fewer bank loans compared to men entrepreneurs and medium/large firms respectively. One of the major reasons for the low number of bank loans may be attributed to the high collateral requirements, which was found to be above 200% of the loan amount.

Figure 14: Bank use by firms



Source: World Bank Enterprise Survey, 2010.

Most of the enterprises depend on internal finance for business investment irrespective of gender or the size of the firm. World Bank Enterprise Surveys⁷¹ data shows that the majority of the investments, i.e. 75.5% of investments by women entrepreneurs and 79% of investments by men entrepreneurs, were financed internally for all types of firms. Only 7.6% of investments by women entrepreneurs and 10.9% of investments by men entrepreneurs were financed by banks. Similarly, the proportion of working capital financed by banks is 5.1% for women entrepreneurs and 8.8% for men entrepreneurs. Moreover, the share of investments and working capital financed by banks is lower for small firms than for medium-sized firms. For working capital needs,

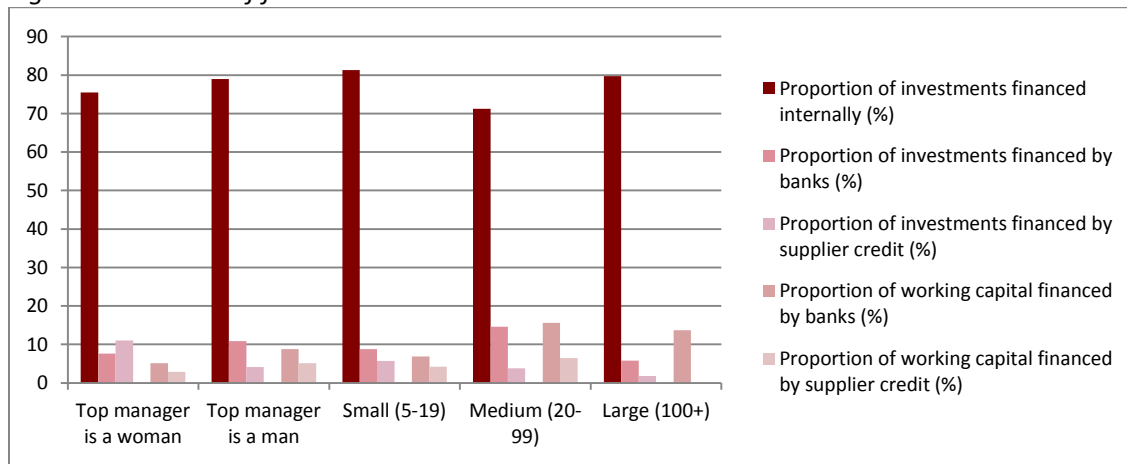
⁶⁹ The firm having a women as top manager.

⁷⁰ The firm having a man as top manager.

⁷¹ World Bank Enterprise Survey, 2010.

firms also depend on supplier credit to obtain loans. The data indicates low use of financial services in obtaining loans for investment and working capital purposes.

Figure 15: Sources of finance



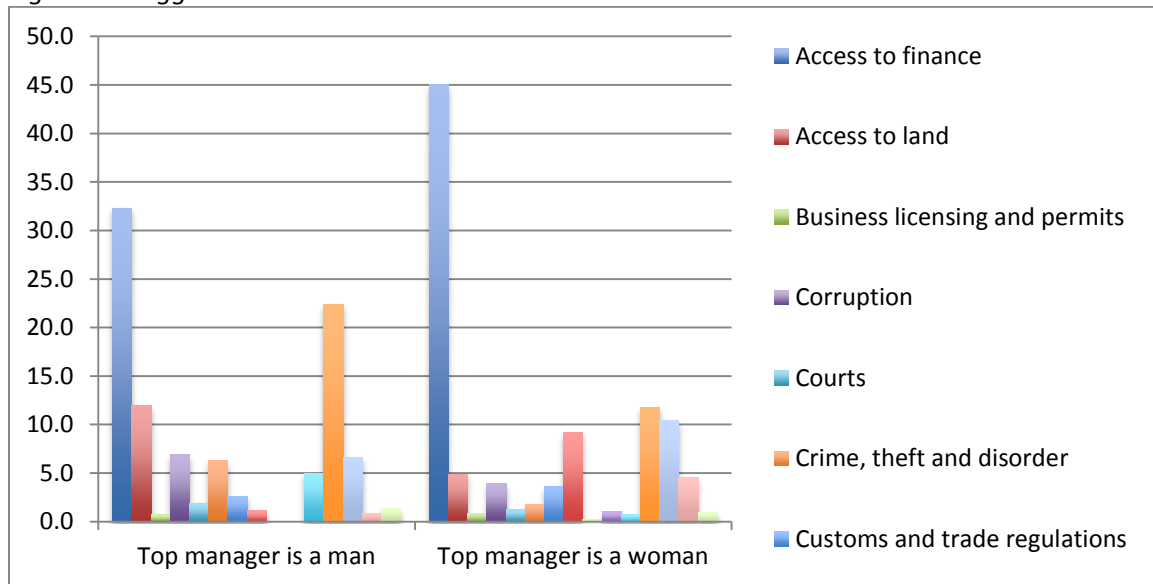
Source: World Bank Enterprise Survey, 2010.

Access to finance is reported to be the biggest obstacle to business growth in Mali. World Bank Enterprise Surveys⁷² show that 32.3% of women entrepreneurs and 45% of men entrepreneurs reported that the biggest obstacle to business is limited access to finance. Among all the obstacles, access to finance, informal business practices, and access to land were found to be the most damaging to business for women entrepreneurs. Similarly, for men entrepreneurs the top obstacles were access to finance, informal sector practices, and tax administration. Limited access to finance was also seen to be the biggest obstacle across all firm sizes.

Several factors affect access to finance in the country. A weak legal and judicial system leads to slow loan recovery, resulting in greater numbers of NPLs, hampering banks' incentive to lend. Moreover, poor infrastructure, distance from central banking offices, and limited skilled human resources increase the costs of lending. Lack of collateral is another major factor affecting access to finance for the poor segments of the population as well as SMEs. Alternative banking finance such as leasing, venture and investment capital are still underdeveloped.

⁷² World Bank Enterprise Survey, 2010.

Figure 16: Biggest obstacles to business environment in Mali



Source: World Bank Enterprise Survey, 2010.

4.4.3 Overview of Existing Gender Finance Programmes

The government of Mali has undertaken a few initiatives to increase access to finance for SMEs in general. For example, the government approved a private-sector guarantee fund (FGSP) and a capital-stock investment company (SICR) in 2011. FGSP aims to provide banks with guarantees for medium and long-term loans for SMEs whereas SICR takes shareholdings in companies.

Gender finance programmes targeting women have not been able to significantly reduce the limited access to finance problem for women. The government has included special legal provisions in the regulatory system of credit and microfinance institutions favouring women. The Support and Monitoring Unit of the Decentralized Financial System aims to increase women's access to savings and credit. In addition to the development of the microfinance network, the introduction of special government funds, such as the Support Fund for Women's Activities (FAAF Layidou) and the Credit and Savings Scheme for Women (SYCREF) have been helping women access finance. In spite of such initiatives, women still lag behind in accessing finance due to high interest rates charged by the decentralized financial system.

4.4.4 Insights from on-site Interviews

In Mali, 1 commercial bank, 1 leasing company, 3 microfinance institutions, 1 guarantee fund, and 1 association for women were interviewed. The findings from the interviews are presented below.

Women entrepreneurs in Mali are mostly found in the artisanal sector, service sector (e.g. restoration, hair salon, tincture), commerce sector, and agro-food sector, including the transformation of agro-products. The economic activities where women are involved vary across regions. For instance, women in the North are mostly artisans, while in the South, women are more involved in agricultural activities. Women in the central region are more active in fishing and animal breeding, where as in the East they mostly do mining-related activities. Most of the

women entrepreneurs operate small businesses. Approximately, 80% to 90% of the women entrepreneurs do commercial business and about 89% of them are involved in informal business.

Women face more constraints in accessing finance compared to men. Men and women have different financial needs, and while men borrow for their own needs, women borrow and use it for businesses, family maintenance, their children, food and health. Whereas the need for working capital is more prominent for women entrepreneurs, women in agriculture need more loans for equipment. However, they face more difficulties in accessing financing than men do. The main barrier to accessing finance for women in Mali was found to be cultural. The majority of the women are less educated or not educated at all. Women's financial literacy is limited and so they are unaware of the financial services available and products in the market. These factors limit their access to financing, which in turn restricts them from running and growing their business. Women plan projects; however, they are not able to execute them due to the lack of funding. For example, the Network of Women Entrepreneurs (RFOE) has designed three projects since 2009, but they have not yet found funders for the projects.

Women also face many non-financial barriers that hamper their business growth. Non-financial barriers include limited access to local and international markets, market regulations, as well as social and cultural norms. Women in Mali are less educated and are often unaware of market regulations. They have limited knowledge of opportunities in domestic and international markets; they are usually not able to keep up with the fast-changing market environment. This lack of knowledge makes them less competitive, which hampers their businesses growth, profits and income.

In addition to financial need, women need more training to manage their businesses. Many women need technical assistance because they lack business and management skills. They need to be educated on market regulations and on how to keep up with the fast-changing market. Capacity building programmes are required to train them in business management, make them move from the informal to the formal sector, register their business, make their business more professional, make market information available to them, and guide external donors towards women in business.

Commercial banks have women entrepreneurs as clients, but they are usually medium-sized or large businesses. Women-owned SMEs usually take small loans, which are not very profitable for institutions like commercial banks. The Banque Atlantique reported that the central bank is not functioning well and not reporting to the credit bureau. Bankers have difficulty determining if the potential customer is receiving loans from other financial institutions or not. Some clients consult the director of the bank to get the loan.

Leasing companies and microfinance institutions are likely to serve SMES, including women. MFIs provide financial services that are accessible and responsive to the needs of the unbanked, in particular micro and small entrepreneurs, including women clients. The most popular loans provided by MFIs are agricultural, commercial and artisanal loans. It primarily serves women clients. Many MFIs provide a product called a **solidarity group loan** that is specifically designed for women entrepreneurs and traders. This product, however, requires guarantees. Leasing companies on the other hand mainly do equipment financing. Most MFIs are funded by donors or borrow money from commercial banks. However, getting money from commercial banks as a microfinance institution is not very easy due to the very high interest rates charged by the banks.

Financial institutions are often sceptical of clients because of their financial behaviour. Some women clients neither pay nor want to save. This is why financial institutions require security on the amount of loans disbursed to women. It is likely that some financial institutions ask for 150 to 200% of the loan amount as security. It is often very difficult for women to meet the security criteria as they lack collateral assets and have little to no guarantee. Women need more training on repayment and financial literacy.

Donors play an important role in Mali to help facilitate women's financing. The main funders of women entrepreneurs in Mali are non-governmental organisations (NGOs), the Netherlands, Denmark, Switzerland, USAID, and UN Women. UN Women is actually piloting the project, which has been funded up to some CFA 900 million by local economic operators, including CLEDOU with 600 million and Diade with 300 million. Moreover, the United Nations has asked all its members to give special consideration to women entrepreneurs. Training and sensitisation programmes are necessary to train the organisations/institutions to properly use the donors' funds to increase women's access to finance.

Recommendation for AfDB: If the AfDB wants to finance women entrepreneurs, the best way is through associations, NGOs or groups. Banks can manage the fund but microfinance institutions disburse loans very quickly. However, their interest rates are sometimes very high compared to banks. Guarantee, line of credit, and equity are the instruments most preferred by the financial institutions to provide financing to women.

Box 3: FSGP (Fund for the Private Sector)

The mission of FGSP is to bring more solutions to banks in terms of partial coverage of the risks of granting funds to SMEs and thereby to offer more opportunities to them in financing their implantation, development and modernisation. It provides guarantees to the partner banks at up to 50% of its financing for a minimum of CFA 10 million to a maximum of CFA 500 million. By extending its guarantee to the banks, FGSP aims to be a tool for the:

- Development of SMEs;
- Development of banks in securing their risk and allowing them to expand their portfolios by winning new SME markets.

In addition to guarantees, it is also involved in the design and installation of bankable files to monitor support to SMEs.

Cost of the guarantee

- Risk commission: 1% per year, payable to the bank, calculated on the amount of the outstanding debt covered by the guarantee.
- The right of accession to the collateral or guarantee fee: 2% 'flat' is the responsibility of the promoter on the amount of funding granted by the bank.
- Dossier costs (in case of a study by FGSP): 0.25% of the funding by the promoter, with a minimum of CFA 75,000.

They are interested in external funding to strengthen the capital of clients and mitigate bank risks.

Box 4: KAFO jigignew (Microfinance Institution)

KAFO jigignew is a microfinance institution that has women clients. Most of the clients are involved in agribusiness, small commerce, handicrafts, agro-product transformation, and farming. About 80% of the funds are used to finance small businesses, mainly to provide working capital loans. While all the products are available for both men and women, it has a few products targeting only women. Women are roughly one-third of the institution's portfolio in terms of loan amounts and number of clients. Women's share in its portfolio is expected to increase at a rate of 14% in the coming years.

The institution is more or less oriented towards women. They have programmes such as 'Assistance for Women' where the joining fee for women is CFA 8,500, while it is more than 10,000 CFA for men. Women can get a loan before paying their joining fees while men have to pay it before getting the loan. Women do not need to open a savings account with the institution before getting the loan while men do.

They have a lot of external assistance regarding women's financing. They used to have lines of credit from NGOs targeting women. Part of that fund is used as a subsidiary that covers the cost of training and capacity building of the women before disbursing credit to them (solidarity group loan). They also have experience with the system for credit to women (*System de credit au Femme*—SCRF) and the economic development fund (*Fonds pour le développement économique*—FDE). They had previously received funding from NGOs, German foundations and other donors to finance women in business. The institution always designs strategies to help women continue to using financial services after the projects end. The current source of funds is public savings. They sometimes borrow from banks at an interest rate of some 8-12% and lend it at an interest rate of 18-24%.

They need technical and financial assistance to continue to serve more women in business. They are interested in the AfDB gender finance programme and are ready to start now because they already have basic gender finance know-how. They prefer line of credit and guarantee fund instruments to serve women.

4.5 MOROCCO CASE STUDY

4.5.1 Country Context / Gender Profile

Morocco is a lower middle-income country with GDP per capita of about US\$ 3,190 (current US\$, 2014). Morocco's GDP growth rate decreased from 4.7% in 2013 to 2.4% in 2014, primarily due to fluctuations in agricultural output. Agriculture contributes about 13% to the country's GDP, industry accounts for about 29.3%, and the greatest share comes from the services sector, accounting for about 57.7% of GDP. Agriculture employs about 40% of the population, and the industry and services sectors employ 21% and 31% respectively. Poverty has significantly declined in the last decade in the nation; however, about two-thirds of the rural population is still poor. Agriculture is the main source of livelihoods for rural populations, the growth of which has not been consistent over time due to lack of resources and unfavourable weather conditions, which have thus had a smaller impact on rural growth and poverty reduction.⁷³

⁷³ World Bank, 2013b.

Women are crucial to the economy in terms of their population size; however, their contribution to the economy is not substantial. Women constitute more than 50% of the country's total population. While 68% of working-age men are employed, only 24% of working-age women are employed. About 60% of women are employed in agriculture, 12% in the industry sector, and 28% in the services sector. Women's participation in the labour force is increasing over time, but it is still very low. With the expansion of the economy, men tend to move out of the less productive agricultural sector to the more productive industry and services sectors while women are left behind in the agricultural sector. Uneducated women are found both in rural and urban jobs with lower productivity and skills, and hence receive lower incomes.⁷⁴

Women in Morocco face discrimination, which is reflected in the business sphere. Despite two important achievements towards gender equality, starting in 2002 with the Moroccan family law reform (Moudawana) and subsequently with the constitutional referendum of 2011, Morocco still has a long way to go to institute a fair environment for women and men. This is visible in the World Economic Forum's *Global Gender Gap*⁷⁵ report ranking of the country in 2014 at 139th of 145 major and emerging economies, pointing to existing gender inequalities mostly noticeable on the political and economic fronts.

The gender gap is substantial within the private sector. Of all employed women, only 11.7% are self-employed. About 31% are wage workers and 56% are unpaid family helpers.⁷⁶ A recent report by the European Bank for Reconstruction and Development (EBRD)⁷⁷ shows that only 15% of women in Morocco are involved in entrepreneurial activities. World Bank Enterprise Survey data⁷⁸ shows that out of the total firms surveyed, only 4.3% had a woman as top manager and 3.5% of firms had a majority of women owners. This shows limited women's ownership in the private sector. A lack of resources and unequal access to education and other sociocultural factors hamper women's involvement in the private sector as well as their entrepreneurship development. Men possess more resources and have higher levels of education compared to women. According to a recent report by the EBRD⁷⁹, inheritance rights are not equal for women and men in Morocco, which affects women's ability to accumulate more capital needed for entrepreneurship development.

Table 11: Women-owned firm statistics

Indicators	% of total
Firms with women's participation in ownership	31.3
Firms with a woman as top manager	4.3
Firms with majority women ownership	3.5
Small firms with women's participation in ownership	31.5
Medium-sized firms with women's participation in ownership	29.1
Large firms with women's participation in ownership	38.0
Small firms with a woman as top manager	4.7

⁷⁴ Marottal et. al (2015). The World Bank Group.

⁷⁵ World Economic Forum, 2015.

⁷⁶ World Bank, 2007.

⁷⁷ EBRD, 2012

⁷⁸ World Bank, 2013a.

⁷⁹ EBRD, 2015

Medium-sized firms with a woman top manager	4.6
Large firms with a woman as top manager	1.6

Source: World Bank Enterprise Survey, 2013

4.5.2 Financial Sector Context & Inclusion Patterns

The financial system in Morocco is dominated by commercial banks. The financial system comprises 19 banks and several microcredit associations and financing companies. Banks account for about half of financial system assets, with total assets of about 140% of GDP. The top three banks account for about two-thirds of banks' total assets and deposits. The share of public banks is declining over time, constituting 16% of total banks in Morocco. Financing companies and microcredit combined account for 10.5% of GDP.

The banking sector remains sound and profitable. Due to prudent regulation by the central bank, the banking system has been resilient to shocks. The capital adequacy rate in December 2014 was 13.8%, indicating adequately capitalised banks. Moreover, due to high interest margins and rising fees and commissions, the banks remain profitable. However, the banking system sometimes suffers from liquidity shortages. Non-performing loans in 2015 have slightly increased from the previous years (since 2010), with highest NPLs observed in the following sectors: hotel and restaurant, transport and communication, agriculture, and trade. However, credit to the private sector remained the same in 2014 and 2015, at 91% of total loans.⁸⁰

Table 12: Financial soundness indicators in Morocco

Indicators	2014	2015
Regulatory capital to risk-weighted assets	13.8%	
Credit to the private sector to total loans	91%	91%
NPLs to total loans	6.9%	7.2%
Return on assets	0.9%	1.0%
Return on equity	10.2%	10.6%
Liquidity assets to total assets	13.3%	14.4%
Liquidity assets to short-term liabilities	17.7%	14.0%

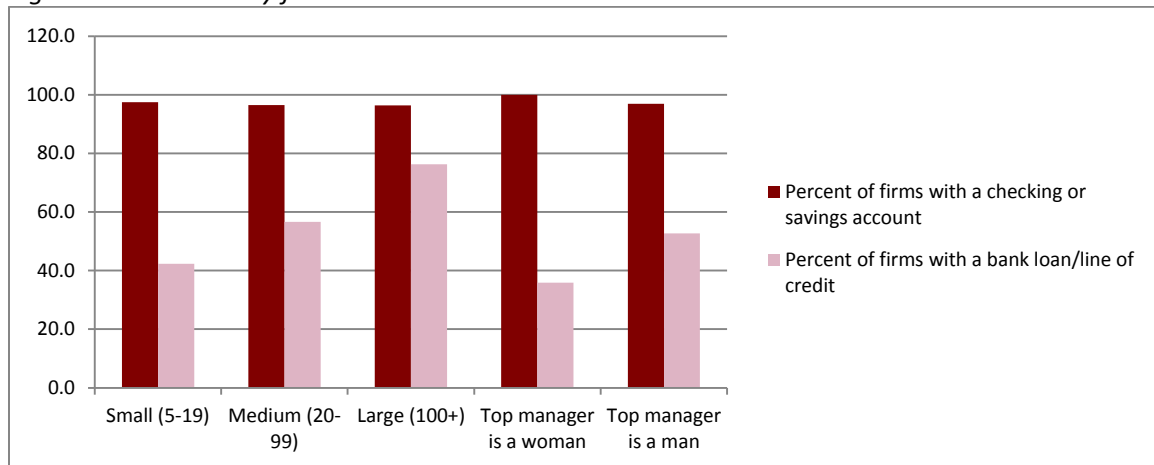
Source: International Monetary Fund, 2016.

