



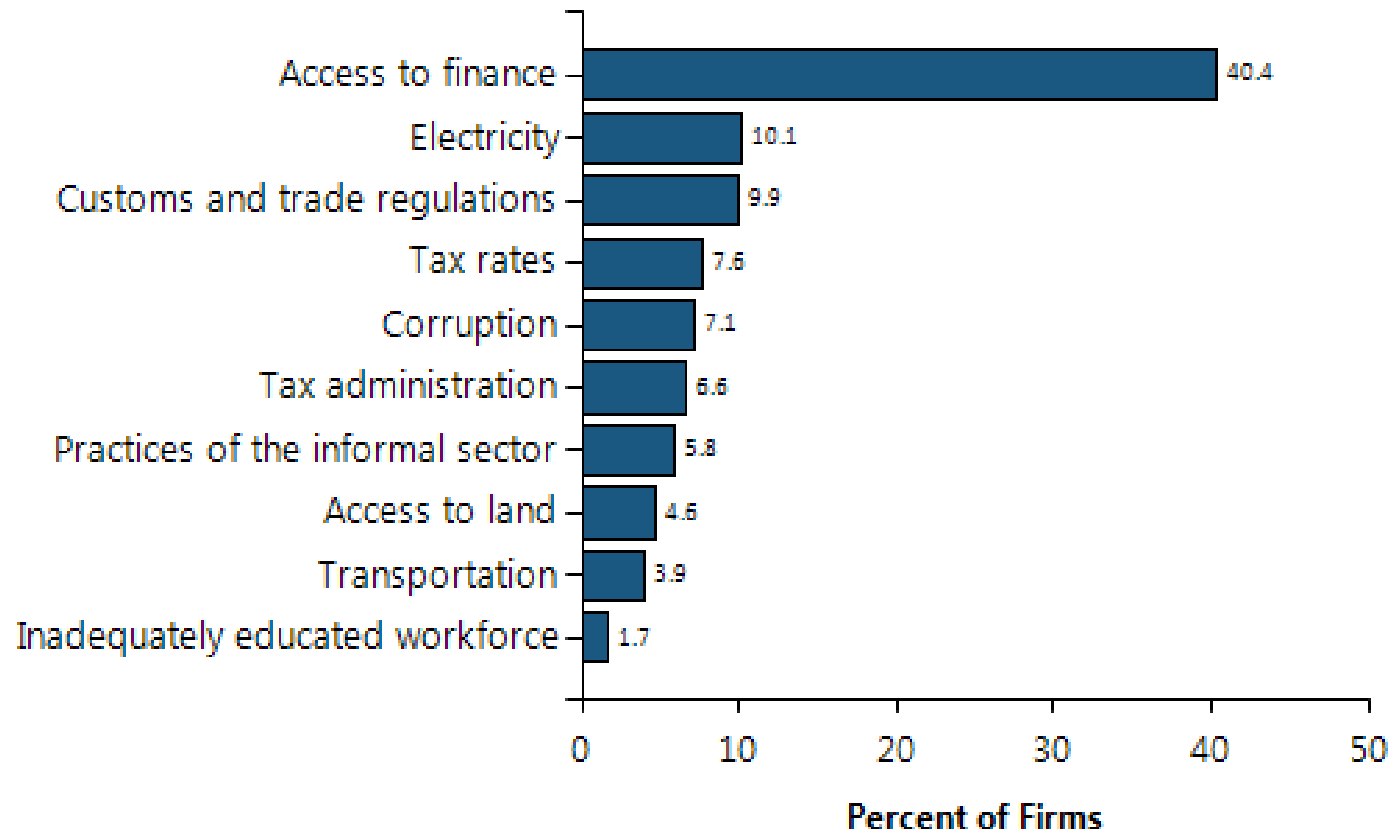
“Financing growth-oriented women entrepreneurs: lessons from Ethiopia”

