EAST AFRICAN COMMUNITY

Technical Study on Establishing a Regional Financial Facility for Women-owned Businesses

Final Report

August 2013

Arusha, Tanzania

Technical Study on EAC Regional Financial Facility for Women-owned Businesses

This report was produced for review by EAC secretariat, EABC, EAWiBP and GIZ/GOPA. It was prepared under contract by Asaph Besigye, Financial Services Development Consultant. The author's views expressed in this report do not necessarily reflect the opinions of GIZ/GOPA or of its partners on this contract.

Activity Title:	Finance Facility for Women-Owned Businesses in EAC
Sponsoring Organizations:	EAWiBP and EABC, with Support from GIZ/GOPA
Contractor:	GIZ/GOPA
Date of Publication:	August 2013
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Acronyms and Abbreviations

ADB	African Developement Bank
AFAB	Association of Women Entrepreneurs in Burundi
AWAN	Association of Women in Agribusiness Network
DFCU	Development Finance Company of Uganda Bank
EABC	East African Business Council
EAC	East African Community
EADB	East African Development Bank
EIB	Europian Investment Bank
EAWiBP	East African Women in Business Platform
FIs	Financial Institutions
FEWA	Federation of Women Entrepreneurs Association
GIZ	German International Corporation (Deutsche Gesellschaft fuer Entwicklungszusammenarbeit)
IFC	International Finance Corporation
KYC	Know Your Customer
MFIs	Microfinance Institutions
MOUs	Memoranda of Understanding
PFIs	Participating Financial Institutions
SMEs	Small and Medium Enterprises
SIDO	Small Industries Development Organization
TA	Technica Assistance
TOR	Terms of Reference
TWCC	Tanzania Women Chamber of Commerce
USD	United States Dollars
UWEAL	Uganda Women Entreprenuers Association Limited
WED	Women Enterprise Development Programme
WEDF	Women Enterprised Development Fund
WISE	Women's Initiative for Self-Empowerment

EXECUTIVE SUMMARY

The consultancy to recommend the finance facility for women-owned businesses in the East African Community (EAC) for which this report has been prepared was initiated by the East Africa Women in Business Platform (EAWiBP) in collaboration with the East African Business Council (EABC) and with financial support from GIZ/GOPA. The overall goal of the finance facility is to increase access to finance by women entrepreneurs in the EAC region through initiatives and innovations that directly address the strategic bottlenecks they encounter while pursuing formal credit for their businesses.

The major causes of the constrained access to formal credit by women-owned enterprises have been adequately researched and documented in the past. The principal causes, both supply and demand-related, that have helped to shape the recommended model of the proposed finance facility and its components presented in this report, include;

1. Inadequate collateral possessed by women entrepreneurs to back their credit requests;
2. Inadequate business propositions in terms of business plans or feasibility studies for the projects for which women enterprises normally seek credit;
3. Inadequate management capacities and systems within the women-owned businesses which increase the risk averseness within the financial institutions lending to them;
4. Weak equity resources required by lenders to match the potential credit offering and also to facilitate sustainable startup businesses to improve their attractiveness to lenders.
5. Credit supply constraints, including limited outreach by financial institutions (FIs), unavailability of suitable (gender-tailored and gender-responsive) financial products and inadequate liquidity.

This report builds on the findings in the previous studies on constraints faced by women-owned enterprises to access credit which recommended establishment of a finance facility for women enterprises in the EAC region. Therefore the finance facility proposed in this report aims at operationalizing this recommendation.

The methodology adopted (and concurred with at the inception meeting) to accomplish the tasks leading to the recommendations for the proposed finance facility included 1) reviewing the existing literature on the barriers (and efforts to) to enhance business women's access to financing and credit, and analysis of existing and/or past similar financial facilities in the region; 2) holding field interviews with national level stakeholders representing women-owned businesses in the respective EAC member states to assess the existence and level of qualified demand for the facility and obtain comments on the finance facility model proposed; 3) interviewing financial institutions/agencies implementing finance facilities for women and women-owned businesses that helped in gaining better understanding of the challenges faced and learning relevant lessons that reasonably contributed to the proposed model and components of the finance facility; and 5) preparing and presenting the draft report to stakeholders for comments and validation prior to completing this final report. Discussion was also held with East African Development Bank (EADB) to establish the bank's interest and its potential role in implementing the facility, and its requirements for such participation.

The finance facility model recommended in this report focuses on addressing the challenges that constrain access to credit by women through adopting a strategic and holistic approach that aims to create and increase qualified demand for formal credit from the target beneficiaries and to enable financial institutions to increase effective supply of credit to this segment. The specific objectives of the facility are;

1. To address liquidity constraints and gaps within the financial institutions in the delivery of credit to women-owned businesses for short, medium and long term financing needs.
2. To address existing risks and the inadequate risk cover facilities (collateral) that constrain women-owned businesses to access credit even where liquidity within the financial institutions may not be constrained.
3. To address operational risk of FIs that may be keen and interested to lend to women-owned enterprises but which face a challenge of skills gap to better appraise these enterprises and also to develop appropriate financial products suiting women-owned businesses.

The recommended finance facility embeds three components that reinforce each other and thus requiring simultaneous implementation for meaningful and broader impact. These are summarized below.

Component One: Liquidity Fund

This component will generate/establish a USD 250.5 Million fund for the line of credit to be accesses by the participating financial institutions (PFIs) for intermediation for women-owned SME businesses. The detailed projections are indicated in the box on the right. EADB will be expected to play a key role in mobilizing and managing this fund. The principal objective of the liquidity fund will be to assist financial institutions to access adequate and appropriate liabilities and thus increase the volume of loanable funds for women businesses within these institutions that would otherwise be reluctant to lend to or develop financial products for the women enterprises.