Bank lending to SMEs has increased over time; however, a substantial number of SMEs still sees access to finance as a major constraint to their business. The World Bank's Enterprise Surveys data⁸¹ reveals that of the firms surveyed, about 78.8% of the small firms, 87.3% of the medium-sized firms, and 89.4% of the large firms had a checking or saving account in 2007. The percentage of firms having a checking or saving account increased to 97.5%, 96.5%, and 96.4% of small, medium-sized, and large firms in 2013 respectively. Furthermore, the share of firms having a bank loan or line of credit almost doubled from 2007 to 2013. In particular, the share of small firms having a bank loan increased from 20% to 40.3%, the share of medium-sized firms with a bank loan increased from 28.2% to 56.6%, and the share of large firms with a bank loan increased from 41.9% to 76.3% during the same period. The data indicates that lending to SMEs has increased over time. However, a large number of firms still reported that access to finance is a major constraint to their businesses, including 30.1% of small firms, 25.3% of medium-sized firms, and 25.2% of large firms.

⁸⁰ IMF, 2016

⁸¹ World Bank, 2013a.

Figure 17: Bank use by firms



Source: World Bank Enterprise Survey, 2013a.

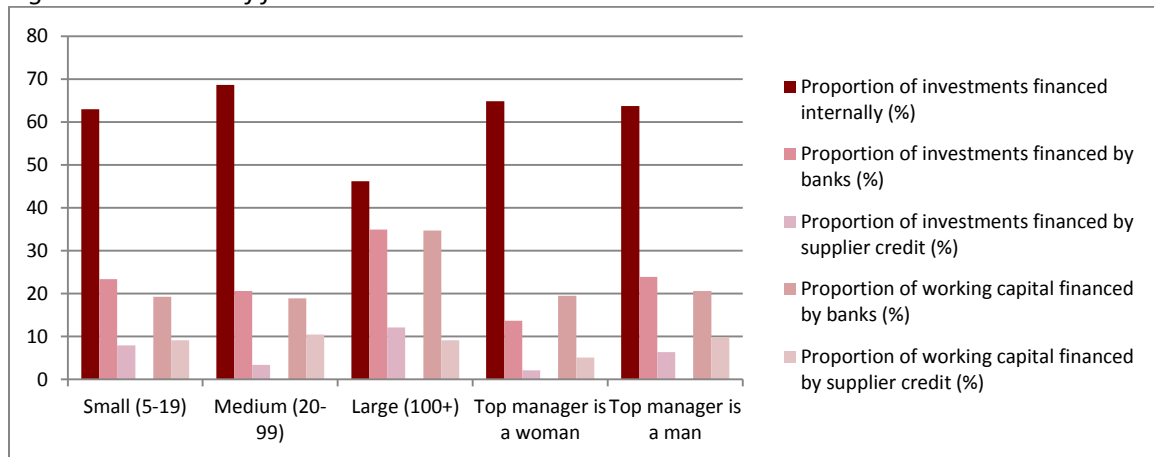
Bank lending to firms varies across gender and firm size. World Bank Enterprise Survey data⁸² also show that banks tend to cover more large enterprises as compared to small and medium-sized enterprises. In 2013, only 42.3% of small enterprises and 56.6% medium-sized enterprises had a bank loan, as opposed to 76.3% of large enterprises. Moreover, the amount of collateral required from small firms was much higher than that from medium-sized and large firms. Small firms were required to provide as high as 223.6% of the total amount of loan as collateral. Furthermore, only 35.9% of firms with a woman as top manager had a bank loan, as compared to 52.7% of firms with a man as top manager. The data indicates that firms may have a differing attitude towards firms owned by women and men and different sizes of firms. A greater share of large firms and firms with men as top managers use banks to finance investment and working capital.

The majority of the firms finance their investment through internal sources. Furthermore, World Bank Enterprise Survey data⁸³ indicates that only 23.4% of the firms' investment and 20.6% of the firms' working capital were financed by banks. About 63% of small firms' investments and 68.6% of medium-sized firms' investments were financed internally. Only 23.4% and 20.6% of their investments were financed by banks respectively. On the other hand, 34.9% of large firms' investments were financed by banks. Moreover, whereas a larger share of investments of both men and women entrepreneurs were financed internally, the share of investments financed by banks was less for women entrepreneurs compared to men. Similarly, the proportion of working capital financed by banks was higher for large firms compared to small and medium-sized firms. This indicates banks' preference for large firms, as they are more profitable for banks.

⁸² World Bank, 2013a.

⁸³ World Bank, 2013a.

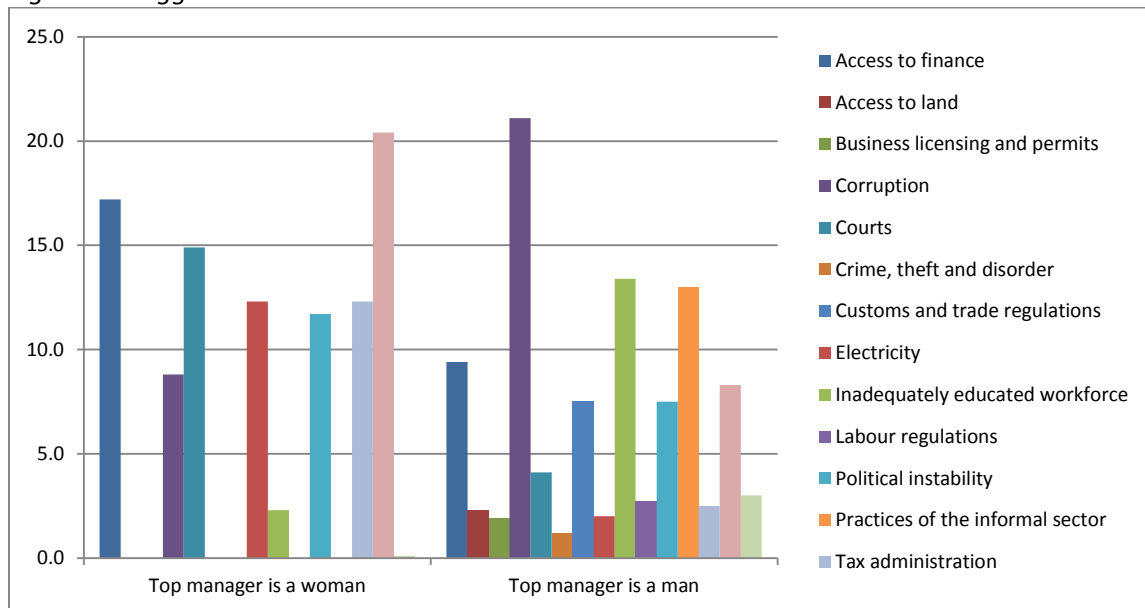
Figure 18: Sources of finance



Source: World Bank Enterprise Survey, 2013a.

Non-financial barriers also hinder business growth. World Bank Enterprise Survey data⁸⁴ shows that the biggest business environment obstacles for firms with women as top managers were tax rates, access to finance, courts and tax administration. Yet businesses owned by men and with men as the top managers reported that corruption, an inadequately educated workforce, being part of the informal sector, and access to finance are the biggest obstacles to their businesses. The findings suggest that biggest obstacles for men and women entrepreneurs are different in the country. Women in general are found more in small-sized businesses with low revenues and profits. If the tax rate is high, it is likely to hinder their business incentives. This is one of the major reasons why small-business owners often do not register their company. Moreover, women are less educated and often not aware of the legal and regulatory requirements of starting a business. The administrative process seems cumbersome to them. However, larger firms are more affected by low-skilled workers and the presence of informality in the economy.

Figure 19: Biggest obstacles to business environment in Morocco



Source: World Bank Enterprise Survey, 2013a.

⁸⁴ World Bank, 2013a.

4.5.3 Overview of Existing Gender Finance Programmes

The Moroccan government encourages the development of entrepreneurship by women and men as an alternative means of employment, with a view to enhancing people's incomes and reducing public unrest. The government has put several measures into place over the last years in this direction. For instance, the auto-entrepreneur status launched in 2015 seems to have the potential to 'upgrade' entrepreneurship for both women and men. It is estimated that about 4 million people are active in the informal economy. New measures exist to attract them into the formal economy, such as by promising social security coverage, including health and retirement benefits. It is expected that the formalisation of these activities may lead to an increase in the country's economic activity while facilitating private sector development.

Both public and private institutions are working in parallel with government action plans. The Moroccan government is strongly promoting entrepreneurship, including for women. For example, the Ministry of Agriculture has launched its Green Morocco programme and the banks have followed suit. There are banks in Morocco that are dedicated to SMEs, such as Banque Populaire, or have special SME branches and account managers with expertise in lending to SMEs.

In addition, some women-specific programmes or services are offered by banks and DFIs.

- **European Bank for Reconstruction and Development (EBRD)**

The EBRD launched its first gender strategy at the end of 2015; and in Morocco, it announced its first strategy with a strong focus on women entrepreneurship development.

The EBRD identified four key priorities jointly with the Moroccan government. Of these, two address women's entrepreneurship: Realizing Morocco's entrepreneurship potential and Regional Inclusion. The former aims to promote 'women's entrepreneurship and increasing finance to small and medium-sized enterprises (SMEs) through private equity funds, as well as providing dedicated lines of credit associated with technical assistance.' The latter 'will promote regional economic development and gender inclusion by improving the business environment and promoting equal employment opportunities for men and women in rural areas.' The EBRD plans to launch a preferential guarantee mechanism for start-ups at 100% plus technical assistance (free of charge for clients) in Morocco. Women entrepreneurs can access the technical assistance without taking a credit. This type of financing has already proven successful in the Caucasus and Eastern Europe.

- **Al Barid Bank**

The government has taken measures to increase financial inclusion, including through the creation of Al Barid Bank⁸⁵ (the Post Bank) in 2010, with the assigned strategic objective of offering bank services to people without bank accounts, including women. The bank opened desks in all post offices (1,800) throughout the country and today has 6 million clients, mostly private, of whom more than a half (3.5 million) are savers, of which 50% are women. In addition, the bank operates mobile agencies (buses). Through a partnership with the National Union of Moroccan Women, the bank has launched a financial education project aimed at teaching financial education to its women clients. The project aims to improve women's access to information.

⁸⁵ The Post and the Bank are 100% government-owned.

- **Central Guarantee Agency (CCG)**

One of the most visible public actors supporting enterprises and private clients is the Central Guarantee Agency. It provides guarantees to people and companies seeking bank finance. It also provides financial engineering to companies through co-financing mechanisms. Since 2009, a total of 12,000 enterprises have been guaranteed by the Central Guarantee Agency, of which 7% of guarantees were provided to women clients. In 2015, the Central Guarantee Agency provided guarantees to 5,000 companies (3,500 VSEs⁸⁶ and 1,500 SMEs) and 25,000 private clients⁸⁷ for a total volume of guarantees of DHS 16 billion. Starting in 2003, the Central Guarantee Agency has offered women entrepreneurs an 80% guarantee on the loan amount disbursed by banks.

- **Morocco SME (Maroc PME)**

Morocco SME (Maroc PME) is another major actor in promoting very small enterprises and SMEs in Morocco. The agency is funded with state taxes from imports and is under the control of the Financial Treasury. The agency provides support to about 700 companies per year by subcontracting its services (about 50 types of services) to companies; it mainly provides: Moussanada, a technical assistance programme for SMEs (strategy, HR, production) at subsidized rates (i.e. for the cost of its IT services to companies, including IT hardware) packaged with a grant; ii) specific programmes for information technology, including purchases of information systems to manage production costs, compete on national/international markets, etc.; iii) IMTIAZ, a programme aimed at strengthening SMEs. Part of the plan to accelerate industrialisation aims to support productive investments, with a view to encourage growth and employment by offering investment subsidies to selected SMEs active in the industry, with revenues between DHS 10-200 million per year.

- **Banque Populaire**

With its 10 regional banks, Banque Populaire, a cooperative bank, seemingly has the most developed network of agencies (1,500) in private banks in Morocco. Banque Populaire has 8 million clients in Morocco, mostly SMEs, making it the largest bank in the country. Banque Populaire is commonly known as 'the SME Bank'. Banque Populaire has an international presence in 21 countries around the world, including in sub-Saharan Africa. The International Finance Corporation is a shareholder (4.7%) since 2012. Banque Populaire has two branches in Cote d'Ivoire and Mali, a bank in Guinea Conakry (Banque Populaire Maroc-Guineenne), and through its holding Atlantic Business International (ABI) it provides commercial and investment banking services, insurance and financial engineering in seven countries in West Africa.⁸⁸

No gender-disaggregated statistics are available, and the bank does not have a gender strategy, but it is estimated that women clients represent 50% of the client base. Banque Populaire provides training to its agents. It is the only Moroccan bank with CIH that extends credit to the unemployed or to people with irregular revenues to have access to housing, with a government-provided credit guarantee. Banque Populaire extends on a yearly basis some DHS 250,000 through this programme. Women constitute a large part of the target population. Banque Populaire has 5 million clients, including: 500 large companies; 10,000

⁸⁶ Very Small Sized Enterprises

⁸⁷ http://www.ccg.ma/fr/index.php#jht_loginScreen

⁸⁸ *Banque Populaire (2015)*

SMEs; and 200,000 microenterprises. No statistics exist but it is estimated that women-owned enterprises represent some 10-15% of total clients.

Banque Populaire has set-up the ATTAOUFIQ Foundation to address microfinance clients in Morocco. Atlantic Microfinance for Africa is Banque Populaire's subsidiary targeting microfinance in sub-Saharan Africa. The majority of clients are women. Microcredits are complemented with technical assistance for revenue-generating clients. Interest rates are around 22% p.a., terms one year; maximum credit amount is 5,000 euros.

- **BMCE**

BMCE is one of the leading banks in Morocco. Financial inclusion for women is said to be an essential preoccupation for BMCE. BMCE has no gender policy. Gender is tackled via the bank's corporate social responsibility approaches. No gender-disaggregated statistics are available from the bank. However, with 600 agencies across Morocco, BMCE has 12,000 employees; women represent 37%. Through its subsidiary, Bank of Africa, BMCE has affiliates in 20 countries in Africa. The bank has a separate department for SMEs, which also addresses microenterprises. In the future, a dedicated department for microenterprises will be created.

- **Others**

Ten commercial private banks (with a minority government shareholding) are extending a type of loan specifically designed for women in urban areas, named Rasmeli ('for her'), a financial product designed for women.

4.5.4 Insights from On-site Interviews

While most institutions interviewed do not have a gender strategy per se, several do promote women's financial inclusion and economic empowerment in various ways. The Ministry of Economics and Finance is the only exception, as it has taken charge of gender budgeting since 2002, making Morocco a model to follow from a gender standpoint across the region and beyond. Some organisations address gender within the social sphere of their business engagement. Some of the banks, such as BMCE and Banque Populaire, issue corporate social responsibility reports.⁸⁹ However, none of the organisations visited as part of the mission had a stated gender strategy, despite the fact that all of them developed several programmes and projects in favour of women.

Demand-side constraints to women's access to finance include women's lower levels of financial, human and social capital as compared to men. This strongly penalises women from engaging and succeeding in business. Inheritance law favours men over women. Consequently, women in general have fewer assets than men and hence they experience more difficulty in accessing credit as they have few or no assets to pledge against credit. In addition, low levels of primary and secondary education for girls and of literacy for women, especially in rural areas and among low-income populations, limit their financial knowledge. Women tend to have reduced financial literacy levels and lack knowledge on how to plan their business, strategize about their business value proposition and to access markets. They have reduced networking, especially at the professional level, and lack access to information on markets. All these factors together limit their access to credit.

⁸⁹ BMCE, (n.d.)

<http://www.bmcebank.ma/UploadFiles/publications/2180/V000002/Web%20RAPPORT%20ABREG%20ANG%20XG.pdf> and Banque Populaire, 2016, as complements to their annual reports. Worth noting, Banque Populaire issued its first corporate social responsibility report in 2016.

Socio-cultural and political factors also make business more difficult, especially for women. Corruption, lack of transparency and high levels of bureaucracy⁹⁰ often prevent women from growing their business. In addition, cultural norms restrict their possibilities to actively participate in the business sector. Women have low levels of self-esteem and self-confidence due to internalisation of prevailing gender norms. Women are shy about accessing banking services and are sometimes afraid of banks.

Supply-side barriers are related to limited financial means and instruments, seasonality, difficulties in reaching out to potential clients both through limited numbers of agencies and potential clients' unfamiliarity with banks and financial products, as well as with the formal economy in general. High regional disparities and distance to clients add to the challenge of providing efficient financial services to clients. In addition to reduced transparency, administrative and bureaucratic challenges constitute additional constraints. Moroccan women, especially women-owned SMEs, need technical assistance associated with credit. This is not the case with larger companies, which have greater mastery of the intricacies of dealing with financial institutions when accessing finance. Financial institutions need to increase communication regarding their products and should sensitise current and potential clients regarding bank requirements and financial literacy.

Some institutions interviewed could be potential AfDB partners under the AFAWA programme. For instance, the European Investment Bank is planning to launch a new financial plan soon and has funds dedicated to promoting employment and to SMEs. The EU Delegation in Morocco has a policy of supporting gender through a new programme to be set up in 2016 for private sector development that will address trade, business environment, and green governance. The following summarises the ways in which the EU Delegation perceives its involvement with AFAWA:

- Provide funds allowing for the lowering of interest rates on loans to women in microenterprises and SMEs, which employ vulnerable women (widows, the handicapped, migrant women).
- Make grants available—a blending is possible as is the lowering of interest rates provided the company is willing to take a credit as a social enterprise responsibility approach.
- Act as a partner when it comes to private sector development.

Private commercial banks such as BMCE that have international operations in Africa may be valuable potential partners for AFAWA, not only in Morocco but also in West Africa or Africa at large. BMCE could be an interesting potential partner as it launched the This is Africa project in 2014, offering entrepreneurship awards to social entrepreneurship companies across the continent. It has a focus on women: 25% of its winners are women-owned enterprises. In 2016, some 2,000 projects were identified, with about 37% women participation in Botswana and Egypt were registered. However, BMCE further indicated that it needs support in offering technical assistance to its clients, in setting up a gender approach, and in attracting additional financing, mentioning that IFC's advisory services are quite expensive.

⁹⁰ <https://www.giswatch.org/users/hboujemj>; TI Corruption index 2011 ranks Morocco 80th out of 182, <http://www.state.gov/e/eb/rls/othr/ics/2012/191203.htm>
World Bank's Doing Business 2015 ranks Morocco 80th out of 189 economies, <http://www.doingbusiness.org/data/exploreeconomies/morocco/>

4.6 NIGERIA CASE STUDY

4.6.1 Country Context / Gender Profile

Nigeria is one of the largest economies in Africa, both in terms of GDP and population.⁹¹ Nigeria's GDP amounted to US\$ 598 billion in 2014, with an average annual GDP growth rate of 8.5% between 2004 and 2014. It has a population of 169 million (49% women). The economy has been mainly based on agriculture and petroleum resources. In recent years, the non-oil sector has emerged as the main driver of growth, with services contributing to about 57% of GDP growth, while manufacturing and agriculture contributed about 9% and 21% respectively. The economy is thus diversifying and is becoming more services-oriented, in particular through retail and wholesale trade, real estate, as well as information and communication technologies.

Nigeria has huge geographic disparities between the North and the South regions. Poverty in the North is twice as high as in the South (72% in the northeast versus 26% in the southeast). Those disparities also exist in girls' educational attainment. According to a British Council report on gender issues⁹² in Nigeria, 71% of women between the ages of 20 and 29 in the northeast of the country are unable to read or write, compared to 9.7% in the southeast. There are several reasons for this stark difference in literacy rates across regions, including the adoption of sharia law in some states of the North, the prevalence of instances of child marriage and the shortage of women teachers. The World Economic Forum's *Global Gender Gap* report⁹³ stresses the disparities between women and men. The report ranks Nigeria 125th of 145 major and emerging economies. Nigeria ratified both the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and its optional protocol.