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December 14, 2017



Top Business Environment Obstacle for Firms in Ethiopia

1



Source: World Bank – Enterprise Survey 2016

Challenges faced by women entrepreneurs

2

- **Opportunities for women entrepreneurs in Ethiopia lag far behind those of men.**
 - In The Economist's Women's Economic Opportunity index, Ethiopia occupies the 107th rank out of 112 countries.
- **Most growth-oriented women entrepreneurs fall into a 'missing middle' trap, in which they are served neither by commercial banks nor by microfinance institutions.**
 - High minimum loan sizes and excessive collateral requirements restrict women's access to loans from commercial banks.
 - Microfinance Institutions (MFIs) primarily cater to micro-firms with group lending schemes that provide very small loans.
- **Growth-oriented women owned enterprises are therefore starved of the investment they need to thrive.**

The Women Entrepreneurship Development Project (WEDP)

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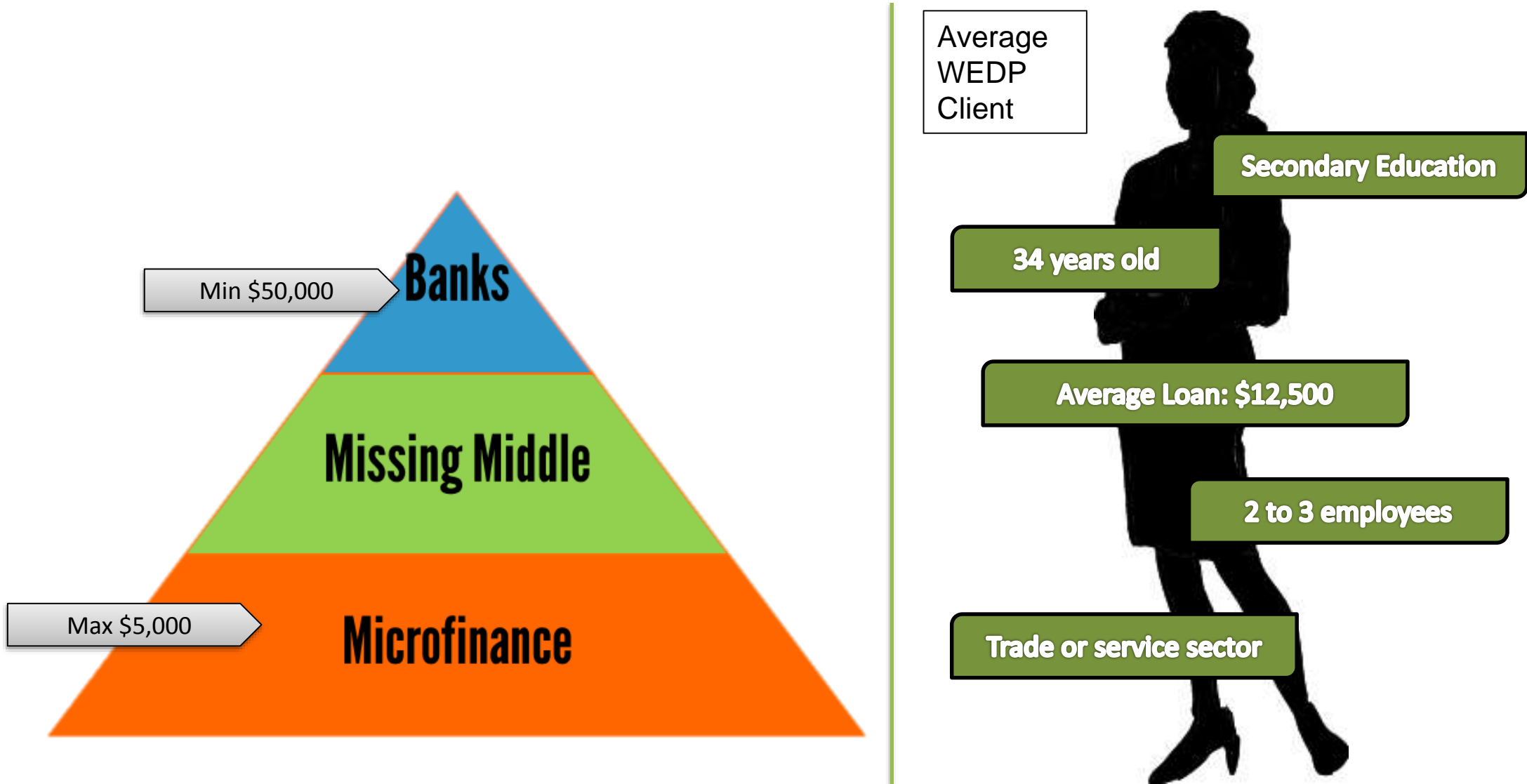
WEDP's objective is to increase the earnings and employment of micro and small enterprises owned or partly owned by women entrepreneurs in Ethiopia. It targets growth oriented women entrepreneurs, providing credit as well as entrepreneurship training/business development services.