Large gender disparities in economic participation and earnings are also prevalent in Nigeria. The World Bank⁹⁴ reports that in 2012, only 40% of working-age women were employed, while the same statistic for men was 76%. The low level of women's labour force participation is rooted in the prevalent societal norms by which Nigerian women hold a secondary role in society and are often relegated to roles as housewives and caretakers. That position is magnified by religious and cultural factors. Women compose the majority of informal sector workers and account for 60% to 79% of the rural workforce. Women in formal employment are paid less than men. Women occupy fewer than 30% of all positions in the public sector and only 17% of senior positions.⁹⁵ Further, women are also under-represented in the political sphere, where they hold a mere 6% of the seats in the National Parliament (24 women out of 360 members of parliament).⁹⁶ The 2012 *Global Entrepreneurship Monitor (GEM)*⁹⁷ report suggests that Nigeria is the world leader in entrepreneurial spirit. Total entrepreneurial activity is 35% while a large proportion of the population (82%) declares that they perceive opportunities to start their business over the following six months. Fear of failure is 21%. Entrepreneurship, however, is highly constrained by government programmes and regulations. Support to entrepreneurship is not considered a top policy priority at either the national or regional levels. Furthermore, the country's political instability threatens the sustainability of entrepreneurship activities.

⁹¹ AfDB, 2014.

⁹² British Council, 2012.

⁹³ World Economic Forum, 2015.

⁹⁴ WDI, 2012

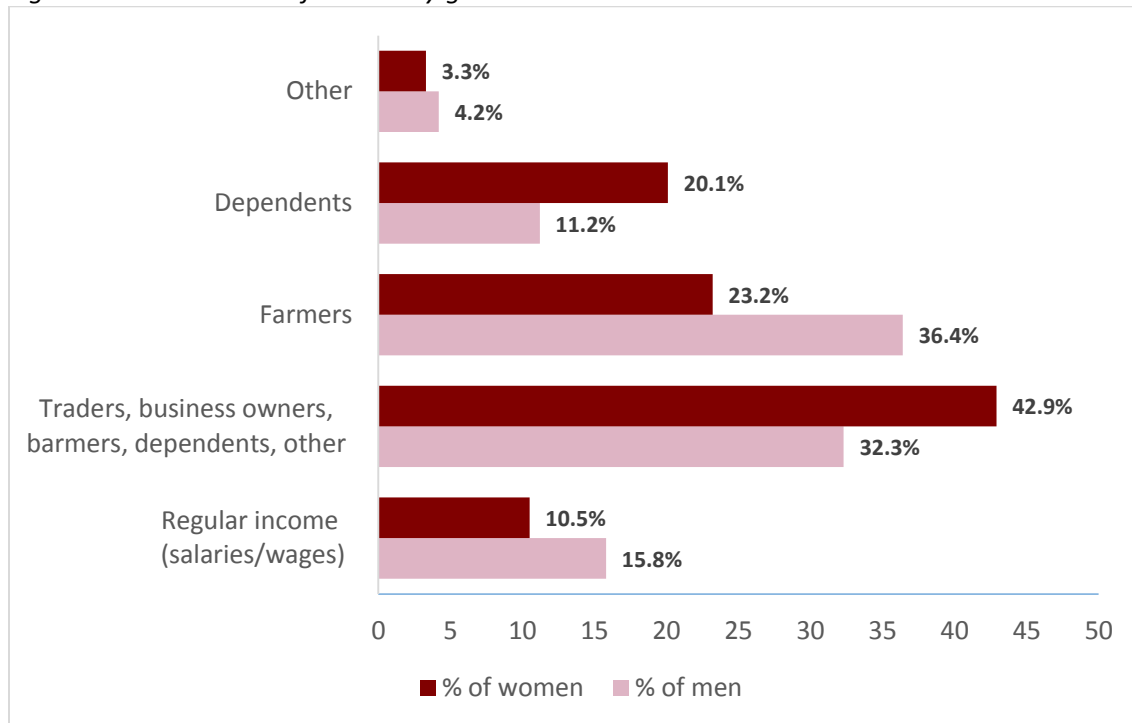
⁹⁵ British Council, 2012.

⁹⁶ World Bank, 2015c.

⁹⁷ Xavier et al., 2013.

Gender disparity is also found in acquiring assets and income. Land ownership is limited to men, with men being five times more likely to own land than women. Women own only 4% of land in the North and 10% of land in the South.⁹⁸ Enhancing Financial Innovation and Access— EFINA’s ‘Access to Financial Services in Nigeria 2012 Survey⁹⁹ shows that only 4.4 million women (10.5%) have a regular source of income, compared to 7.2 million men (15.8%). About 18.2 million women (42.9%) are found to be traders or business owners, which is significantly higher than men at 14.7 million (32.3%). Moreover, 8.5 million women (20.1%) depend on others for income, compared to 5.1 million men (11.2%).

Figure 20: Main source of income by gender



Source: EFINA, 2012.

4.6.2 Financial Sector Context & Inclusion Patterns

Nigeria's financial sector has undergone significant changes in recent years. In the aftermath of the financial crisis, the banking sector went through major consolidation, which reduced the number of banks from 89 to 24 and considerably increased capitalisation. As a result of consolidation, financial intermediation levels increased significantly: the number of bank branches almost doubled and banks engaged in a range of new activities, including the financing of infrastructure and oil projects, which had previously been out of their reach.¹⁰⁰

As of 2016, the Nigerian banking sector is powered by 24 commercial banks. Following a 2009 audit by the Central Bank that led to a government recapitalisation programme as well as mergers and acquisitions, the banking sector regained the ground lost in the wake of the global financial crisis and returned to consolidated profitability. A series of banking reforms in 2005 has

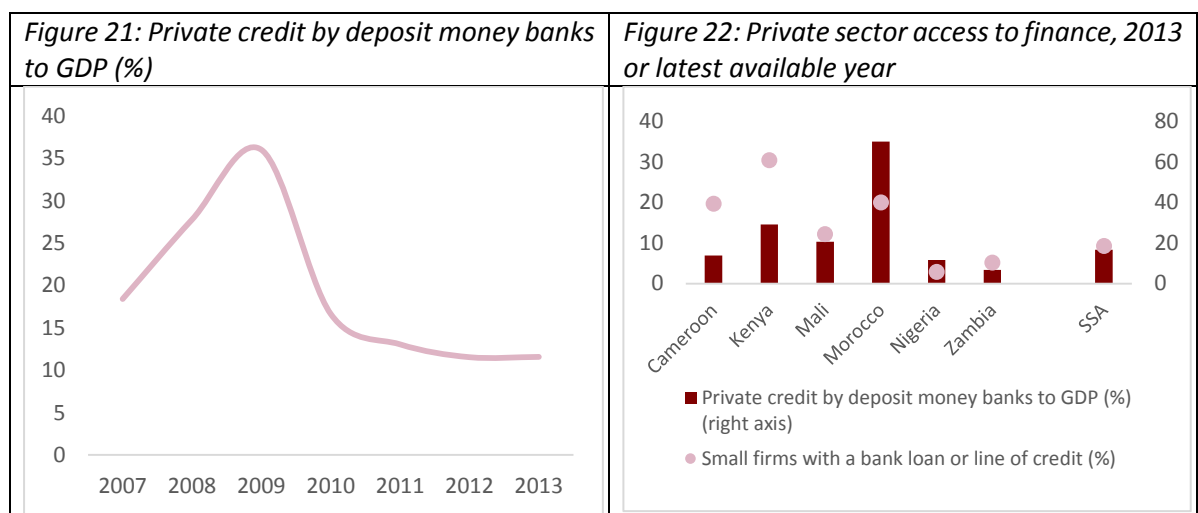
⁹⁸ British Council, 2012.

⁹⁹ EFINA, 2012.

¹⁰⁰ Making Finance Work for Africa: <https://www.mfw4a.org/nigeria/financial-sector-profile.html>.

dramatically strengthened the Nigerian banking system’s asset base. Before the 2005 reforms, even the largest banks in the country were significantly smaller than the five largest banks in South Africa, and there were no Nigerian banks among the 20 largest banks in Africa. As of end-2015, Access Bank, First Bank of Nigeria Holding, Guaranty Trust Bank, Zenith Bank, United Bank of Africa, and Ecobank Transnational were all among the 20 largest banks in Africa, with continually increasing expansion of international branches.

Despite financial sector reforms, private sector credit has not recovered to pre-crisis levels. Increasing the flow of credit to the real sector, and particularly SMEs, has been one of the main objectives of the consolidation reform. The outcome of the banking consolidation was expected to deliver advantages of scale, thereby boosting growth in the real economy through the provision of credit, especially to small and medium-sized enterprises. This expectation has not been realised. Figures 21 and 22 below depict Nigeria’s credit to GDP trend and the country’s relative performance in access to finance services compared to select African economies. Nigeria lags behind its competitors as well, as it falls below the regional average in extending credit to the private sector, including small business (less than 3% of small businesses have been able to obtain a line of credit or a bank loan). This is a challenge but also an opportunity for the expansion of the banking system to cover more of the country’s rapidly growing population.



Source: World Bank Group, 2015c.

However, the share of individuals formally included in Nigeria’s financial system has increased over time. In 2011, 30% of adults aged 15 and older in Nigeria had an account at a formal financial institution.¹⁰¹ In 2014, that share had increased to about 44%, demonstrating progress towards financial inclusion.¹⁰² This progress reflects increased access to financial services from both formal financial institutions as well as mobile money providers. However, further work remains to be done with respect to expanding access to formal financial services among the remaining 56% of adults who are largely excluded from the formal financial sector. Moreover, access to financial services in Nigeria varies by geographic region. For example, individuals in the country’s northeast and northwest have been identified as being disproportionately excluded from formal financial services.¹⁰³

¹⁰¹ World Bank, 2014.

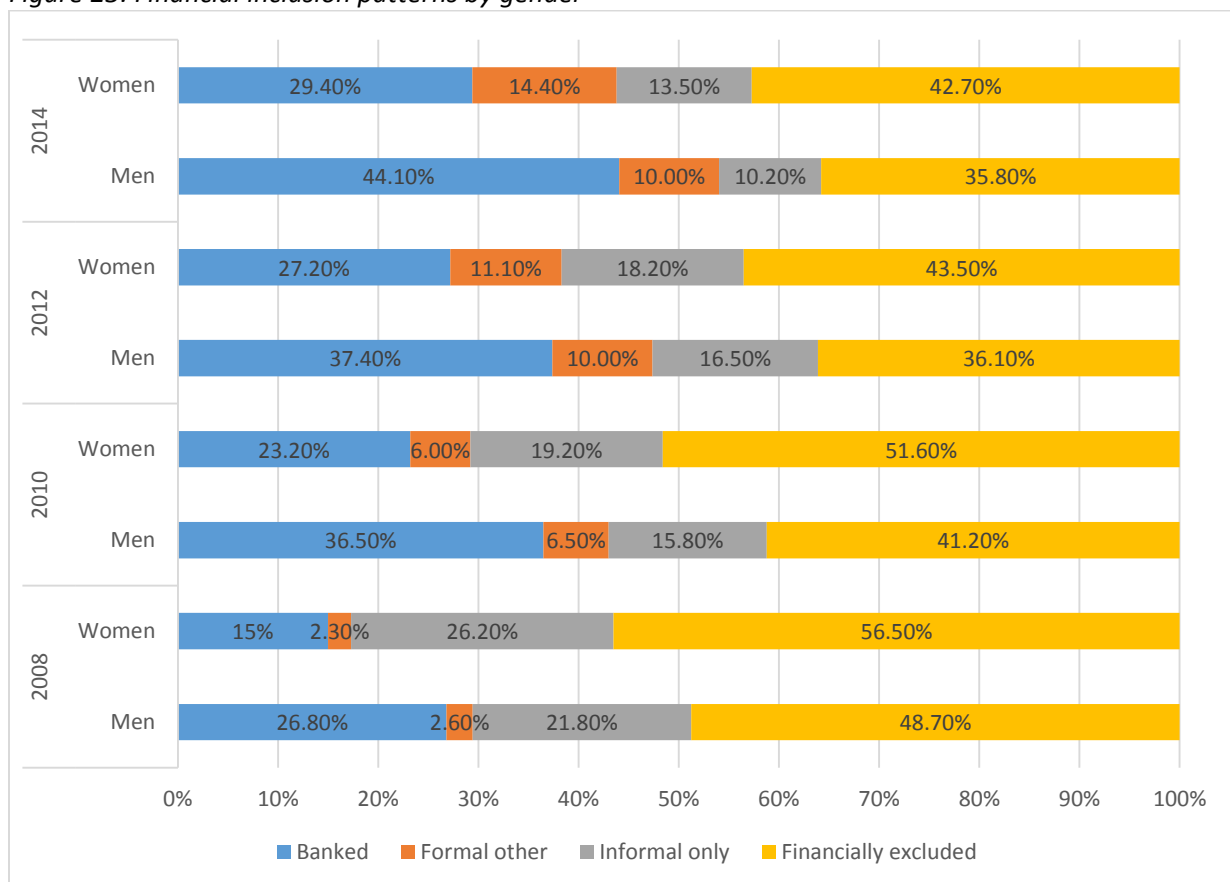
¹⁰² World Bank, 2014.

¹⁰³ EIU, 2014.

In Nigeria, the number of financially-included adult women increased only marginally between 2012 and 2014.¹⁰⁴ Men’s inclusion continues to be much higher, at 44%, and is increasing at a higher rate than that of women. Figure 23 below depicts trends in financial inclusion by gender based on the EFinA Access to Financial Services Survey conducted in Nigeria in 2014. In terms of access, the survey results clearly show that financial access is skewed towards men, resulting in 21.4 million women (42.7% of the total population of women) being financially excluded versus 15.6 million men (35.8% of the total population of men). The rapid growth of inclusion among women has slowed significantly in the last cycle of the survey. The share of banked women has increased only marginally, by 2.2%. In contrast, men’s inclusion patterns have accelerated over the 2012-2014 period, with the share of banked men increasing from 37 to 44%.

Nigeria’s financial inclusion gender gap is wider than the regional average for sub-Saharan Africa. Across five different indicators in the 2014 World Bank Global Findex,¹⁰⁵ women lag behind men in access to financial services. Even though Nigeria has a higher level of financial inclusion than sub-Saharan Africa’s regional average across three of the five indicators (for both men and women), the country’s gender gap is higher than the sub-Saharan Africa regional average in four out of the five indicators. There were some evident demographic disparities: for example, 54% of men held active bank accounts versus 33% of women, and 44% of urban residents were active bank account holders, compared to only 28% of rural residents.

Figure 23: Financial inclusion patterns by gender



Source: EFinA, 2014.

¹⁰⁴ EFinA, 2014.

¹⁰⁵ World Bank, 2014.

Table 13: Financial inclusion gap between men and women in 2014, Nigeria and sub-Saharan Africa

2014	Nigeria				sub-Saharan Africa (developing)			
	Women	Men	Gender gap*	% increase to reach parity**	Women	Men	Gender gap*	% increase to reach parity**
% account at a financial institution	33.6	54.3	20.7	61.8%	25.1	32.7	7.6	30.2%
% saved at a financial institution	21.4	32.5	11.1	51.7%	13.5	18.4	4.9	36.1%
% borrowed from a financial institution	4.1	6.4	2.3	54.5%	5.7	6.9	1.1	19.4%
% debit card used in the past year	9.1	19.0	9.9	108.7%	7.1	10.2	3.0	42.6%
% mobile account	2.1	2.5	0.4	21.3%	10.3	12.8	2.5	24.5%

Source: World Bank, 2014.

Notes:

* indicates the difference in percentage points between the values for men and women for the respective indicators.

** indicates percentage by which women's inclusion needs to increase to reach parity with men's inclusion levels.

4.6.3 Overview of Existing Gender Finance Programmes and Enabling Environment

- **Access Bank Nigeria**

Access Bank has an asset base of over US\$ 11 billion and ranks as one of Africa's 20 largest banks. Access serves more than 6 million customers through almost 400 branches in Nigeria's major commercial centres, as well as six other African countries, China and the United Kingdom. In 2006, Access Bank Nigeria partnered with the IFC to develop targeted products for women entrepreneurs, becoming one of the first African banks to provide dedicated lines of credit to finance women-owned businesses. Through its Gender Empowerment Program Group, Access also provided training in business and management; free financial advisory services; and assistance in the preparation of business plans, accounts and other relevant documents.

In 2014, the bank announced its W initiative, designed to inspire, connect and empower women in Nigeria. Benefits to women include access to a range of loan products and credit facilities, education on finance matters through the online W community, and health and family programmes, among a number of other services. The W initiative also offers special support to women-owned SMEs, including mentoring services, capacity building and promotion of start-ups. The programme was financed by the joint IFC-Coca-Cola Partnership through a NGN 3.5 billion (equivalent to US\$ 22 million) Risk Sharing Facility and a US\$ 50 million loan to Access Bank Nigeria to help it expand lending to SMEs, a quarter of which will be women-owned. The Risk Sharing Facility is part a US\$ 100 million, three-year joint initiative with the Coca-Cola Company to provide access to finance for thousands of women entrepreneurs in Africa and other emerging markets.

At the end of 2014, Access Bank and Netherlands Development Finance Company (FMO) announced a US\$ 30 million deal to provide capacity building and debt capital support to local women entrepreneurs while promoting the bank's key goal of reaching more unbanked citizens via cheap funding. A key segment this fund is seeking to capture is the small and medium-sized businesses operated by women.

- **Diamond Bank Nigeria**

Diamond Bank used consumer insights to design a new savings product that has proven popular with its women clients due to the fact that the product was designed to mirror the convenience of informal financial services combined with the security of formal savings. Even if women are familiar with the products and services of banks, many do not consider them appropriate for their needs. Moreover, even if they have a bank account, they often prefer the agility and convenience of informal mechanisms that are widespread in Nigeria, like savings collectors (e.g. alajo, akawo) or savings groups (e.g. Esusu). In partnership with Women's World Banking, Visa and EFINA, Diamond Bank developed a simple savings product called BETA that borrows some features from these informal services: the service is provided at the doorstep by a service team, there are no minimum balances or hidden fees, and weekly prizes are awarded. BETA offers a low-cost banking service without requiring the usual paperwork, ID and references. Account opening is instant, and with a photo and basic data captured through a mobile phone application, clients receive their account number and PIN via SMS and a starter pack with an ATM card.

Diamond Bank uses multiple channels to serve women clients, including its own branches and ATMs. Nevertheless, the key selling point of BETA is probably the network of BETA Friends comprised of a sales and service team. BETA Friends visit potential clients in the market and at home to promote BETA, open accounts and manage all transactions. The BETA Friends team members are recruited from within the community among the clients' peers. The service builds on the fact that more than 80% of Nigerian women take financial advice from their friends or family members, according to the EFINA survey.¹⁰⁶ Diamond Bank had to tweak its marketing to make sure women really connected with the product and felt it was something for them. Initial advertising campaigns were perceived to be too oriented towards men.

Thanks to the success of BETA Savings (which has led to 200,000 new accounts, 35% of which have been opened by women) Diamond Bank, with the help of Women World Banking, is launching short-term loans to its BETA Savings clients. The new KWIK Loan programme, launched in May 2015, provides loans to low-income women to help sustain and grow their businesses or support them during emergencies. For the bank, the pilot loan programme offers an opportunity to learn more about this sizeable market segment and its credit behaviour. For clients, the chance to access short-term loans can lead to larger bank loans in the future. The new KWIK Loan pilot offers terms designed to meet local clients' financial capacities and ambitions. To qualify, clients must have been a BETA Savings client for at least six months. Their accounts must show activity within the last three months and maintain a positive balance with a minimum of NGN 500 (US\$ 2.50). The maximum loan amount is double the savings balance (up to NGN 50,000 or US\$ 251), and once repaid, the loans are renewable. Loan offers and acceptances occur through mobile phones and the loan disbursement is transacted through the client's BETA account. The bank's BETA Friends, the agents in the market, play a key role, receiving the instalments on loan payments as well as educating clients about the importance of making loan payments on time.

¹⁰⁶ EFINA, 2014.

- **First Bank Nigeria**

In partnership with Visa, the Cherie Blair Foundation for Women and the Youth for Technology Foundation (YTF), First Bank Nigeria, a leading financial services provider in the country, is providing 2,500 women entrepreneurs in Nigeria with the opportunity to become agents in its retail network. The women agents will, in turn, provide Nigerians living in rural and underserved areas with branchless banking and mobile financial services. First Bank Nigeria is providing the women entrepreneurs with training on the mobile banking products and agency business. In addition, YTF is delivering capacity-building training on entrepreneurship to the women.

- **Skye Bank Nigeria**

As part of its financial inclusion drive, Skye Bank launched the Skye Pearl initiative (in early 2016) to help its women customers unlock their potential. The initiative is a platform that offers a series of benefits to stay-at-home mothers, professionals and women-owned SMEs, by offering them a chance to grow and expand their wealth through partnerships, relationships, access to finance, information, networking, mentoring and empowerment initiatives.

In addition, policy-makers in Nigeria have taken specific actions to increase the accessibility of financial services to women in business.

- **Improve access to finance:** The Central Bank of Nigeria established the Micro, Small and Medium Enterprise Development Fund to provide funding to participating financial institutions for on-lending to micro, small and medium-sized enterprises, with a requirement that participating financial institutions disburse 60% of the fund's US\$ 110 million to women entrepreneurs. However, the Central Bank of Nigeria announced that as of June 2015 only 27% had been disbursed, benefiting some 70 enterprises. Women entrepreneurs are largely unaware of the existence of the fund and those who know about it lack the information or skills needed to access it. Additionally, some of the institutional constraints further limit women's ability to access the fund.
- **Improve access to finance through e-banking and mobile money:** The rise of e-banking also reflects a notable transformation in Nigeria's financial sector. The Central Bank of Nigeria has promoted the use of cashless transactions with the goal of increasing efficiency, minimizing costs and increasing transparency. In August 2014, MasterCard (in cooperation with the Nigerian government) launched a programme that provides a national ID card with electronic payment capabilities. The prepaid functionality of the card will allow people to 'engage in electronic payments in the form of transferring, cash, digital payments, and more.' The card is expected to be distributed to more than 100 million people, and eventually a mobile wallet will be associated with it. This push toward electronic payments is part of the government's 'cashless policy', which promotes non-cash transactions (for example, by instituting a surcharge for cash transactions above a certain amount).
- **Address financial literacy barriers:** The Nigerian government established a Financial Literacy Working Group that develops and implements financial literacy activities to drive financial inclusion. Additionally, a Financial Inclusion Special Interventions Working Group deals with issues related to women, youth and the disabled.

- **Address eligibility issues:** The Central Bank of Nigeria implemented three-tiered know-your-customer (KYC) requirements that provide flexible account opening requirements for low- and medium-value account holders.

4.6.4 Insights from On-site Interviews

The interviews included representatives from 1 DFI, 1 development bank, 2 commercial banks, 1 investment bank, 1 microfinance bank, 1 women’s association and 3 women entrepreneurs. The feedback collected during the interviews with various stakeholders, points to several key barriers to financial inclusion faced by women in Nigeria. They include no job or irregular income, unaffordable cost of financial services, no gender inclusive services by bank, financial literacy issues such as illiteracy and lack of trust, eligibility issues such as identification documentation requirements, and limited physical access (access points too far away and transport costs too high). The findings are discussed in detail below.

Financial services have traditionally been designed with the needs of men in mind, without taking into account women’s preferences and uses of these services. However, financial services that effectively meet women’s needs will also appeal to and promote financial inclusion for men. Designing services for women means ensuring universally attractive features for savings accounts, loans, insurance plans and other offerings.

Despite the compelling case for targeting women, awareness of how to leverage this opportunity is still relatively low among financial service providers in Nigeria. Few financial institutions report gender-disaggregated data and even fewer have a gender unit that looks after the women customer base. Most commercial banks are not aware that women need different product offerings or distribution channels than men. There has been a revelation among banks in recent years that women represent an untapped market segment offering significant opportunities for profit generation. However, banks have yet to develop internal capacity in terms of collecting gender-disaggregated data, understanding gender behaviours in borrowing and saving, and developing products that are designed around women’s needs.

Complexity in accessing funds was highlighted as strongly affecting entry into business for women. Women entrepreneurs rely on internal funds, which can be attributed to their often weak financial base or lack of requisite collateral as security for external finance. Even when they have the necessary collateral, many of these women are often unwilling to go to a formal financial institution because of high interest rates and perceived low trust in banks. Another argument is the problems faced by many women in raising finance for business start-up as relates in part to the chosen sector, with women-owned businesses tending to be concentrated in the services and retail sector. Lenders often perceive the services and retail sectors as being too risky as a result of their ease of entry, low capital requirements for set-up, lack of tangible assets and high exit rates.

Difficulty in accessing finance and lack of adequate financial capital for business start-up and growth often results in women entrepreneurs being unable to introduce new products and services to meet demand. Women entrepreneurs in Nigeria acknowledge that the initial financial issues that obstruct their entry into business and continue to be an obstacle in achieving and sustaining business growth. Once financial constraints have been overcome at start-up, women entrepreneurs have significant problems with recurrent finance. Many entrepreneurs view availability of finance for working and investment as a more serious constraint affecting growth

compared to business start-up capital.

Perceived obstacles in accessing the formal finance system results in only a fifth of women entrepreneurs having applied for a loan. Collateral requirements by banks are beyond the capacity of most women's personal assets. The average collateral requirement in Nigeria averages 150% of the loan amount. The range of collateral required by the banks includes land/property, guarantor, bank savings and physical assets. One of most frequently asked for collateral is land/property, which is beyond the capacity of most women's personal assets, as property ownership is traditionally in the name of the husband. As such, women face greater difficulty when seeking finance to set-up and grow their business. The position of women is worsened due to their double burden as wives and mothers, and their lack of assets.

Lack of information and advice on how to access finance is another serious constraint affecting women's access to finance. In addition, women entrepreneurs indicate that the lack of avenues for business networking is a very serious constraint on growth. The provision of information for SMEs encompasses areas such as market trends, technological developments, finance, management techniques, as well as government policies and regulations. Information dissemination among SMEs can increase their efficiency and promote further capacity building.

Women entrepreneurs in Nigeria are most likely to start a business in their midlives. This is not surprising, as women in Nigeria often tend to focus on their family life as wives and mothers in their 20s and early 30s. The late arrival of Nigerian women into business is to be expected as a result of the country's sociocultural setting, which sees women more as caretakers than businesswomen. In addition, the lack of encouragement from various institutions and society as a whole could further compound low levels of interest in entrepreneurship.

Women in business in Nigeria are actively educating themselves. The entrepreneurs interviewed stated that once they came up with their business idea, they started reading business and management literature and attended part-time business classes and evening schools. For many women, motivation for entrepreneurship stems from the need for financial security and the desire to be independent. Women entrepreneurs show a strong desire for autonomy and flexibility in work and a need to be in control of their own time as well as to be able to generate additional income and support for their families. Women entrepreneurs with such motives are likely to be keener than men to retain their independence, and therefore may have an even greater desire to stay on in business and ensure that their business survives.

The main takeaway from the interviews is that financial providers and policy-makers can further improve service offerings for women in business. Financial service providers have a central role in developing products that are more affordable and accessible to women, including low-income earners, adopting tiered know-your-customer requirements, and finding ways to design products that match customers' levels of financial literacy. However, policy-makers will need to be equally involved in taking action that opens the path for providers to innovate, create new products, and explore new delivery methods tailored to women in business. To close the existing gender gap, both policy-makers and service providers need to specifically address the barriers identified by performing research and analysis on the financial needs of Nigerian women and customising policies and business strategies accordingly.

4.7 ZAMBIA CASE STUDY

4.7.1 Country Context / Gender Profile

Zambia is ranked the most peaceful country in Africa and has experienced strong economic growth in recent years, averaging 6.4% percent per year over the last decade.¹⁰⁷ According to the UN Human Development Index (HDI), 2013 Zambia has achieved a medium level of human development, ranking 141st out of 187 countries in 2013, while neighbouring countries (with the notable exceptions of Botswana at 109th place and Namibia at 127th) are at lower levels of human development: for example, Mozambique is ranked 178, Malawi 174, Tanzania 159 and Zimbabwe 156. In concrete terms, this means life expectancy in Zambia is 58 years, average years of schooling is 6.5, and gross national income per capita is US\$ 2,713.

However, poverty remains stark, with 74.5% of the total population still living below the absolute poverty line and earning less than US\$ 1.25 per day. Further, Zambia continues to face challenges relating to ongoing poverty, particularly in rural areas where more than half of the population lives. To further explore and understand poverty levels in Zambia, the Bank of Zambia's FinScope 2015 survey¹⁰⁸ used the Progress out of Poverty Index (PPI). The PPI uses non-income indicators to determine poverty ranking and is widely regarded as a more accurate indication of poverty than income. The PPI index divides the population into five PPI levels or 'quintiles'. (The bottom 20% of the income distribution or quintile 1 signifies the poorest segment of the population).

According to FinScope Zambia 2015 findings,¹⁰⁹ women and men are fairly equally represented across PPI quintiles. The majority of non-farming households (80%) are in PPI level 2, while the majority of farming households are in PPI levels 1 and 2 (84.8%). Farming households have a higher percentage of men than women in PPI 1 (38.1% and 34.3% respectively) while PPI 2 includes more women than men (53.6% versus 44.6%) as illustrated in Table 14 below.

Although there are limited differences between men and women in terms of PPI distribution and business ownership, women in each PPI quintile earn less on average than men. Women's income in PPI level 3 is 76% of men's income, in PPI 2 it is 87% of men's income, and in the poorest households (PPP I), women's income represents 60% of men's income.

Table 14: Percentage of men and women in each PPI quintile according to type of income in Zambia

	PPI quintile	Men	Women	Total income
Non-farmers	1	13.7%	15.6%	14.7%
	2	40.3%	40.0%	40.1%
	3	30.8%	30.9%	30.9%
	4	14.2%	12.2%	13.1%
	5	1.0%	1.2%	1.1%
Total		100.0%	100.0%	100.0%
Farmers	1	38.1%	34.3%	36.5%
	2	44.6%	53.6%	48.3%
	3	14.5%	9.9%	12.6%
	4	2.2%	2.2%	2.2%
	5	0.6%		0.4%
Total		100.0%	100.0%	100.0%

¹⁰⁷ Institute for Economics and Peace, 2015.

¹⁰⁸ Bank of Zambia, 2015.

¹⁰⁹ Financial Sector Deepening Zambia, 2015.

Women's representation in economic activity is high in Zambia. According to the World Bank 2013 Enterprise Survey for Zambia,¹¹⁰ about 50% of women have ownership participation in Zambian firms, well above the sub-Saharan Africa average of 37% and the low-income country average of 35%. In addition, 23% of Zambian firms have women as top managers, compared to 15% in sub-Saharan Africa and 16% in low-income countries. This may imply that women-headed MSMEs have increased from the 2010 FinScope Business Survey¹¹¹ where they headed less than a third of MSMEs. It was also found that there were relatively fewer MSMEs owned by women in the agricultural sector, while women-owned more urban enterprises.

4.7.2 Financial Sector Context & Inclusion Patterns

Zambia's financial sector is relatively small and dominated by banks, accounting for about 90% of financial sector assets. In 2012 there are 19 commercial banks, with approximately 280 branches in Zambia, the majority of which were South African owned. Concentration is high, with the five largest banks accounting for the bulk of total banking assets, where the state-owned Zambia National Commercial Bank alone controlled 24% of the retail banking market. Banks appear to be adequately capitalised, but in order to strengthen the balance sheets of commercial banks to support Zambia's growing economy, the authorities have increased the minimum capital requirement from US\$ 2.4 million to US\$ 20 million for majority domestically owned banks and to US\$ 100 million for majority foreign-owned banks.¹¹² At the end of 2013, non-banking financial institutions comprised 13 leasing companies and building societies, 1 development bank, 1 savings and credit bank, 1 development finance institution, 57 exchange bureaus, 1 credit reference bureau and 45 microfinance institutions.¹¹³

Recent investments in Zambia's financial services industry may contribute to greater inclusion. In August 2014, the International Finance Corporation committed to providing US\$ 1 million to Airtel Zambia over three years to help increase access to mobile financial services. The agreement is part of an initiative by the IFC and MasterCard Foundation to support mobile financial inclusion in sub-Saharan Africa. As of 2013, the number of mobile money agents in Zambia had surpassed the number of traditional bank points of service, with commercial bank branches comprising about 25% of all points of service, mobile agents comprising about 43%, and other institutions (e.g. post offices, micro finance institutions) comprising about 33%.¹¹⁴ By 2014, mobile money agents accounted for about 45% of all financial access points in the country. While the expansion of agent networks provides greater opportunities for individuals to engage in financial activities outside 'brick and mortar' banks, it should be noted that the range of services provided by agents varies (e.g. not all agents offer cash-in/cash-out services).¹¹⁵ Moreover, a 2013 article noted that data included in a Microfinance Information Exchange (MIX) financial inclusion map of the country showed that financial access points in Zambia were concentrated in urban areas, even though more than 8 million of Zambia's 13 million inhabitants lived in rural areas.¹¹⁶

¹¹⁰ World Bank, 2013a.

¹¹¹ Finscope Business Survey (Zambia), 2009

¹¹² Making Finance Work for Africa: <https://www.mfw4a.org/zambia/financial-sector-profile.html>

¹¹³ Bank of Zambia Annual Report, 2013

¹¹⁴ Linthorst, 2013.

¹¹⁵ Linthorst 2013.

¹¹⁶ Linthorst 2013.

The 2015 FinScope Zambia survey¹¹⁷ reports that financial inclusion has increased by more than 20% from its 2009 levels. The findings from 2009¹¹⁸ revealed that only 37.3% of the Zambian adult population was financially included. Similarly, financial inclusion was higher for men. As of 2015, the report indicates that 59.3% of the adult population was financially included (both formally and informally), with more women having been included financially in the last 5 years than men. More financial inclusion happened in urban areas (42% to 70.3%) compared with rural areas (34.4% to 50.1%). More women were financially included (33.9% to 57.4%) compared with men (40.8% to 57.4%). Moreover, non-bank services such as mobile money have grown rapidly, with over 1.1 million users using mobile money services in Zambia.¹¹⁹

Financial inclusion in Zambia overall has reached 59% of the adult population. However, women are disadvantaged when compared to men, rural households have lower rates of formal inclusion than urban counterparts, and smallholder farmers are more excluded than non-farmers or wealthier farmers. Women farmers are generally the most financially excluded group, especially in terms of formal services. Table 15 provides financial inclusion data for farming and non-farming women and men across a range of financial services. The greatest disparities are in use of formal services such as bank savings accounts, receiving goods in advance, and mobile phone services. Moving down the PPI levels (BoP) for men and women farmers, formal financial inclusion continues to decline for bank savings accounts, receiving goods in advance, and mobile phone services. The gap between lower income women and men farmers is most pronounced for savings accounts and mobile phone services, with men using services about twice as much as women. With regard to informal financial services and strategies (such as keeping cash at home), there is less disparity between men and women, but here too, women become relatively more disadvantaged compared to men as in the smallholder farmer realm.

Table 15: Financial inclusion data for farming and non-farming women and men

	Non-farming men	Non-farming women	Farming men	Farming women
Borrowed money from a FI in last 12 months	3.6%	1.9%	1.9%	0.3%
Borrowed money in last 12 months	32.1%	27.7%	33.4%	25.0%
Have savings at a bank	25.9%	16.3%	17.2%	9.0%
Have savings in cash at home	22.9%	23.6%	38.3%	39.2%
Received goods in advance and paid later	16.9%	18.6%	12.8%	12.9%
Have used mobile phone services	20.1%	13.2%	8.7%	3.8%

Source: Bank of Zambia and Financial Sector Deepening Zambia data for 2015; Financial Sector Deepening Zambia, 2015.

Table 16: Comparative financial inclusion for bottom two quintiles

	Non-farming men	Non-farming women
Borrowed money from a FI in last 12 months	2.0%	0.4%
Borrowed money in last 12 months	34.7%	25.1%
Have savings at a bank	12.8%	6.7%
Have savings in cash at home	40.1%	39.1%
Received goods in advance and paid later	13.5%	13.5%

¹¹⁷ The launch of the 3rd edition of FinScope Zambia in 2015 allows for the comparison of the latest financial inclusion findings with the 1st financial inclusion findings that were reported back in 2009.

¹¹⁸ Zambia Finscope Survey, 2009

¹¹⁹ All 2015 statistics source: *Financial Sector Deepening Zambia, 2015.*

Have used mobile phone services	6.3%	2.4%
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Source: Bank of Zambia and Financial Sector Deepening Zambia data for 2015; Financial Sector Deepening Zambia, 2015.

The economic growth and financial inclusion achieved excluded rural areas, which diminishes economic prospects. One reason for the low level of financial inclusion is the high cost of providing financial services, particularly in rural areas and to poorer populations. Furthermore, serving poorer communities generally results in lower revenue for financial service providers given that poor households have limited investment opportunities and small transaction amounts. This often means banks and MFIs lack the incentives, information, and sometimes the ability to mitigate perceived risks of operating beyond urban markets or with poor clients.

Despite becoming more inclusive, access to finance continues to be recognised as a major barrier to private sector growth in Zambia. The World Bank 2013 Zambia Enterprise Survey found access to finance to be the main obstacle to business development in Zambia: the smaller the business the greater the constraint to access finance. The 2015 FinScope Zambia Survey¹²⁰ also found access to finance to be a constraint to businesses, especially MSMEs. Some 55% of respondents in the MSME sector ranked access to finance as the main obstacle to their operations. The problem is particularly acute in rural areas: only 5% of MSMEs in rural areas have a bank account, compared to 20% of urban MSMEs, while 85% of rural MSMEs are totally financially excluded, without access to any financial services, formal or informal, compared to 59% of urban MSMEs.

The majority of women-owned business, as reported by the World Bank 2013 Zambia Enterprise Survey,¹²¹ finance their businesses with their own savings. About 81% of the financing for all firms came from internal sources, followed by about 7% through other finance for investment, with 6.6% coming from bank finance, 4% from trade credit finance, and 2% from equity, sale of stock, etc. Of these firms, only 9% had loans from banks and about 86% used own savings or checking accounts. This illustrates the financial sector's inability to serve women's businesses, which may be partly attributable to a lack of understanding of their business needs and a distrust of investors on the part of business owners.

Zambia has a high level of entrepreneurial activity by both genders, as indicated by the Global Entrepreneurship Monitor (2013),^{122, 123} but it has, unfortunately, among the lowest global rates of entrepreneurship sustainability. The total entrepreneurial activity rate is very high, 39.9%, and 77% of the population perceives opportunities to start a business within the next six months, while fear of failure reaches only 15%. There are very positive societal implications related to owning a business, such as favourable media coverage (69%), the perception by the majority of Zambians that entrepreneurship is a good career choice (67%), and that it affords high status (71%).

¹²⁰ Financial Sector Deepening Zambia, 2015.

¹²¹ World Bank, 2013a.

¹²² Amorós et al. 2014.

¹²³ <http://www.gemconsortium.org/country-profile/120>

4.7.3 Overview of Existing Gender Finance Programmes and Enabling Environment

The women empowerment and financial inclusion agenda is an important development theme that has been increasingly more integrated in the government's operations. The Zambian government has become more vocal on women's empowerment issues, particularly in the financial sector. For example, it is in the process of establishing a Women's Bank of Zambia, which was expected to be operational in mid-2016. Furthermore, the government is also implementing a Financial Sector Development Plan and a Movable Property Registry System, which will improve credit conditions for SMEs. The Financial Sector Development Plan is a comprehensive strategy for addressing challenges in the Zambian financial sector and targets financial inclusion for all, and in particular for women.

In reality, however, a lack of supply of financial products for women in business in Zambia is apparent. There is only one commercial bank out of 19 registered commercial banks in Zambia. This bank has a small-scale bank product dedicated to women, and particularly women at the bottom of the pyramid. Apart from the limited provision of products such as agricultural finance and micro-insurance, which are aligned to women's economic activities, only Indo Bank Zambia provides a dedicated product for women—the self-help group loan.

There is no market to provide financing for women, with banks lacking the vision, capacity, information and necessary resources to cater to the needs of women in business. Thus, women's access to financing is largely inhibited by financial institutions. Specific supply-side obstacles include: inadequate service delivery, which does not target women clients; lack of marketing outreach to women or awareness building; product features that do not differentiate between clients who are women and men; bank requirements that are unattainable, as well as evaluation methods that are generic and conservative. Further, there is insufficient physical infrastructure, especially in rural areas. Women are not considered as favourably as men as a business segment, as banks do not quite understand the demand for gender-tailored products. Moreover, credit assessment methodologies do not take into account certain factors that improve women's credit worthiness, such as their higher propensity to save and invest. Consequently, their product features tend not to meet women's needs at the business and household level.

The high level of compliance requirements and credit affordability are among the most significant challenges. Affordability is also mentioned in FinScope¹²⁴ as a barrier—in nearly 20% of cases the reasons for not having an account are associated with high bank charges (5.3%) and the inability to maintain a minimum balance (14.3%). In addition, the provision of financial products seems to be inadequate when taking into account the needs of women based on their income-generating activities. Most formal providers target salaried workers with regular and considerable incomes. Non-salaried workers, however, represent more than 50% of the population and the number of options available to them within the formal financial system is limited.

Tracking the success of initiatives to improve women's access is difficult in Zambia as financial institutions cannot or do not report gender disaggregated data. Further, without performance data, there is no evidence to support women's credit worthiness and improve product design. In terms of lending to SMEs, banks do not distinguish between business size and gender in their

¹²⁴ Financial Sector Deepening Zambia, 2015.

evaluation methods and risk analysis.