- 4 regions
- 6 cities
- 9 city coordinators
- 2 Project Implementation Units
- 12 Microfinance Institutions
- 45 One Stop Shops
- 11 Vocational Colleges

Missing Middle

WEDP targets women-owned MSEs unserved by microfinance and by commercial banks.



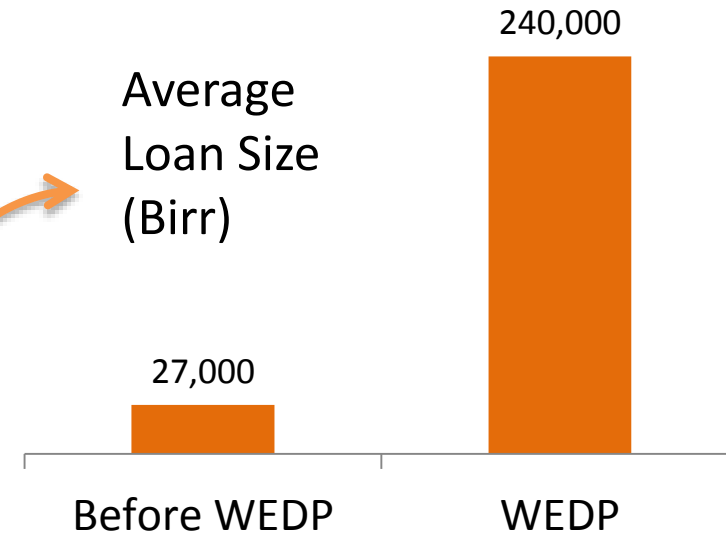
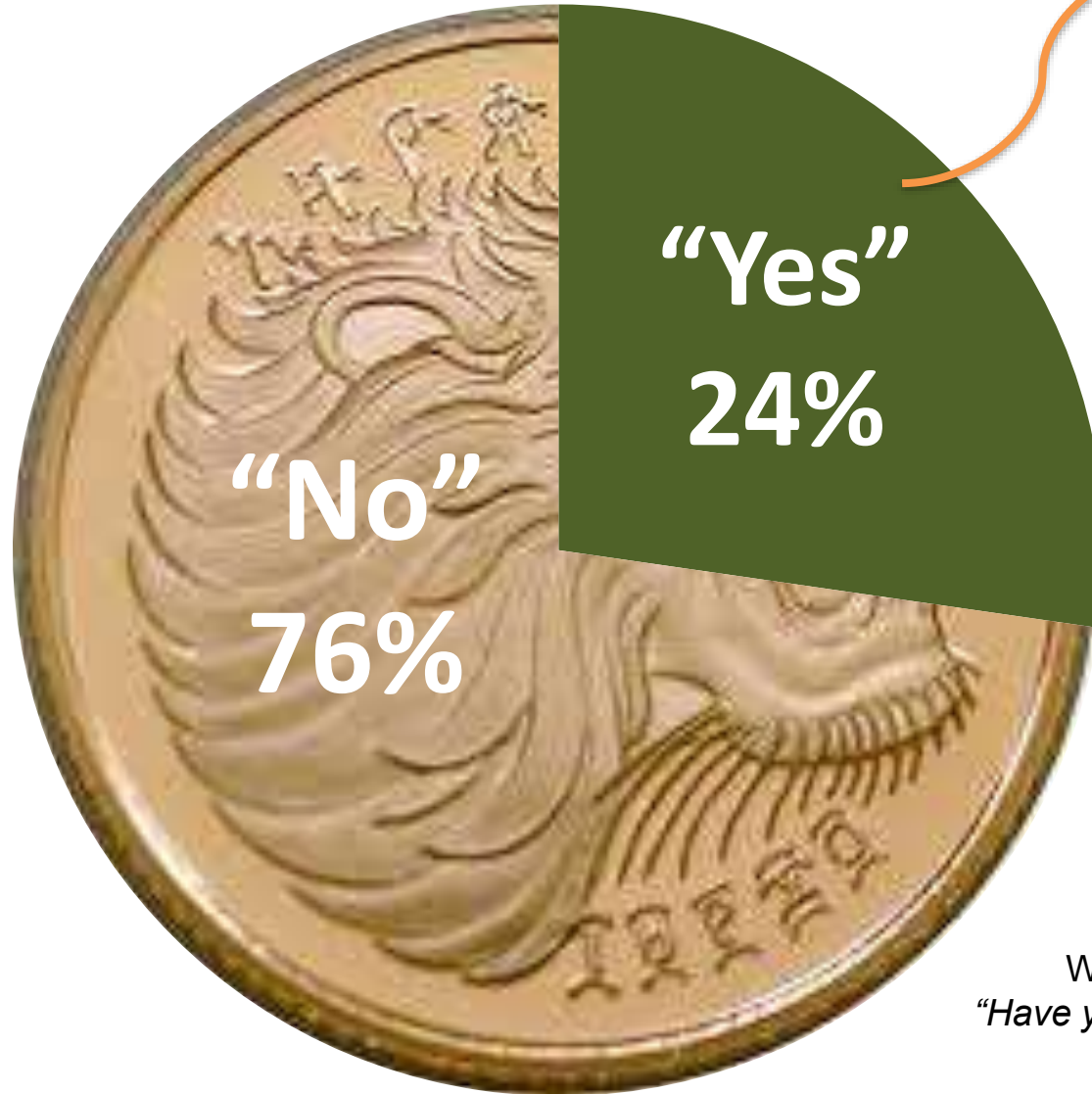
High Demand for WEDP loans and strong portfolio quality