Existing and planned gender finance programmes in Zambia:

- **Indo Zambia Bank is the only commercial bank in Zambia that has a programme to extend credit to women's groups and associations.** This is the only commercial bank in Zambia (out of 19 registered commercial banks) that has a bank product dedicated to women, and particularly women at the bottom of the pyramid (BOP). The total number of beneficiaries from the microcredit programme as of August 2015 was over 3,000. Indo Zambia Bank launched the programme in 2008 and has disbursed ZMW 4.7 million (approximately US\$ 0.5 million) without any collateral requirement. The programme is modelled around Grameen Bank of Bangladesh's microcredit programme and is helping bridge the financial gap among poor communities through the provision of loans to women's clubs and encouraging a culture of saving. The programme has a repayment period of between three and five years, depending on the income generation of the activity financed and the group's resource mobilisation. The loan's interest rate is concessionary and has no security, as the self-help groups are required to deposit their savings with the bank.
- **The first Women's Bank of Zambia is expected to start operations in mid-2016.** The creation of a women's bank is an initiative that aims at boosting financial inclusion for women. The initiative has been driven by private sector Zambian businesswomen, and is intended to cater to the banking needs of women who face financial exclusion and have little or no access to finance. The bank's key objectives would be the provision of financing for women entrepreneurs and small businesses. The bank will provide women with support services to undertake progressive business undertakings locally and regionally. At this stage, there is no specific information on the programmes the bank intends to launch and the loan conditions that will apply to women clients. The Women's Bank of Zambia will be headed by a board of directors consisting of 10 members, of which six positions will be for women and four for men. The government will hold 25% of the shares, while women will hold 50% and the private sector 25%.

In addition, the following government programmes and activities aim to improve access to finance for women in business in Zambia.

- **The introduction of the 2015 Movable Property Registry Bill to improve credit conditions to firms** is arguably one of the most important reform initiatives in relaxing constraints on access to finance for SMEs in recent years. The main programme objective is to increase access to credit to firms, especially SMEs, by developing the appropriate legal and institutional frameworks to allow and facilitate the use of movable assets as collateral for loans. As such, the World Bank Group and the Bank of Zambia and the Patents and Companies Registration Agency have entered into a Cooperation Agreement to develop the legal and institutional framework to support the Movable Property Security Act and the development of the Movable Property Registry System to encourage lending institutions to extend credit against movable property. *It remains to be seen to what extent assets might be recorded as joint property or if Zambia's sociocultural context will encourage women to register property in their own names, as assets often tend to be registered by men in their own names despite the fact that women may have contributed to their acquisition. If this is the case, women will continue to lack assets to pledge as collateral for loans. Sensitisation actions and awareness building aimed at both men and women may be needed to correct such practices.*

- **The ADVANCE Program under the Ministry of Gender and Social Development.** The ministry will distribute 20 tractors and full farming kits to rural women farmers under the Agricultural Development Value Chain Enhancement (ADVANCE) programme for 2016. The ADVANCE programme is tailored to empower rural women farmers with agricultural machinery that will help improve food security and nutritional levels at household and national levels. In 2015, the programme allocated 11 tractors, reaching a total of 2,000 rural women beneficiaries.
- **The Bank of Zambia has also influenced financial service providers to relax requirements for persons who are excluded from financial services, especially women,** both in urban and rural areas, in acquiring banking and financial products and services by making access easier. The Bank of Zambia has suggested simplifying the know-your-customer procedures for opening and operating bank accounts. The simplified procedures allow banks to use various forms of reference documentation, such as headmen, community leaders and others. This has eased account opening formalities.
- **The Bank of Zambia’s Financial Education Coordinating Unit** has been established to contribute to the financial education of various members of society, including women. The Zambian government recognises that financial literacy is vital for the prudent and effective use of financial services.
- **In 2012, the Bank of Zambia rolled out the Female and Male Operated Enterprises (FAMOS) Check initiative administered by ILO,** which is a tool primarily meant to support women’s access to productive assets such as finance, capital and entrepreneurship. This tool is intended to enable financial service providers to undertake a systematic assessment of the extent to which they target women entrepreneurs, their needs and their potentialities. As of April 2016, three Zambian banks had used the tool.

4.8.4 Insights from on-site Interviews

In Zambia, insights were obtained from on-site interviews with 1 development bank, 1 women’s bank, women’s associations, the Bank of Zambia, commercial banks, and the Ministry of Gender and Child Development. The findings are presented below.

The feedback collected during the interviews with various stakeholders in Zambia points to the low level of financial inclusion and lack of affordable financing, especially for women-owned microenterprises. One major reason for the low level of financial inclusion is the high cost of providing financial services. Furthermore, serving the bottom of the pyramid communities generally results in lower revenue for financial service providers given that poor households have limited investment opportunities and small transaction amounts. This often means banks and MFIs lack the incentives, information, and sometimes the ability to mitigate perceived risks of operating beyond SMEs. High interest rates, collateral requirements in excess of at least 125% of the loan requested, as well as difficulty in obtaining all the necessary documentation leave the majority of women entrepreneurs virtually excluded from the banking sector.

Demand-side barriers to access include misperceptions, inadequate levels of financial literacy, low income levels, and lack of confidence in the formal financial system. A significant portion of women believes that formal financial providers—particularly banks—are for salaried people and government workers, which may promote self-exclusion by non-salaried workers. Although

women are significantly literate about financial sector terms, they are unfamiliar with the most common financial sector products, such as current accounts and debit cards. In addition, most women lack the ability to prepare a budget at the household and business level, making it difficult for them to develop healthy financial behaviours.

Supply-side barriers are associated with accessibility, affordability and appropriateness of financial services. Such barriers are exacerbated by financial institutions' inability to report gender-disaggregated data. Location is one of the most mentioned inhibiting factors to women's access to formal financial services. This is the case for rural farming, business and domestic women in the northern provinces. More women than men perceive that banks have restrictive collateral requirements that make it difficult for them to access finance from formal institutions. The fact that women use the same financial products for a variety of needs points to the existence of a gap in financial service provision and the inappropriateness of the available financial products.

The main opportunities for improving Zambian women's access to financial services are the design of financial products, financial literacy, and replication of successful financial sector partnerships. Women's financial needs and patterns of use of financial services illustrate the need to design and diversify financial services, while taking into account the features that they value, such as convenience, security, ease of access, etc. Financial literacy stimulates sound financial behaviour and reduces women's self-exclusion. It also improves their ability to manage unforeseen events. Lastly, the fact that the Zambian financial system is just starting to develop partnership offerings to expand financial services to underserved populations and areas, provides opportunities to adopt successful global practices to improve access levels and increase women's inclusion.

Women's culture of saving and good reputation among financial providers also constitute opportunities to increase their access levels. Women are considered to have a lower credit risk profile than men, as they tend to be more stable in jobs and have a better repayment record. Women are also very keen to save for short-term targeted purposes, appreciating the benefits of saving in a financial institution.

Box 5: Women in Mining

To succeed in the mining sector, an entrepreneur must have strong physical endurance, resilience and dedication. Yet, this sector, which is generally dominated by men, is largely represented by women in Zambia. Most women miners in Zambia are artisanal and small-scale miners, which is usually described as mining by individuals, groups, families or cooperatives with minimal or no mechanisation, often in the informal sector of the market¹²⁵. They use rudimentary tools and methods, which hinders the pace of production. Closer analysis of the women shows they have insufficient technical knowledge of mining and the markets and lack adequate funding for their businesses.

Despite challenging conditions in the small-scale mining industry, it has huge rewards and endless opportunities for women in Zambia. Small-scale mining is one of Zambia's most lucrative sectors as the country is endowed with various mineral resources that are found in abundance in most parts of the country. Zambia has the second largest deposit of emeralds in the world, which accounts for about 20% of global supplies. A variety of precious and semi-precious stones such as emeralds, aquamarines, tourmalines, garnets, amethysts, and diamonds are found in deposits scattered across the country,

¹²⁵ Hentschel et al (2002).

notably in the Copperbelt and the central, eastern and southern provinces, with more discoveries being made in other parts of the country as more exploration activities are undertaken. In the past decade, more and more women have been involved in small-scale mining activities, especially after the formation of the Association of Zambian Women in Mining in the late 1990s.

Unfortunately, women miners have not been able to benefit fully from their mining activities due to various challenges encountered. One of the major problems is that miners do not have access to the international market and lack funds to purchase advanced mining equipment such as earth moving equipment. This has hampered the development of the mining sector as most women use antiquated and rudimentary equipment such as picks and shovels to mine the stones. Furthermore, are by intermediaries often exploit women by buying the precious stones at very low prices and reselling them abroad at prices several times higher than the one offered. In the early 2000s funding to the tune of US\$ 30 million for small-scale mining was sourced from the European Union through Zambia's Mining Sector Development Programme specifically for the development of the small-scale mining industry in Zambia. However, most women miners did not benefit from this fund due to difficulties in accessing it caused by stringent application requirements that most women could not afford.

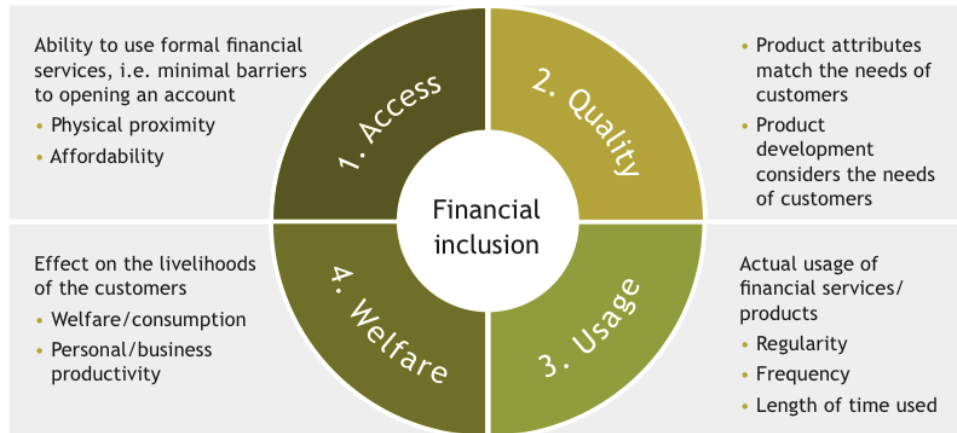
Key recommendations for the development of the sector include proposals to innovate production models and the development of sustainable financing methods for women. Women miners have little knowledge of financial services and the financing options available to them are limited. Forming groups and associations can allow them to join forces to lobby on behalf of their interests and improve their chances of accessing finance from established funders, the government or private sector credit. In addition, it would allow for the pooling of resources for shared equipment and partnerships with large-scale miners.

5. ESTIMATION OF THE FINANCE GAP FOR AFRICAN WOMEN IN BUSINESS

5.1 METHODOLOGY

This section sets out to measure the financing gap that the AFAWA programme will aim to address. As shown in Figure 24, financial inclusion is a multi-faceted concept. AFAWA aims to act at several levels, yet the financial instruments it intends to use will consist primarily of lines of credit (LOCs), senior debt, corporate loans, partial credit guarantees (PCGs) and risk sharing/participation agreements to facilitate access to capital for women in business. Therefore, this section will focus exclusively on the 'funding gap' as opposed to other financial services (e.g. insurance, payment services, etc.).

Figure 24: Dimensions of financial inclusion



Source: Alliance for Financial Inclusion, 2010.

The analysis in this section builds on the dataset prepared for the 2013 International Finance Corporation/McKinsey report entitled *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium-sized enterprises*.¹²⁶ While the International Finance Corporation/McKinsey report is global and does not deal with gender-disaggregated data, the analysis in this section takes the data mining to the next level in terms of regional and gender focus. The IFC dataset employs the World Bank Enterprise Surveys (various years) to calculate the gender differences in the Enterprise Surveys. The World Bank Enterprise Surveys provide information on (i) women’s ownership (at least one-woman owner), (ii) women as sole proprietor, and (iii) women decision-makers (i.e. managers) at firm level. Women’s ownership was used as the key variable to generate gender disaggregated data for MSMEs with at least one woman owner for each country. Following is a brief review of the methodology used by the IFC Enterprise Finance Gap database¹²⁷ to calculate the gender-financing gap in 83 countries around the world, as well as the methodology used by A2F Consulting to estimate the credit gap for women in agriculture across Africa.

The baseline of the value of formal credit was established using the McKinsey ‘Global Banking Profit Pools’ database, which estimates the amount of formal financing provided to formal MSMEs in 78 countries (mostly African) and for each region. This dataset includes bank loans, overdrafts, formal trade finance, leasing and factoring. Combining this database and the average revenue estimates, average credit use among SMEs is estimated using formal credit as a percentage of their revenues. It is to be noted that IFC Enterprise Finance Gap database does not include trade finance, leasing and factoring, and this may lead to a potential bias in the estimates due to measurement error. However, the share of these three in overall firm finance is typically low in Africa, and hence this error is expected to be very small.

Total potential need for formal financing is estimated at 20% of revenues for all institutions that were well-served, unserved and under-served in the formal sector. This assumption was applied in estimation of the financing gap on a country-by-country basis. Following is a categorisation of enterprises based on credit use according to the IFC Enterprise Finance Gap database as follows.

¹²⁶ International Finance Corporation and McKinsey, 2013.

¹²⁷ International Finance Corporation (2011b).

Table 17: IFC categorisation of MSMEs based on their credit use

Type	Definition
Unserved	Need credit but do not have access to any credit
Underserved	Have a loan and/or line of credit but find financing as a constraint
Well-served	Need credit and needs are met
No need	Neither have nor want credit

However, limited data is available for credit use for informal MSMEs in Africa. Data on microenterprises with 1-5 employees are available for 10 sub-Saharan African countries (Angola, Botswana, Burkina Faso, Cameroon, Cape Verde, Cote d'Ivoire, DRC, Madagascar, Mali and Mauritius). The IFC Enterprise Finance Gap database extrapolates data on credit use and need for each country by taking the regional average for countries with data and using it as an estimate for countries in the same region without data. Using the ratio average revenues of informal MSMEs to formal MSMEs average revenues of informal MSMEs in each country were estimated. Similar to formal firms, a baseline of the value of formal credit currently used was established by extrapolating from data on formal MSMEs with five or more employees using the ratio of formal MSMEs credit to formal MSMEs revenues. Average revenues for enterprises with credit in both segments (i.e. formal micro and all informal) were multiplied by this ratio to estimate their total current use of credit. This resulted in a baseline assessment of the value of formal credit being used for each segment of enterprises in each region.

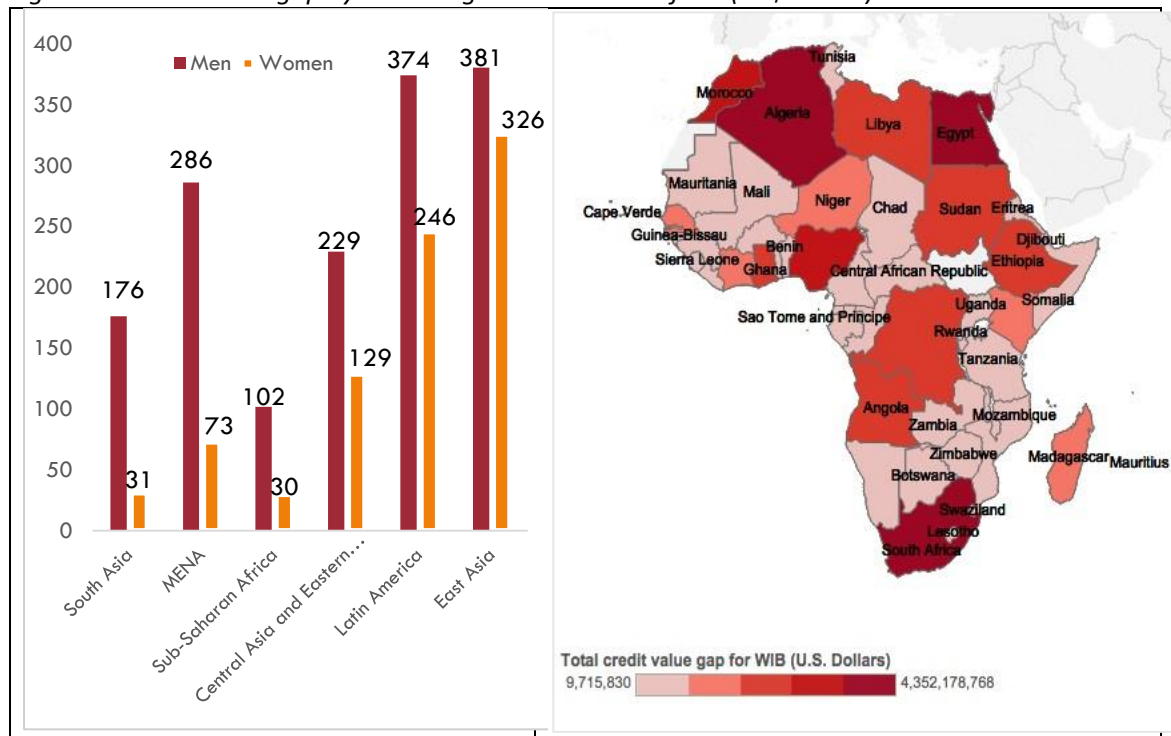
The credit gap for women in agriculture also was estimated for all of Africa. The data on share of women in agriculture in need of credit for each country was extrapolated by calculating this figure for four typical countries for which a FinScope dataset is available¹²⁸. These estimates later were used for countries within the same range of GDP per capita without data. Mozambique, Ghana and Kenya were selected as the typical sample for the lower-level income countries in Africa (due to higher number of lower-level income countries in Africa, three countries being used as typical samples) and Namibia was selected as the typical sample for the upper-level income countries in Africa. Subsequently, the total credit gap for women in agriculture for each country was estimated by multiplying this figure by: i) share of women's employment in agriculture; ii) total women-owned enterprises; and iii) average credit gap per enterprise.

6.2 KEY INSIGHTS

Figure 25 illustrates the absolute finance gap worldwide in US\$ billion. The total amount of the financing gap for women in sub-Saharan Africa has been estimated at US\$ 30 billion. However, this figure for the entire continent was estimated at US\$ 42 billion. Not surprisingly, the total amount of the financing gap for men in sub-Saharan Africa is significantly higher than women (i.e. US\$ 102 billion). This difference is due to higher ownership of businesses and farms by men. Therefore, further attention to average financing gap per enterprise is needed before drawing any conclusion.

¹²⁸ Finscope: Ghana, Kenya, Mozambique, Namibia

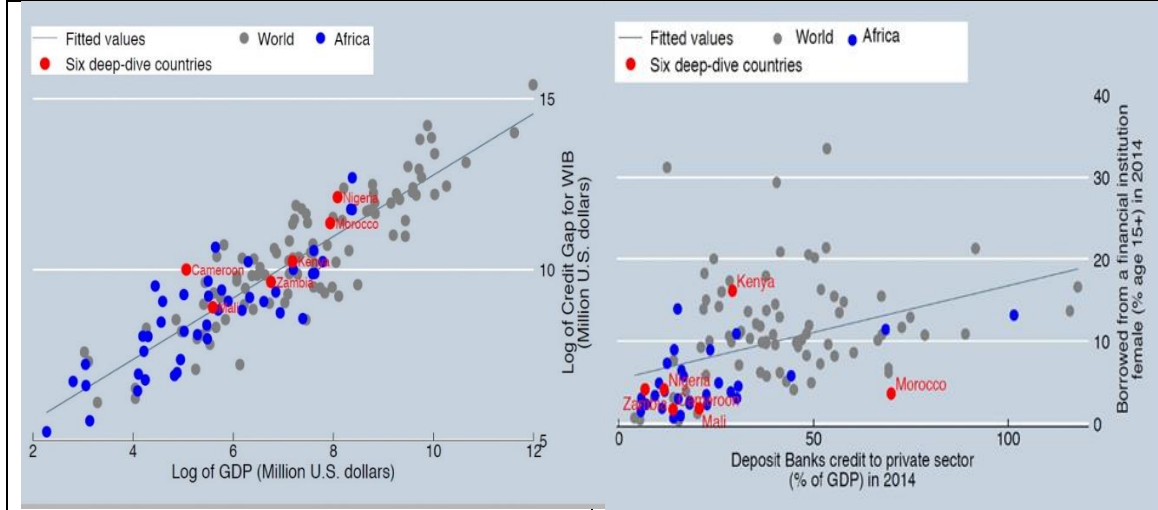
Figure 25: Total credit gap by world region and across Africa (US\$ billion)



Source: International Finance Corporation, 2011a.