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Access

WEDP is getting loans to previously unserved and underserved borrowers

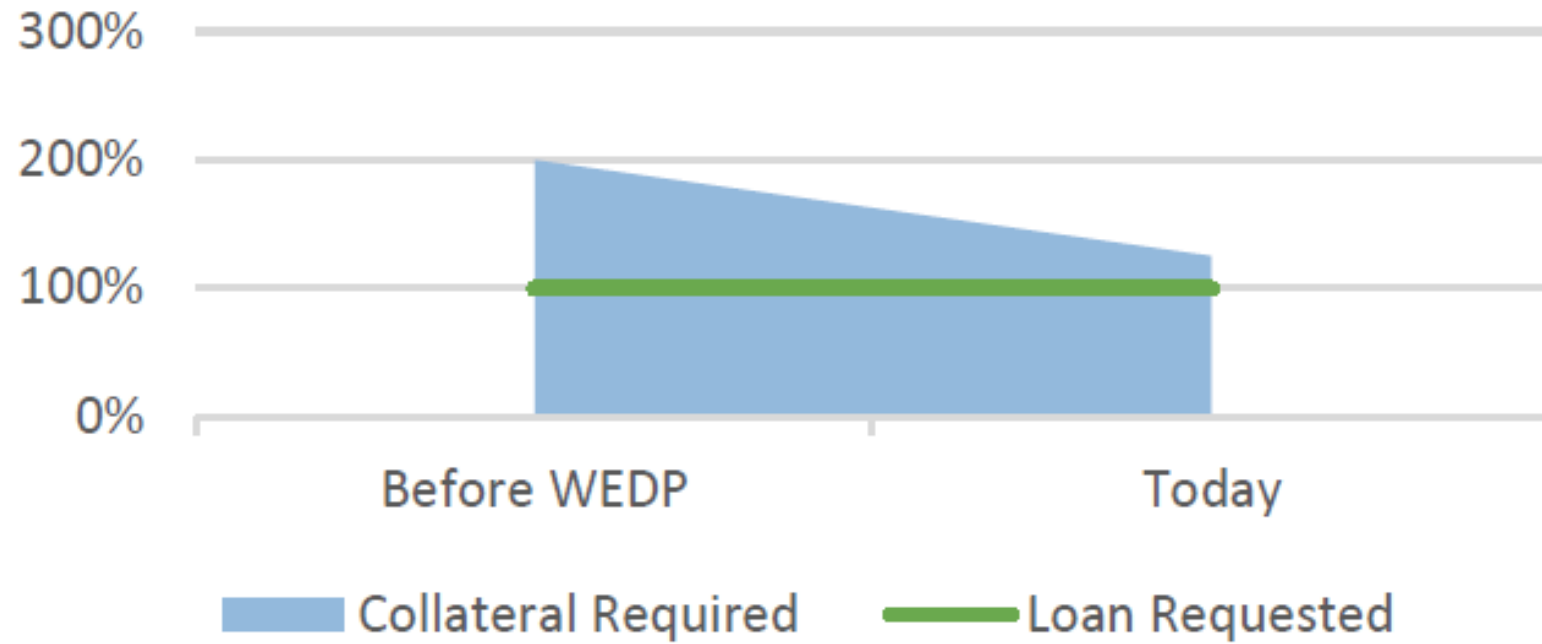


The majority of WEDP clients are new borrowers. For those entrepreneurs who had taken loans before joining WEDP, loan sizes have increased 870%.