Moreover, further analysis found the absolute credit gap for women in business and the size of economy (as measured by GDP) to be highly correlated. This perhaps is not too surprising, as large economies will have a larger private sector with higher number of enterprises and greater need for finance. This is expected to be the case particularly for the demand side of the equation; however, the chart also suggests that economies with large GDPs are equally constrained in satisfying private sector demands for credit. African economies are mostly concentrated in the lower left quadrant of the graph, given the small size of their economies. Countries positioned above the regression line show the existence of a credit gap that is higher than their GDP, such as Morocco, Nigeria and Cameroon. While countries below the regression line signify that the credit gap is smaller/contained relative to the size of GDP. We also observed that there is a link between the supply of credit from deposit banks to the private sector and women’s borrowing money from formal financial institutions. Most African countries are below the regression line (Kenya is an exception), implying women’s borrowing patterns in Africa are underwhelming relative to the size of credit provided to the private sector.

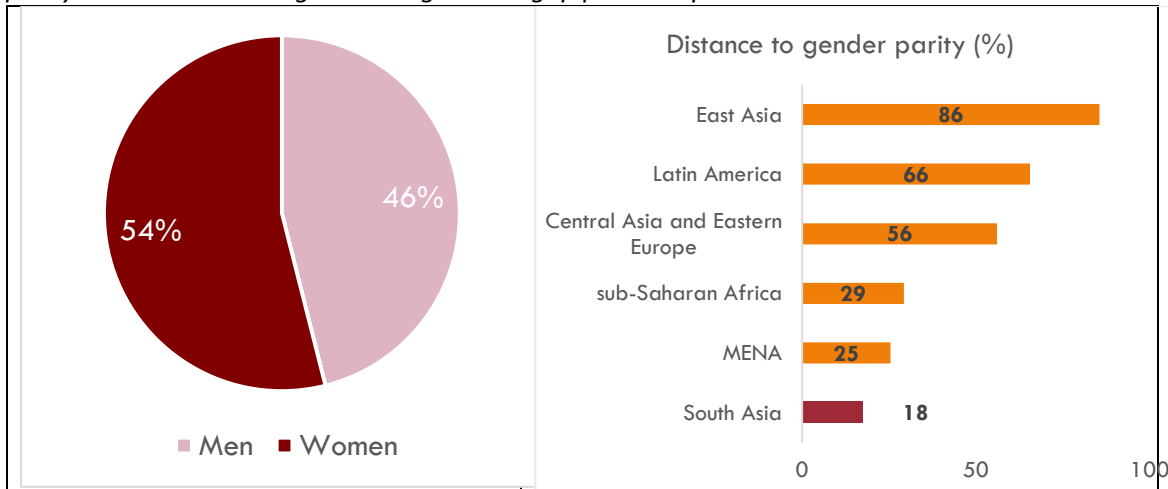
Figure 26: The scatterplot of GDP and credit gap and credit to private sector and women's access to credit from formal FIs (world)



Source: WDI, 2015; International Finance Corporation, 2011b.

Looking at the average gender-financing gap per enterprise reveals that women comprise a greater proportion of the financing gap in Africa, at 54% compared to men, at 46%. The distance to gender parity (i.e. women to men ratio of average credit gap per enterprise; 100=parity, greater than 100, women's gap is higher; smaller than 100, men's gap is higher) was calculated based on each region's average credit gap as shown in Figure 27. MENA, South Asia and sub-Saharan Africa are the regions in which gender disparity in terms of credit gap for women is worse than for men.

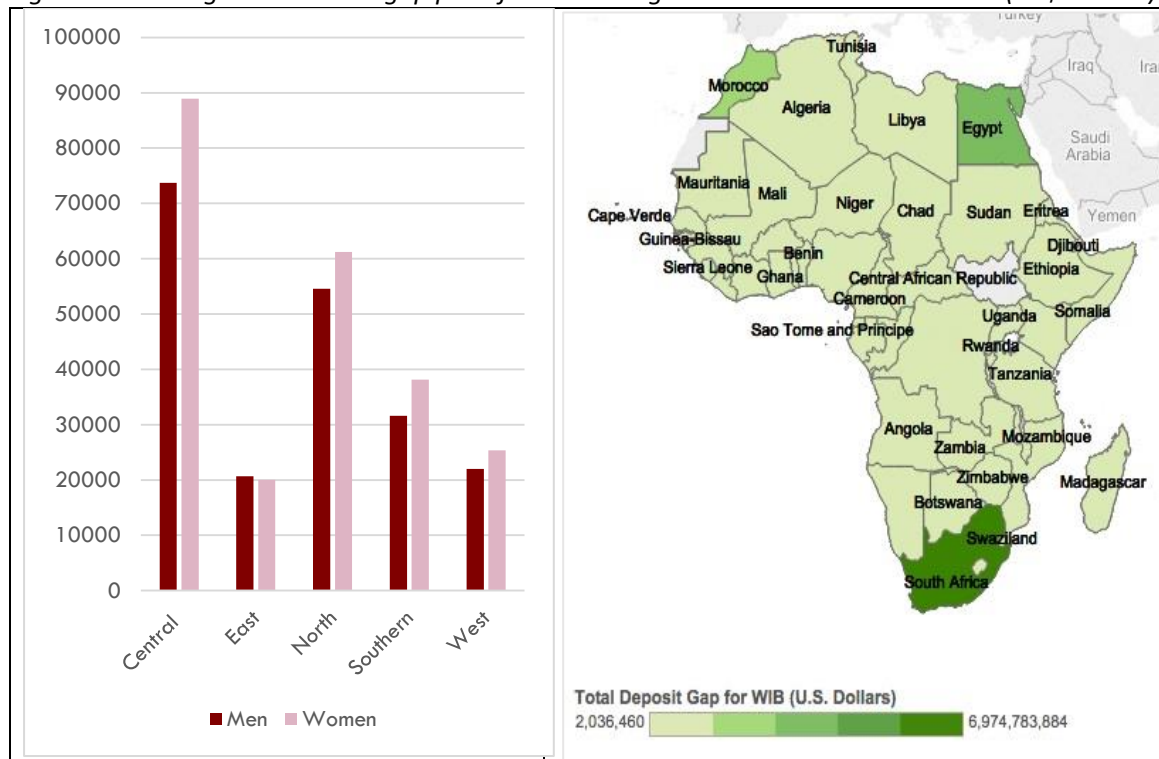
Figure 27: Sub-Saharan Africa average credit value gap per enterprise and distance to gender parity based on world region average credit gap per enterprise



Source: International Finance Corporation, 2011b.

The highest average credit gap per enterprise for women was found in the Central and Northern regions, at about US\$ 90,000, followed by the Southern, Western and finally Eastern regions. The Central and Northern regions alone take up more than half of the total credit value gap for the continent. The gap difference among regions on average can be as wide as almost US\$ 70,000 per enterprise.

Figure 28: Average credit value gap per African sub-region and across the continent (US\$ million)



Source: International Finance Corporation, 2011b.

In Central Africa, the average financing gap per enterprise for women in business is higher than for men. Gabon and Equatorial Guinea have the highest financing gap, with a total amount of around US\$ 500,000, as well as the biggest gender disparity, with a difference as high as US\$ 50,000 between men and women in Gabon. The difference among countries is also significant. The credit gender gap of these two countries in addition to the Republic of the Congo makes up almost 85% of the total amount of gender gap in this area. These countries, with an average US\$ 88,909 credit gap in women, could thus be our main focus area.

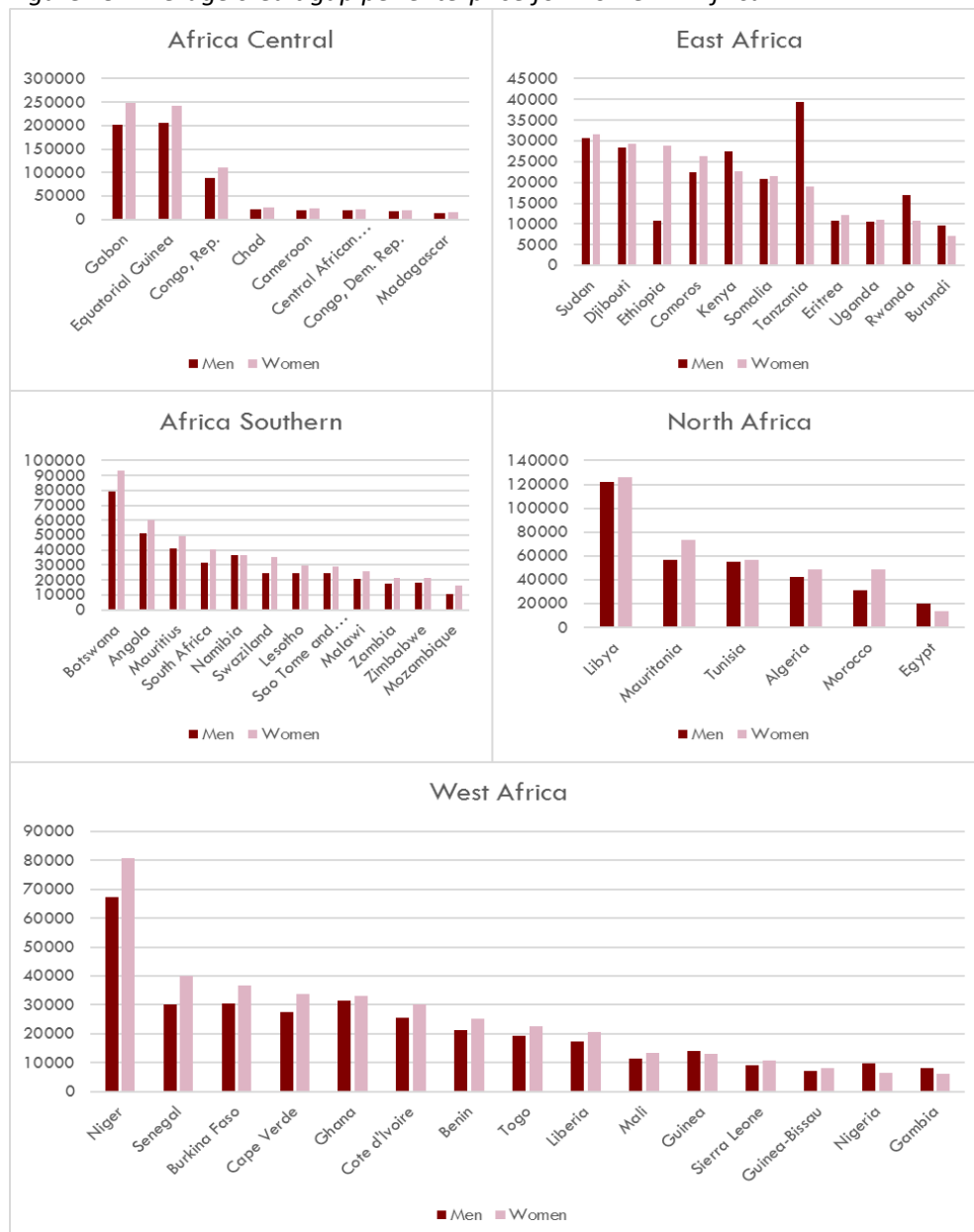
Eastern African countries in general have a relatively less severe gender gap issue compared to other regions in Africa. Businesswomen have less credit value gap than men in Kenya, Tanzania, Rwanda and Burundi. Especially in Tanzania, the credit gap for women was reportedly half that for men. Despite less severity, the financing gap is still an issue to be solved in most East African countries. All the countries that demonstrate a gender gap issue have an average credit value gap of US\$ 20,050. This gender gap is especially significant in Ethiopia, where the difference between men and women is as high as about US\$ 18,000.

In the southern region of Africa, all countries show a greater credit gap in women than men in business, with an average as US\$ 38,138, making southern Africa the region that has the third highest financing gap in women. Botswana has the most severe credit gap issue in this region, with an estimated gap of US\$ 93,000, while Lesotho, Sao Tome and Principe, Malawi, Zambia, Zimbabwe and Mozambique are all under US\$ 30,000, indicating uneven development among these countries. The credit gap between men and women ranges from under US\$ 500 in Namibia to over US\$ 13,000 in Botswana.

North Africa has the second highest financing gap among five African regions, with an average US\$ 61,184 financing gap for women in business per enterprise. Egypt is the only country in this region that does not reveal great gender gap in terms of financing, and women actually have a smaller amount of credit value gap than men. Libya, in contrast, has the highest credit gap at over US\$ 120,000 for both men and women.

Western African countries have an average credit gap of around US\$ 25,000 for women. Although this amount is not as large compared to that of other regions, the credit gap and gender gap issues still remain to be solved in this area. Guinea, Nigeria and Gambia are the only three countries where women are not at a distinct disadvantage terms of financing. It also should be noted that Niger has the most serious credit gap and gender gap among all Western African countries; it makes up over 20% of the total amount gap for women in this region.

Figure 29: Average credit gap per enterprise for women in Africa



Finally, using the methodology described previously, the total funding gaps for African women in agriculture is estimated at US\$ 15.6 billion. This figure, however, excludes the Republic of the Congo, Equatorial Guinea, Djibouti, Eritrea, Somalia, Libya, and Tanzania due to lack of sufficient data. It is important to note that among these countries, Tanzania has a relatively larger population (49.2 million) and larger agricultural sector (24% of GDP). As is shown in the regional average graphs, women of all the regions suffer from lack of credit to approximately to the same extent. Yet the Northern and Western regions show slightly higher credit gaps. Among the individual countries, Kenya, Ethiopia, Niger, Malawi, Nigeria, Ghana and Sudan are countries with the highest credit gap for women in agriculture. Figure 30 summarises the results.

The total funding gap for women in Africa is estimated at US\$ 42 billion.

Figure 30: Average credit gap per enterprise for women in agriculture (US\$)



Source: International Finance Corporation, 2011b.

6. A PROPOSED PROGRAMME LOGFRAME

6.1 THE AFAWA THEORY OF CHANGE (TOC)

The (implicit) Theory of Change of the AFAWA programme can be summarised as follows:

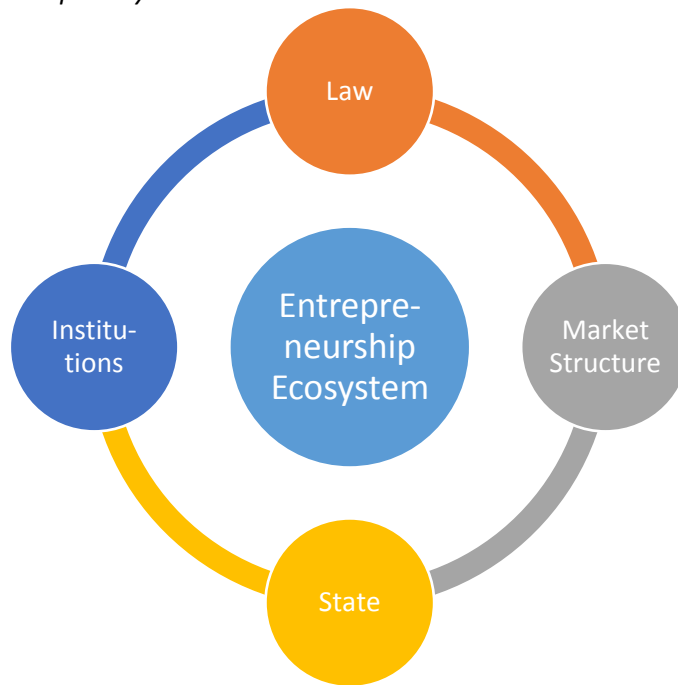
AFAWA aims to address all critical elements of the entrepreneurship ecosystem of women in business in Africa, in particular finance, to support their economic empowerment, reduce vulnerability, and unleash unused potential for more sustainable and equitable growth.

An entrepreneurship ecosystem is the overall regulatory and institutional environment that shapes the interaction between firms and various market participants, especially consumers, financial intermediaries and the state. In Africa, many women-owned firms suffer from capital constraints, low growth, and gender equality issues that stem from malfunctions in the entrepreneurship ecosystem. AFAWA aims to: (i) work with the private sector to build sustainable and profit-driven models for engagement with women in business; (ii) provide technical assistance to financial institutions dealing with women in business and the other secondary level intermediaries and agents (MFIs, SACCOS, business development institutions, etc.) to assist them in building capacity to better serve the women's target market; (iii) advocate for actions to improve the legal and regulatory framework, such as ensuring equal rights to property for women, simplifying tax policy, decriminalising bankruptcy, removing administrative barriers, etc.; (iv) provide a platform for collaboration, mentoring and learning between women entrepreneurs in Africa, as well as between organisations supporting women entrepreneurs.

The critical role financial deepening in promoting growth is well researched in economic literature. Development in the financial sector can bring substantial benefits to private firms by lowering transaction costs associated with financing constraints and increasing access to finance. Financial deepening can also help create jobs and this partly happens by expanding MSME finance. Pagano and Pica (2012) show a positive and significant relationship between financial development and job creation in developing countries. Beck et al. (2007) show that liberalising intrastate branching restrictions led to decreases in unemployment and increased labour market participation, particularly among low-skilled workers. Financial deepening can help mitigate MSME financing constraints and thus contribute to reductions in poverty and the creation of high-quality jobs.

While there is ample research available on expanding finance 'at the frontier', there is, however, little research available on the potential impact of interventions on the entrepreneurship ecosystem for women entrepreneurs. Motoyama and Watkins (2014) primarily stresses the connection between the components for a better entrepreneurial ecosystem. In their study, they found that collaboration between entrepreneurs as well as between organisations supporting entrepreneurs through mentoring and by providing capital assistance strengthened the entrepreneurial ecosystem by connecting entrepreneurs with their needed support on time. Connections between entrepreneurs can enhance their knowledge and collaboration with the support organisations can bring readjustment in the local ecosystem.

Figure 31: Entrepreneurship ecosystem



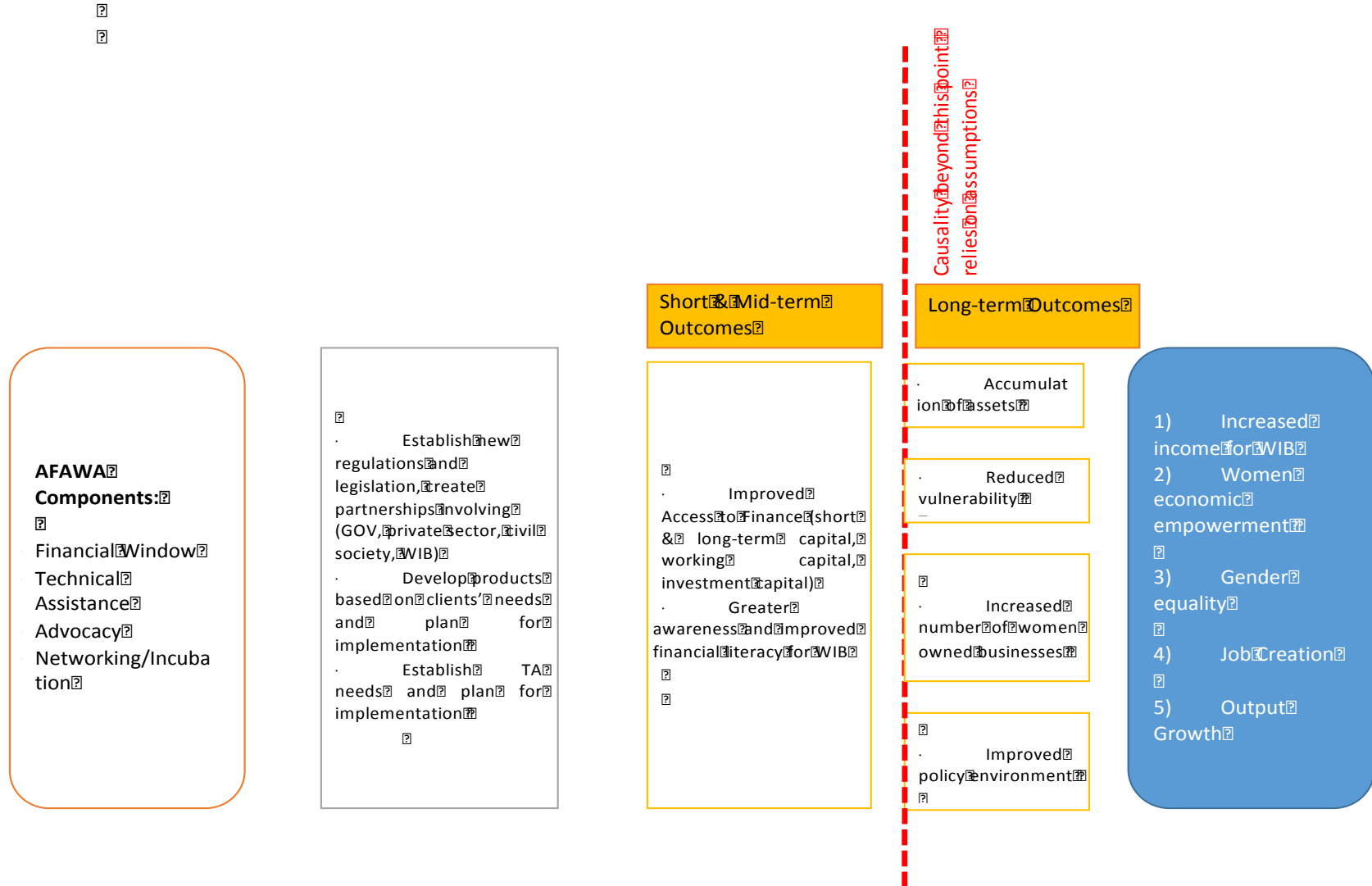
The key outcomes to be expected from the AFAWA programme are:

- Increased access by women in business to financial services (IFC estimates a total of 15.1 million women-owned enterprises in Africa¹²⁹; a proposed target for the AFAWA programme would be to reach 5 million by 2020);
- Accumulation of economic assets and other services in a cost effective manner;
- Emergence or growth of women-owned businesses;
- Improved awareness among women of their rights, including as consumers of financial services, improved financial literacy, and improved information.