WEDP Baseline Study, 2014:
“Have you ever taken a loan?” (n=1,567)

Collateral Coverage Reduced

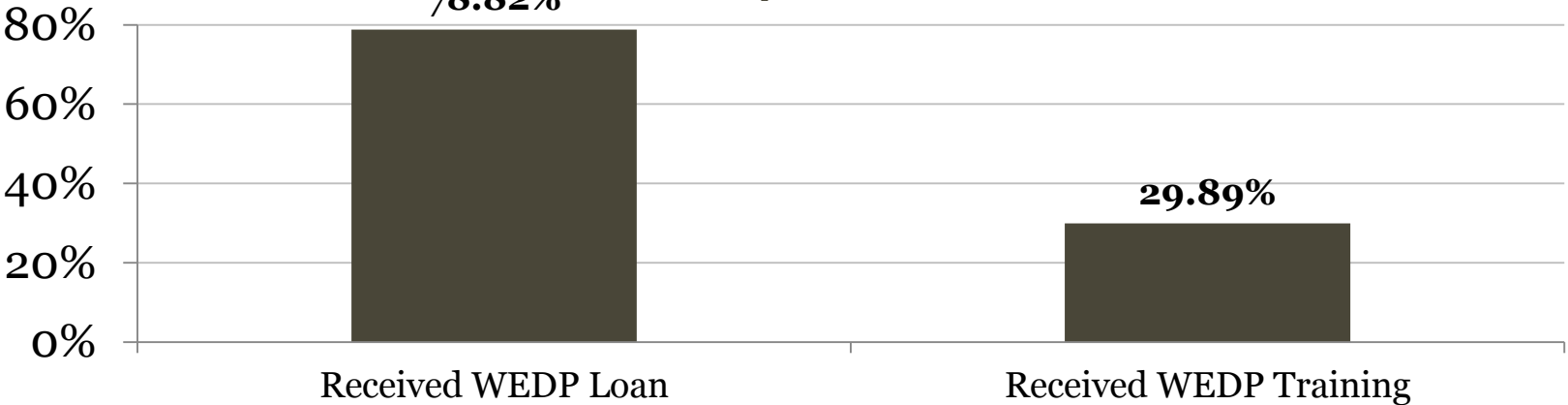
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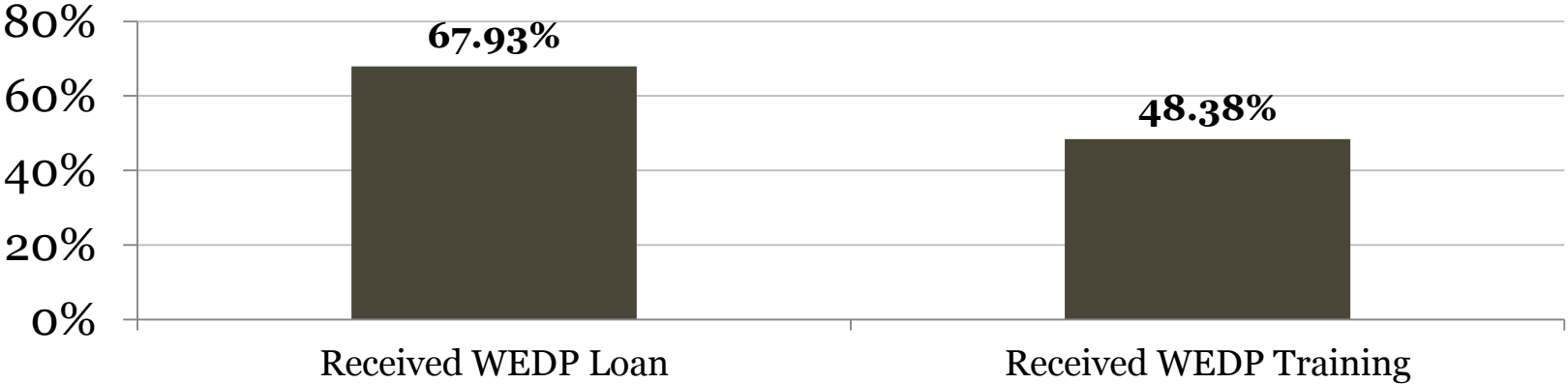
Both earnings and employment are increasing for WEDP participants

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Percentage Change in Yearly Profits of WEDP Enterprises, 2014 to 2016



Percentage Change in # Employees of WEDP Enterprises, 2014 to 2016



Innovation

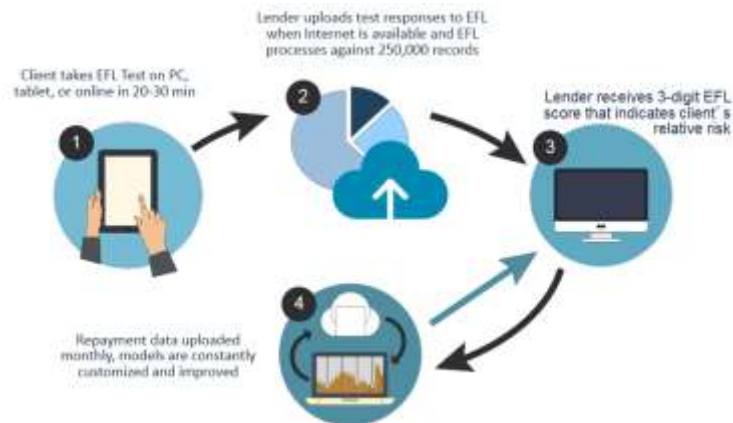
Innovations – particularly in the areas of fintech and digitization – can help both lenders and government in improving access to finance for women entrepreneurs

1

Psychometric Screening

WEDP is working with Ethiopia's largest MFI, ACSI, to introduce psychometric tests which assess ability (*business skills, intelligence*) and willingness (*ethics, honesty, attitudes, beliefs*) to repay a loan. How it Works:

- Borrowers take an interactive, tablet-based test, consisting of games, puzzles, and questions
- If they score above a certain cut-off, they can get an uncollateralized loan of up to \$7,500



2

Digitizing Loan Files

Many MFIs store decades of historical client loan files in hard copy. WEDP is helping MFIs to harness these treasure troves of data by matching characteristics of past borrowers (such as business sector, cashflows, # employees, age, family structure, etc) with their repayment behavior, to develop predictive scoring models to screen new borrowers who lack collateral or credit history.



3

Web-based Management Information System

At the project level, WEDP has helped the Government of Ethiopia's SME agency develop a web-based management information system, to track the thousands of firms that participate in the project. The system provides real time information via computer, mobile phone, or tablet (to implementers and donors) on which enterprises are accessing loans and business development services, and what the results are.



Lessons Learned

1. Identifying and serving an untapped market segment
 - Growth-oriented Women entrepreneurs proved to be a profitable and underserved market segment.
2. Adopting an holistic approach
 - Addressing growth-oriented women entrepreneurs' needs from both a supply and a demand side.
3. Using liquidity provision to channel knowledge
 - The success key is the provision of technical assistance to MFIs.
4. Real time measurement and hands-on implementation
 - The successful implementation requires close monitoring, an inclusive approach to project's management and access to regular results' measurement.



Thank you!