The indicative causal linkages between interventions, outcomes and impacts are presented in the ToC diagram below.

¹²⁹ IFC Enterprise Finance Gap Database

Table 18 AFAWA high-level Theory of Change (ToC)



6.2 IMPACT/OUTCOME INDICATORS

AFAWA's expected impacts/outcomes are detailed in Table 19, along with an illustrative list of indicators for tracking purposes.

Table 19: Indicative list of indicators for AFAWA's 'Logical Framework'

RESULT CHAIN		PERFORMANCE INDICATORS	MEANS OF VERIFICATION
		Indicators	
IMPACT	Increased women's economic empowerment in Africa	- Increase in income - Increased firms' revenues from improved business activity - Improved access to credit for women entrepreneurs at formal FIs	AFAWA M&E Official national statistics Public and global sources Economic reviews Country economic reports
	Increased income from business growth of women-owned enterprises	-Increased number of women-owned businesses -# of employees -Improved financial literacy	
	Employment growth	-Women's employment in the MSME sector -Size of the informal sector (number of formal enterprises owned by women)	
	Overall GDP growth	-Contribution of women MSMEs to domestic tax revenue -Growth in number of women employees	
	Gender equality	-Increased investment in fixed assets	
Output 1 New regulations and partnerships for improved access to finance for women in business	# of new provisions in the law and new regulations asserting women's rights and greater gender equality # of partnerships created	Official national statistics Public and global sources Economic reviews Country economic reports	
Output 2 Increase the number of banks with women-focused line of products and services Increase the number of women-focused products	# of financial institutions with women-focused products % of FIs providing better terms or new financial products/services to MSMEs	AfDB annual supervision reports FI/MFI annual reports	
Output 3 Improved capacity of the financial institutions partnering with AFAWA	# of FIs received technical assistance # of trained loan officers in women customer relationship banking, loan origination, appraisal skills, data collection, product design and marketing	AfDB annual supervision reports FI/MFI annual reports	

	<p># of other staff trained in women customer relationship banking, loan origination, appraisal skills, data collection, product design and marketing</p> <p># of women-owned MSME and small-scale farmer loan proposals originated and appraised</p> <p>Turnaround time on approving/disbursing MSME</p> <p>% of FIs providing better terms or new financial products/services to women-owned MSME and small-scale farmers</p> <p>-Gender-disaggregated coverage of credit registries</p>	
<p>Outcome 1 Increase in overall access to financial resources by women in business</p>	<p>-The amount of loans and other types of financing to women customers by financial institutions</p> <p>- # of MSME proposals originated and appraised</p> <p>- # of women groups' proposals originated and appraised</p> <p>-Bank turnaround time on approving/disbursing loans to MSME</p> <p># of women-owned MSMEs and small-scale farmers that received loans through lines of credit from AFAWA</p> <p>- Amount of AFAWA project volume disbursed to women-owned MSMEs and small-scale farmers</p>	<p>World Bank Enterprise Surveys AFAWA M&E AfDB supervision reports FI/MFI annual reports</p>
<p>Outcome 2 Closing the gender financing gap</p>	<p>-Women vs. men take-up rate</p> <p>-% of aggregate net bank credit disbursed to women</p> <p>-% of enterprises owned by women vs men reporting credit refusal in last year</p>	<p>Disbursement reports Bank supervision reports AFAWA M&E AfDB annual supervision reports FI/MFI annual reports</p>

<p>Outcome 3 Increase number of women-owned businesses</p>	<p>-# of women-owned enterprises -# of women-owned businesses transitioned from the informal to the formal sector -Women’s employment in MSME sector -Contribution of women MSMEs to domestic tax revenue</p>	<p>AfDB annual supervision reports AFAWA M&E FI/MFI annual reports World Bank Enterprise Survey</p>
<p>Outcome 4 Increase women’s knowledge of available funding Increase financial literacy/management skills</p>	<p>-# of women entrepreneurs trained -# of women entrepreneurs who received any form of technical assistance</p>	<p>AfDB annual supervision reports AFAWA M&E Countries’ central bank reports Supervision reports FinScope survey</p>

6.3 RISK ANALYSIS

A set of risks that could potentially hinder these success factors and their proposed mitigation measures are presented below.

- **Focus may be too broad as financial needs of women are diverse and require different instruments.** Women entrepreneurs are a broad and diverse group, including women with different levels of education, with businesses of different sizes, from different sectors, and above all with different financial needs. A sound understanding of the specific target group and their issues is vital to properly assess the market environment and design effective solutions to promote greater women’s financial inclusion.
- **Financial institutions may not change their perception about women entrepreneurs. The AFAWA programme has to craft an effective value proposition, which would motivate** FIs to fundamentally alter their current business model and invest in women in business. If they instead continue to see women’s businesses as riskier, higher cost, and/or lower return, they will be reluctant to extend credit to them.
- **A universal approach may fail to adequately address specific country circumstances.** Applying the same approach to different African countries in AFAWA’s implementation can prove inadequate in addressing the specific financial access challenges women in business face. The identified approach to programme implementation thus needs to be defined on a country-by-country basis, taking into account the typology of women in business, the development of the financial market and the enabling environment.
- **A country’s enabling environment,** if weak (comprised of interruptions in power, weak governance, red tape and crime), can reduce the ability to implement AFAWA in some African countries and ensure its sustainability. In this environment, even if the financial institutions are willing and capable of launching and scaling financial services targeting women in business, the full impact of AFAWA in countries with weak governance could potentially be diminished. Thus, the AfDB may wish to partner

with countries that have shown commitment to private sector development and gender equality as well as the capacity to undertake the type of policy reforms required to enable AFAWA to have maximum sustainable impact.

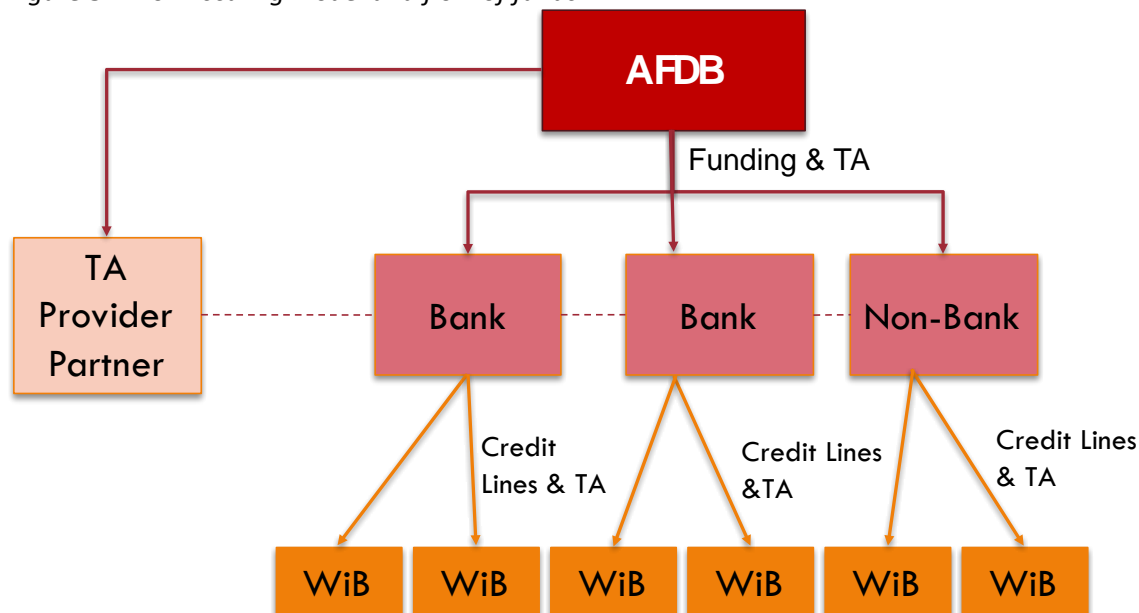
7. PROPOSED OPTIONS FOR PROGRAMME DESIGN

In this section, three intervention options are discussed for the initiation of the AFAWA programme in a focused manner. These options were derived from discussions with potential stakeholders, including those from in-country meetings. They are not mutually exclusive, but one may be better suited to a specific context than others. The following section briefly discusses each option.

7.1 OPTION I: DOWNSCALING

Downscaling consists of providing funding and/or capacity building to partner banks and non-banks (leasing companies and MFIs) to help them expand their activities to a new or perceived riskier market niche, in this case women in business. Typically, an extensive technical assistance (TA) programme would accompany the programme in order to provide FIs with the skills necessary to undertake effective and sustainable lending to the target group. Consultants would work in each FI to build up capacity on the ground for an extended period, according to international best practices. In addition, performance-based incentives can be considered to further entice the FI, such as low-interest lines of credit, loan tenor and/or technical assistance grants aligned with SME lending targets.

Figure 32: Downscaling model and flow of funds



A downscaling programme should ideally start with two or more FIs and then incrementally rollout into different areas through the FI's branch networks. It is important to have multiple FIs to achieve efficiencies in granting technical assistance and to benefit from healthy competition among FIs so that the programme does not depend on any one partner. Ensuring strategic alignment with FIs from the start is crucial to the success of the programme. FIs should be fully committed to entering this business segment in order to receive funding and technical assistance from the AFDB. They should clearly understand how lending to women-

owned SMEs would enable them to differentiate themselves and generate a sizeable income. To be a success, full strategic commitment is needed from the FI’s management.

The AfDB will be the administrator of the programme. Its main task would be to manage the financial institutions’ (FIs) funding requests and schedule disbursements so that the FIs on-lend the funding available to them. The AfDB would also periodically check on FI compliance with covenants stipulated in their loan agreements. The loans are channelled through FIs that meet well-defined eligibility criteria, for example unambiguous management commitment to SME lending, commitment to ensuring loan officers are sufficiently trained and monitoring systems are adequate.

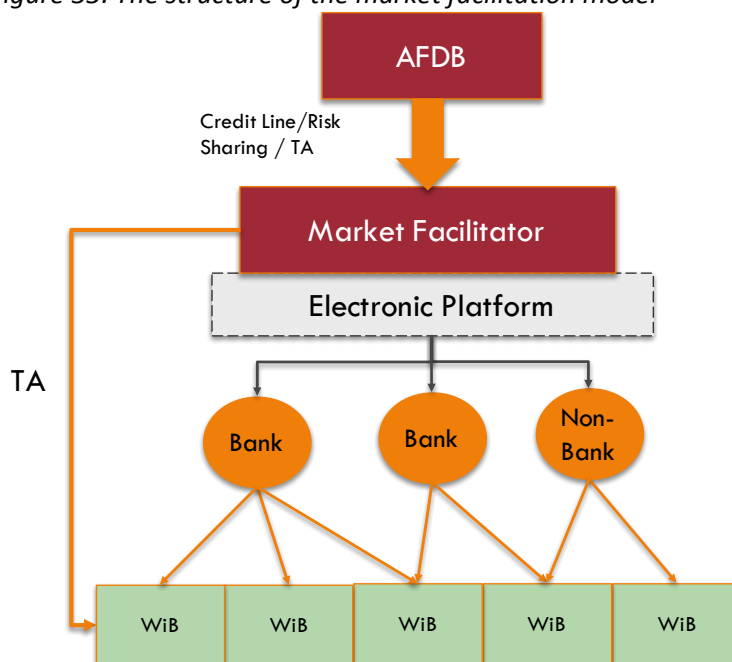
Given that senior management and staff commitment is fundamental for a successful downscaling programme, it is important to choose FIs that are interested in and capable of carrying out a long-term programme that involves hard work and changing the institution.

The biggest downside to this option is the cost. Boarding on a voluntary TA programme could be one way to reduce costs on this option. Moreover, the unambiguous support and commitment of the entire FI management team is required for the full allocation of funds to the defined target group (women in business); otherwise, the fund might be directed to market segments that are perceived to be more profitable. On the other hand, the limited number of FIs and high focus on women-owned SMEs are upsides of this option.

7.2 OPTION II: MARKET FACILITATION

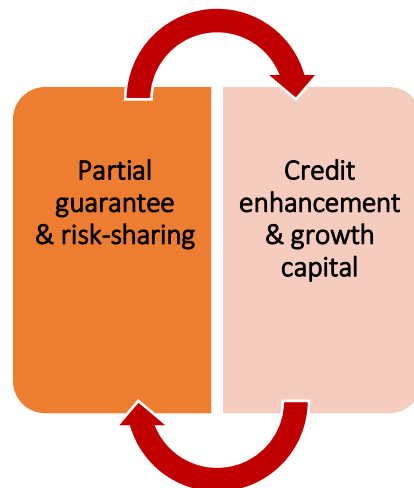
The second option for an AFAWA intervention could be to channel the allocated fund through a market facilitator following the structure shown in Figure 33 below. A market facilitator could be a guarantee fund, a credit bureau, or any financial institution service provider. Most of the countries visited were found to have some form of credit guarantee fund in operation. For illustrative purposes, the specific case of a credit guarantee fund will be further elaborated in this section.

Figure 33: The structure of the market facilitation model



Unlike under GOWE, it is recommended that the credit guarantee fund (CGF) under this scheme be institutionalised and take a proactive approach in identifying clients, performing credit appraisals, and in building the skills of partner FIs. A CGF can incentivise lending by providing a partial guarantee and covering a percentage of potential losses banks face when lending to women SMEs. By doing so, the CGF will strive to achieve credit enhancement for women in business and thus facilitate access to growth capital with lower interest rates and longer maturities. Banks will have added incentive to provide financing to women in business as the losses will be covered up to the agreed amount in full by the fund.

Figure 34: Components of the credit guarantee fund option



In addition, the CGF should actively engage FIs during the credit appraisal processes, which will serve to enhance FI knowledge of women in business while diminishing risk perception. This support will build FI capacity in women-lending best practices and benefit the long-term financial sustainability of the project. Such efforts can be supported through target technical assistance for both the CGF as well as the FIs. Development partners should be approached for financial and technical support.

However, perceived risk is often only one of the parameters constraining lending to SMEs. Other factors may be strategic focus, lack of market knowledge, insufficient SME loan underwriting skills, inadequate cost structure and income dynamics, etc. Designing the guarantee itself is a complex issue. The process for engaging the CGF often adds operational complexity and costs can potentially reduce the competitiveness of the loan product and makes it less appealing to better clients, inherently increasing the portfolio risk profile.

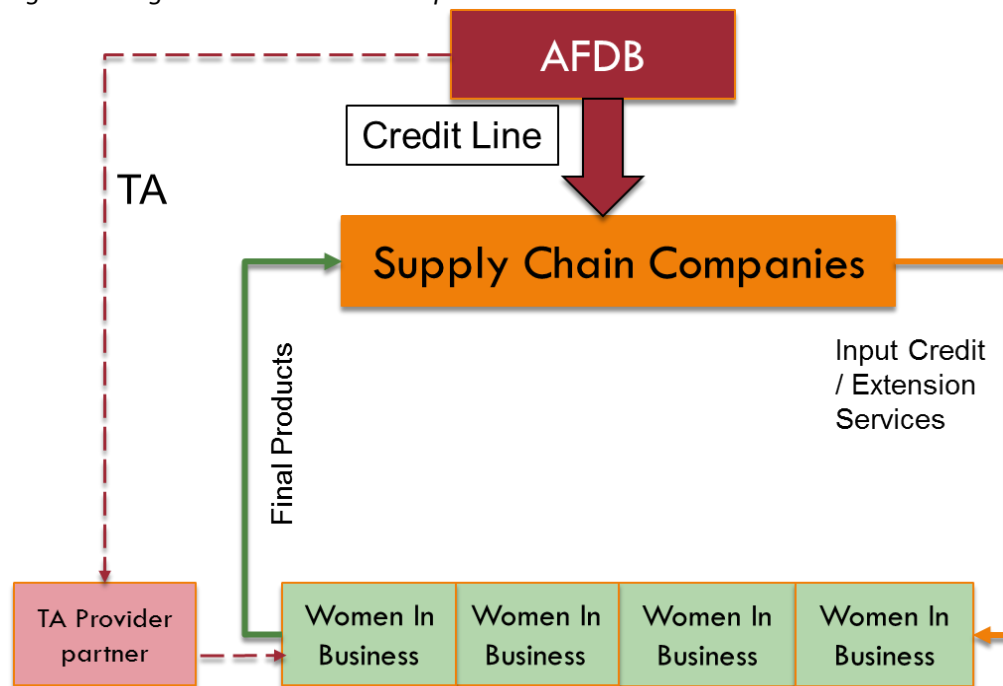
Well-performing CGFs have efficient and fast loan guarantee application procedures and prompt payout procedures. Technology such as electronic platforms can play a critical role by leveraging existing resources, ensuring cost efficiency, and improving internal controls. This is evidenced by the recent experience of the Caisse Centrale de Garantie in Morocco.

7.3 OPTION III: AGRICULTURAL VALUE CHAIN MODEL

Under the agricultural value chain option, the AfDB will provide financing to large, reputable and established supply-chain companies and/or their subsidiaries in African countries to support financial arrangements, i.e. working capital finance, to women in business along a specific supply chain (e.g. women producers of cash crops such as coffee, cocoa, etc.). For large international players on the international commodity markets, supply and quality

reliability are critical management issues. Solutions differ across the various types of crops and more specifically as a function of market structure in the various countries where production takes place. In poorer countries, many export crop producers (e.g. coffee, cocoa, cotton, etc.) are small farmers lacking quality management skills and with very limited access to finance. A number of exporters try to reduce their supply-chain risks by resorting to input-finance schemes and training for small producers, with different degrees of success (e.g. Cargill for cotton, OLAM and Mars for cocoa). Yet to a large extent, companies do accept supply-chain shortcomings as an idiosyncratic risk of their business.

Figure 35: Agricultural value chain option structure



For selected commodities, the AFDB could establish specialised facilities offering financing and/or risk-sharing products for regional/global players on frontier markets combined with standardised technical assistance products for small-scale women farmers in these countries. The risk-sharing products could help address production risks, but also could cover financial risks should the exporters want to outsource the input-financing function to local financial institutions. The crop-by-crop approach would have the advantage of realising economies of scale both in the design of the TA-programmes as well as in the pooling of the risks at regional/global level. This approach specifically targets women at the bottom of the pyramid, those that are engaged in small-scale farming. This option would also help reduce delivery risks along the supply chain and increase product quality. To reach these women, AFABA will target value chains with a high number of women players.

Value chain selection is critical under this option. Selecting a value chain or sub-sector on the basis of superficial observation bears the risk of choosing a sector with little potential for achieving gender objectives. Comparing a number of value chains based on growth potential and gender advancement criteria could be a good starting point.

Enforcement of sustainable business practices, including responsible finance principles, is key to long-term business growth and positive development outcomes. Some of these

principles include consumer protection regulations, such as responsible pricing, and fair and respectful treatment of clients, along with awareness and financial education programmes.

7.4 OPTION SELECTION CRITERIA

The following four criteria are suggested in order to facilitate the comparison of these options for decision-makers:

1. **Scalability:** Scale is important to ensure a high level of outreach and impact. Technical support and internal capacity building in lending to women SMEs are key components to ensuring buy-in and scale as they enable FIs to develop the necessary know-how to institutionalise women SME banking. Scalability therefore needs to be a key feature of the selected option.
2. **Cost efficiency:** Cost efficiency is key to profitability and long-term sustainability, as well as for any demonstration effect in the market. Therefore, each option selected will have to demonstrate a systematic approach that streamlines procedures, builds up human resources and training capacity, and adequately leverages existing resources and infrastructure.
3. **Risk:** A focus on risk is essential to programme feasibility as well as sustainability. Risks need to be carefully analysed and taken into account in each option.
4. **Potential synergies:** Each option selected needs to build on what has been or is currently being implemented and needs learn from previous mistakes and avoid 'reinventing the wheel'. More specifically, it ought to take into account past and current initiatives to promote women SME lending undertaken by AfDB partners, local authorities, as well as the financial sector and commercial banks' readiness and willingness to engage.

In terms of scalability, market facilitation could be considered as a highly scalable option. In particular, by optimising the electronic platform, this option potentially could efficiently reach out to a large number of women in business in both rural and urban areas and scale up access to financial services for women in business. On the other hand, downscaling would be limited to the geographical outreach of financial partners and the amount of funds to be allocated by the AfDB.

In terms of cost efficiency, perhaps the supply-chain option could be considered as the most cost-efficient option for women clients as it builds on existing business arrangements. No additional transaction costs are involved. Downscaling is the most expensive option because partner financial institutions will eventually be seeking to transfer the risk to their clients; thus, they offer higher rates.

In terms of risk, perhaps the supply-chain option could be considered as the least risky, if one excludes inherent risks in agriculture.

In terms of potential synergies, all three options mentioned above could potentially generate synergies amongst ongoing programmes. As mentioned earlier, these options are not mutually exclusive. The AfDB could actually initiate AFAWA by implementing a different option in each of the selected flagship countries depending on their respective strategic priorities.

8. MAIN FINDINGS, KEY MESSAGES & RECOMMENDATIONS

The AFAWA programme has a strong business case. AFAWA aims to address all critical elements of the entrepreneurship ecosystem of women in business in Africa, in particular finance, to support their economic empowerment, reduce vulnerability, and unleash unused potential for more sustainable and equitable growth. The research clearly shows that there are substantial differences in access to finance. Gender finance for women in business overall is estimated at US\$ 42 billion. In the specific case of the agriculture sector, the total funding gap for African women is estimated at US\$ 15.6 billion.

There are, however, differences in funding gaps between regions. Among the individual countries, Kenya, Ethiopia, Niger, Malawi, Nigeria, Ghana and Sudan have the highest credit gap for women in agriculture. Eastern African countries in general have a relatively less severe gender gap issue compared to other regions in Africa. Businesswomen have less credit value gap than men in Kenya, Tanzania, Rwanda and Burundi. In Tanzania in particular, the credit gap for women is reportedly half the amount of that for men. Southern Africa has the third highest financing gap for women among the regions. Botswana has the most severe credit gap issue in this region, with an estimated gap of around US\$ 93,000. North and Central Africa have the highest financing gender gap overall.

The cost of loans in terms of interest rates and collateral requirements are perceived as an important obstacle to financial access in the six countries studied. In Kenya in particular, the collateral requirement is seen as the biggest issue hampering women's access to finance. Women entrepreneurs report a lack of confidence in formal institutions as an obstacle to financial inclusion. The banks' poor understanding of women businesses results in high interest rates and low profit margins. In Cameroon, low profit margins due to high tax rates on business activities provide few incentives for women to grow their businesses, particularly in the formal sector.

That women in business have inadequate levels of financial literacy, lack confidence and are unfamiliar with the most common financial products and programmes are also important factors impeding access to finance. This is particularly evident in Zambia, Kenya, Mali, and Nigeria. In Mali, women also face many non-financial barriers impeding their ability to expand their business. The limited access to and knowledge of domestic and international markets, market regulations, lower educational attainment, and socio-cultural norms are important factors hampering the competitiveness of women entrepreneurs and their access to finance. Further, there is a need for capacity building programmes that train women in business management and facilitate their transition from the informal to the formal sector. In Nigeria, the perceived obstacles of accessing the formal financial sector results in only one-fifth of women entrepreneurs having applied for loans. Lack of information and advice on how to access finance are reported as an important constraint.

Lack of understanding of the financial needs and/or incentives of women in business as a separate segment is persistent within the banking sector. In Zambia, the banks lack incentives and information to provide financial services to the bottom of the pyramid. Commercial banks in Cameroon do not have any programmes or products specifically targeting women. The viability of the business is essential and this often excludes women entrepreneurs due to the common misperception of women's poor ability to operate and grow businesses. Kenyan banks report that they would need technical assistance in designing gender-specific-products and in staff capacity building in order to improve the financial products and services offered. They are aware of the lack of knowledge of women financing needs and typology of women entrepreneurs.

There is great diversity among existing gender finance programmes in Africa, but none are as comprehensive as AFAWA. In Nigeria and Kenya, several banks are emphasising the importance of women's financial inclusion programmes. However, in Zambia, Cameroon and Mali, gender finance programmes are scarce. Policy-makers across African countries have embraced the Agenda for Financial Inclusion for Women in Business to varying degrees. For instance, in Nigeria policy-makers have taken specific actions in order to increase women entrepreneur's access financial services. Similarly, in Zambia the government is increasingly integrating women's empowerment and financial inclusion in its operations. However, existing gender finance programmes are of limited scale and reach (with Kenya as an exception) in the countries studied.

Going forward, the AfDB may want to consider the following recommendations to further enhance prospects for successful programme implementation:

- The vision for AFAWA is rightfully ambitious, yet there is a need to further streamline its value proposition and the sequencing of the planned interventions.
- AFAWA needs to treat women in business as a heterogeneous group of actors with different backgrounds, skills, literacy levels, ages, firm sizes, and therefore different needs. AFAWA's goal of reaching out to all women in business may prove difficult to attain in the short-run as women in business represent a diverse group with different needs. Hence, a one-size-fits-all approach will not yield the desired impact. Further, AFAWA should try not to stretch itself too thin across the full spectrum of women entrepreneurs at once.
- To be successful, AFAWA needs to take a country-by-country approach and leverage existing best practices in promoting access to finance.
- AFAWA will not be successful in isolation given the magnitude of the issue. It should probably think of itself as a catalyst for market forces to take over once there is solid proof of concept.
- Given that bank liquidity in most African countries is not an issue, AFAWA may wish to open its funding to non-bank financial institutions. Stand-alone technical assistance should also be permissible.
- A clear implementation plan and growth strategy are integral parts of the programme's long-term financial sustainability framework and essential to communicating a long-term partnership vision to participating financial institutions.
- A short-term (at most one year) flagship programme should be launched. This will ensure that the AfDB quickly knows if the approach is working or if adjustments are necessary. Longer periods lead to distraction and generate the need for costly monitoring missions. The flagship phase should be followed by a proper review in which next steps align stakeholder commitment along with well-defined milestones and performance indicators.
- Finally, a strategy to scale up the programme should be defined. This should detail the various steps of a full-blown implementation plan covering four fundamental elements: 1) an effective value proposition; 2) a funding model; 3) an operational model; and 4) a communication and execution model.

Annex 1: List of Meetings and Contact Information

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Mosun Layode	WIMBIZ (Women in Management, Business and Public Services)	Executive Director
Aishah Ahmad		Chairperson (also Head of Consumer Banking at Diamond Bank)
Bunmi Lawson	Accion Bank	Managing Director, CEO
Emeka Uzowulu		Head, Business & Product Development
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Annex 2: Questionnaires

I. Questionnaire for Banks

1. Bank's involvement with Women

1.1. Do you have women clients?

1.2. Can you rank, in terms of loan portfolio size, the kind of women clients your bank has?

Type	Rank
Women-owned large enterprises	
Women-owned medium sized enterprises	
Women-owned small businesses	
Women rural-based farmers	
Women micro-businesses	
Individual women clients	
Other (explain)	

1.3. How do you serve your women clients? Through:

Method for serving women	Yes/No
Integrated into the ordinary banking structure	
A centralised women's banking unit	
A women-focused branch network	
Women banking specialists at branches	
Specialised and targeted women's banking products	
Integrated into the bank's product/sector portfolios	
Other channels (explain)	

1.4. If you serve your women in business clients through a centralised or decentralised unit/division, please provide the name of the unit/division and a few details about its structure (e.g. title of the head of the unit/division, number of staff and type of support they provide—customer relations, product guidance or a full service structure).

2. Women in Business

2.1. How do you serve your women in business clients? Do you separate the women-owned businesses from other businesses?

2.2. Does your bank currently have separate products targeted at women? If yes, please provide the names of the products.

2.3. Please rank, in terms of portfolio size, the type of women clients you have in your portfolio.

Women clients, of which are	
- Retail (individual) clients	
- MSMEs (microenterprises)	
- SMEs	
- Women small-scale rural farmers	
- Medium and large businesses	

2.4. What is (if available) the percentage and size is the total women's loan portfolio to total loan portfolio?

Size (in currency terms)	
Percentage of total portfolio	

2.5. What is the average term of your loan products to women in business? Please show in percentage terms relative to your portfolio: 0 to 90 days; 90 – 347; 60 days; 1 yr – 5 yrs; 5 yrs and above

3. Women's lending market environment

3.1. What is your view on the size and prospects for the women in business in general?

View	Response
Big market / good prospects	
Small market / good prospects	
Big market / bleak prospects	
Small market / bleak prospects	

3.2. Indicate what factors are important obstacles to your exposure to women in business?

4. Bank's Lending to women in business

- 4.1. Do you have a separate business/strategic plan for women in business?
- 4.2. Can you rank, in term of importance to your bank's future strategy, which areas of women financing you intend to focus on and are of special interest to you?
- 4.3. What assistance would your Bank need to enable you to achieve your objectives as far as serving women?

5. Financing for Women

- 5.1. What are the most popular loan financing products you provide to women?
- 5.2. What type of financing sources do you normally use to provide financing to women in business?

5.3. What do you think would be your total funding needs for financing women over the next five years for the following needs?

Funding Needs for:	2017	2018
Short-term financing		
Medium-term financing		
Long-term financing		
Other		

5.4. Of the above, how much (in %) do you think will be used to fund each of the following women in business?

Type	%
Retail (individual) women	
MSMEs (microenterprises)	
SMEs	
Medium and larger-sized women businesses	
Women rural farmers	
Other women clients	

6. Bank's interest in AfDB's Women Financing Programme

6.1. Are you receiving any external assistance regarding women finance?

6.2. Are you interested in AfDB's women entrepreneur financing programme?

6.3. When will you be able to start it?

6.4. What would you prefer among these financial instrument (line of credit, guaranty fund, equity, other?)

6.5. What would you advise AfDB to improve women financing?

II. Questionnaire for Women SMEs

A. Basic Information

1. How long have you been in existence?
2. Are you registered?
3. How many employees you have? Are all of them women?
4. What is the main motivation behind starting a business?
5. What activities do you do?

B. Need & usage of financial services

6. Have you ever taken a loan out from a financial institution (bank or micro-lender or cash loans)? If so, please specify which institution and loan conditions (term, interest, fees, collateral, etc.
7. What was the reason or purpose of the loan?
8. What amount of loan did you want to apply for?
9. Did you obtain the exact amount you applied for?
10. What documents and security were you asked to provide? (conditions)
11. If you have not used any loan so far, are you planning to? Or, do you need financing?
12. Why do you need loan/financing?
13. How much financial need you have?
14. What are the alternatives to accessing credit or savings if not from banks or micro-lenders?
15. What are the most prominent challenges for women who need financial services? How is this different from men's experience?
16. What do you think are the most prominent challenges for your business?

C. Decision-making

17. How do you make decisions about a loan to take? Who makes decisions about how to use the loan?
18. Whom do you consult if you think you might need a loan or you would like to open a savings account?

D. AFAWA

19. The AfDB wants to do something for women entrepreneurs. What do you think would be the most useful?
20. What kind of financial product would be more useful for you? And why?
21. Besides financial needs, what other support do you need to grow your business? (capacity building; technical assistance; guarantee)

III. Questionnaire for Women's Associations

E. Basic information

22. How did you become a group/association?
23. How long have you been in existence?
24. Are you registered?
25. How many members are there in the group? Are all of them women?
26. What is the main reason for you the creation of your group/association?
27. What activities do you do?

F. Need & use of financial services

28. Has your association ever taken a loan out from a financial institution (bank or micro-lender or cash loans)? If so, please specify which institution and loan conditions (term, interest, fees, collateral, etc.)
29. What was the reason for or purpose of the loan?
30. What loan amount did you want to apply for?
31. Did you obtain the exact amount you applied for?
32. What documents and security were you asked to provide?
33. If you have not used any loan so far, are you planning to?
34. Do you see any difference in how men and women use credit or savings? What do women borrow/save for? What do men borrow/save for?
35. What are the most prominent challenges for women who need financial services? How is this different from men's experience?
36. What are the alternatives to accessing credit or savings if not from banks or micro-lenders?

G. Decision-making

37. How do you make decisions about taking out a loan? Who makes decisions about how to use the loan?
38. Whom do you consult if you think you might need a loan or you would like to open a savings account?

H. AFAWA

39. The AfDB wants to do something for women entrepreneurs. What do you think would be the most useful?

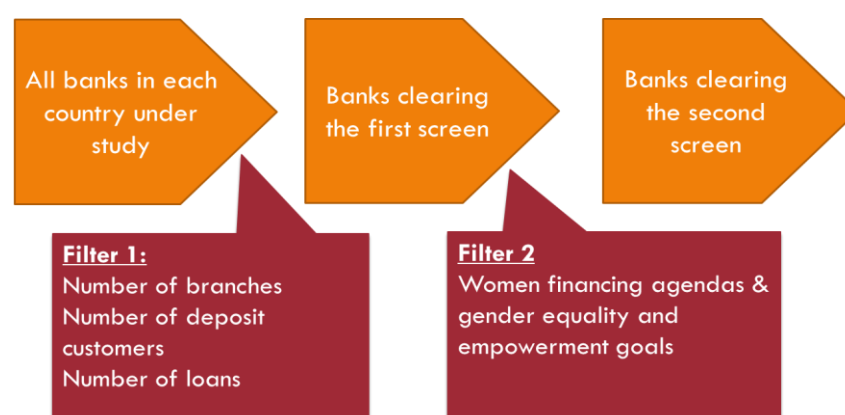
40. What kind of financial product would be more useful for you? And why?
41. Besides financial needs, what other supports do you need to grow your business?
(capacity building; technical assistance; guarantee)

Annex 3: The Landscape of African Commercial Banks Focused on Financing Women

A.1 METHODOLOGY

The objective of this section is to identify and map the financial institutions that are currently offering specialised products and services to women in the 54 African countries. These include financial institutions, banks, microfinance institutions, leasing companies, other market facilitators, as well as women's associations and cooperatives. For each institution identified we provide: information on its size, its operational reach, and the type of products and initiatives for women that each institution has. Furthermore, we include information for each African country in order to provide some context on the local financial sector.

Figure 36: Bank mapping methodology



The mapping identifies the financial institutions under prudential regulation (e.g. from the central bank) within each country. A first filter was applied on this pool of institutions to identify the top 3-4 players in terms of credit operations, number of branches, number of customers and total amount of customer deposits. Subsequently, a second round of filtering was applied to identify institutions with a stated focus on gender (as per publicly available information). If a given financial institution fails to offer any women-focused products, it will be screened from the pool of candidates and replaced by the next largest. This procedure is repeated until we find the top financial intermediaries in each country offering specialised services to women.

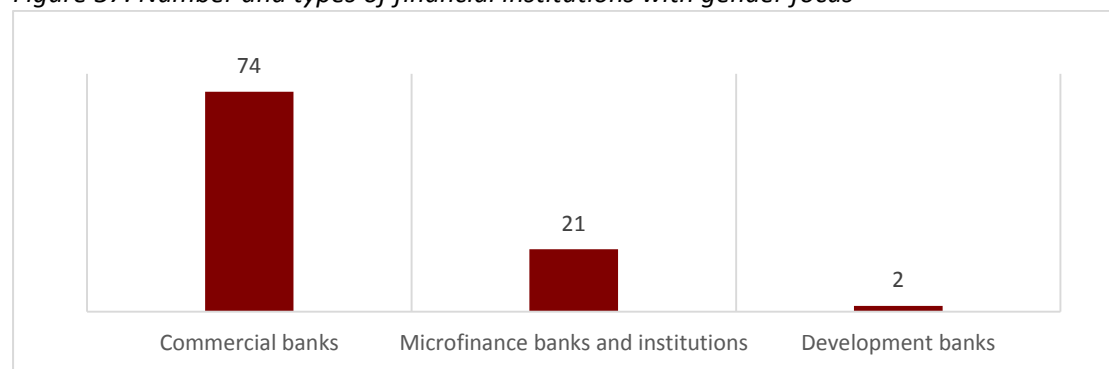
An important caveat is that the data research has been limited (as per the terms of reference) to secondary sources such as bank websites, their annual and quarterly reports, central bank websites, A2F's previous technical reports, IFC's online library, previous interviews conducted by A2F with some of these banks, and other sources.

A.2 KEY INSIGHTS

A number of commercial banks in Africa offer tailored financial products to women.

Although microfinance institutions play an important role in providing financial services to men and women in both urban and rural/underserved areas, the results of our secondary research show that they typically fail to provide a specialised line of products to women and to adjust existing financial products to meet the needs and concerns of women. Development finance institutions (DFIs) currently lag significantly behind other institutions in offering specialised products to women. Figure 37 demonstrates types of banks that are actively involved in serving women.

Figure 37: Number and types of financial institutions with gender focus



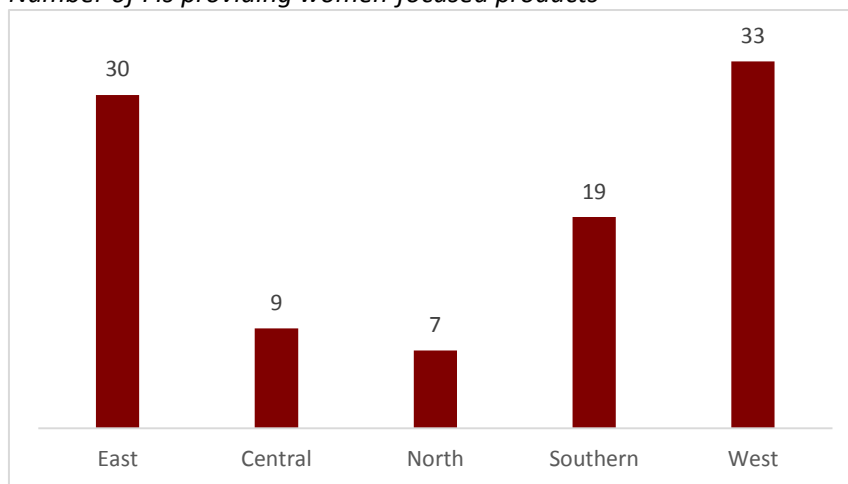
The types of products and services offered can be categorised into financial and non-financial. Financial services usually appear in the form of premium loans and deposit accounts, while non-financial products are normally in the form of training and empowerment workshops. Financial literacy programmes for women, premium savings accounts and discounted rate loans appear to be among the most popular services and products offered by FIs. Following is a list of leading financial and non-financial services/products identified during our investigations:

- Women empowerment initiatives:
 - Providing business information, networking opportunities, business workshops;
 - Partnership in investment;
 - Financial literacy programmes;
 - Mentoring programmes.
- Loans at discounted rates for women involved in various industries, such as tourism, agriculture, etc.;
- Short-term and long-term lines of credit;
- Premium savings accounts, usually with minimum charges and slightly higher interest rates;
- Partnerships with organisations such as IFC and AFRACA to provide loans and credits to underserved or unserved women;
- Various kinds of SME loans;
- Discounted financial resources for non-business purposes, such as health insurance;
- Investment in electronic banking to increase financial inclusion in general;
- Open specialised branches for women;
- Separate tellers and gender experts for women in their branches.

According to our mapping results, the West and Eastern Regions of Africa have the highest numbers of banks with women-focused products. The North and Central regions are in the

lowest ranks. Although the number of countries varies across regions and differences could partially be due to this fact, significant difference between West/East regions and Central/North regions seem to lead us to some other factors, such as regulatory/cultural constraints and lack of enabling environment for women in those regions.

Figure 38: Number of FIs providing women-focused products



Domestic banks are major players in offering women-focused products and services. However, we observed a handful of international banks that are actively targeting women in their marketing process across Africa as well. For instance, Ecobank, a well-known commercial bank that is active in more than 32 countries, mostly in West and Central Africa, currently offers women-focused products at eight of them. Table 19 summarises some of these international banks across Africa.

Table 20: International banks active in providing financial services to women

Bank	Operational reach (total)	Countries with women-focused products
Ecobank	32	8
Equity Bank	7	3
Access Bank	8	3
Nedbank	15	4

A significant limitation of this mapping is that it is skewed towards financial institutions with a strong Web presence and publication requirements, which are typically larger commercial banks. Other smaller institutions could be more active in financing women in business. Going forward, it is recommended that AfDB carry out a detailed survey of African financial institutions to gather more insights and map their current involvement with women in business across the continent. Such a questionnaire-based mapping should last about six months given typical lags in response time.

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