Liquidity Fund	Year 1	Year 2	Year 3	Total
Beneficiaries accessing credit	2,000	4,000	6,000	12,000
Average loan amount USD	15,000	22,500	33,750	
Total disbursement USD	30,000,000	90,000,000	202,500,000	322,500,000
Principal repaid USD	3,000,000	24,000,000	45,000,000	72,000,000
Funding required USD	27,000,000	66,000,000	157,500,000	250,500,000

The lines of credit under the credit fund will cater for;

a. Loan funds for microfinance PFIs whose liquidity to cater for lending needs for the women enterprises may be highly constrained in terms of loan amounts and loan duration;
b. Loan funds for higher tier financial institutions (commercial and other banks) with inadequate funds for larger and long-term financing needs for women-owned businesses; and
c. Loan funds accessible by women-owned businesses directly from the financial institution managing the liquidity fund.

Component Two: Guarantee Fund

Under this component a USD 6.63 Million fund (summarized in the box below) will be established to provide risk-sharing comfort to financial institutions to catalyze their appetite for lending to women-owned projects with proven viability prospects but having inadequate or no collateral. The guarantee fund will provide a collateral cover of up to a maximum of 75% of the outstanding loan principal amount for the final beneficiaries under the facility. The guarantee comfort will also help to gradually build the capacity of these businesses to address their collateral inadequacies as their businesses expand.

B. Guarantee Fund	Year 1	Year 2	Year 3	Total
FI portfolio guarantee:				
New FI portfolio guaranteed	4,500,000	13,500,000	30,375,000	48,375,000
Maximum guarantee exposure	3,375,000	10,125,000	22,781,250	36,281,250
Expected liquidated guarantee	506,250	1,518,750	3,417,188	5,442,188
Institutional credit guarantee:				
New institutional credit guaranteed	5,000,000	7,500,000	11,250,000	23,750,000
Maximum guarantee exposure	2,500,000	3,750,000	5,625,000	11,875,000
Expected liquidated guarantee	250,000	375,000	562,500	1,187,500
Total guarantee funds required	756,250	1,893,750	3,979,688	6,629,688

In addition to providing collateral comfort to women-owned business borrowers, the guarantee fund will also provide institutional credit guarantee for credit to financial institutions with collateral constraints for a maximum cover of up 50% of the principal amount borrowed.

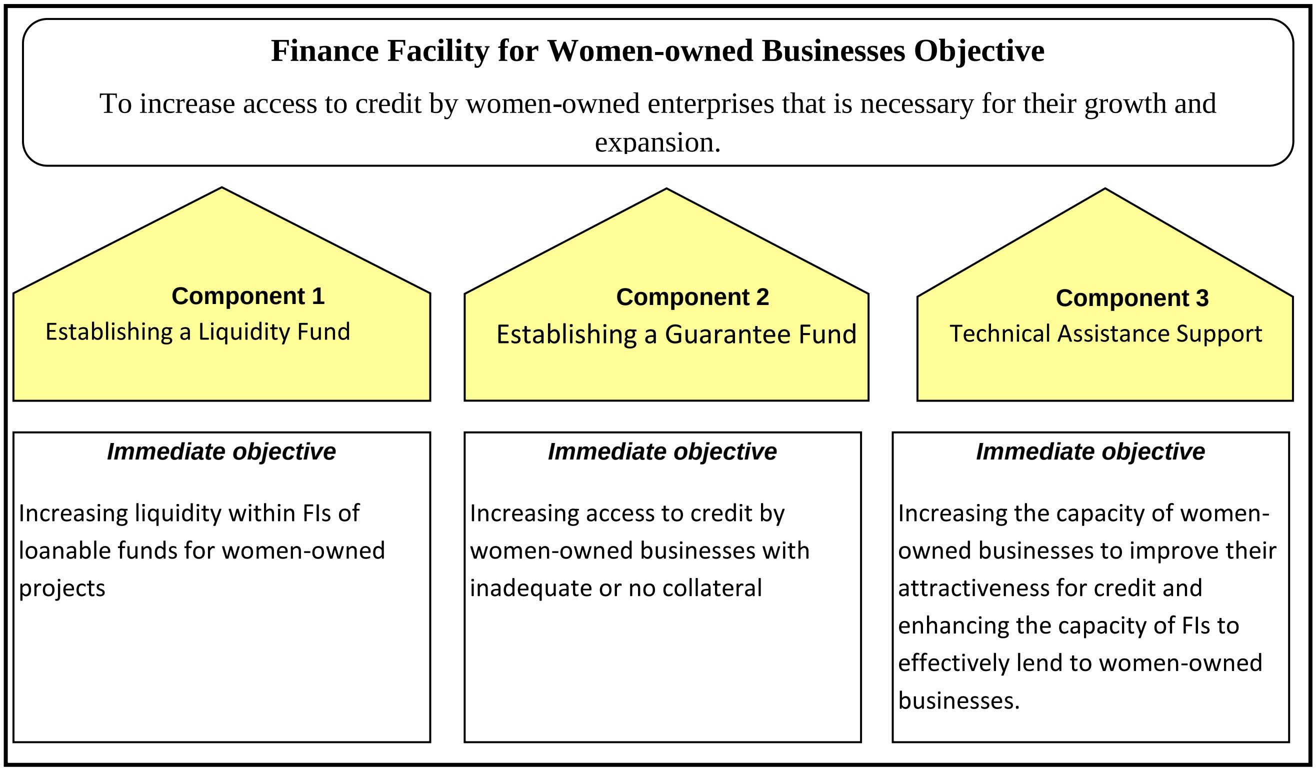
Component Three: Technical Assistance Support and Finance Facility Management

The component focuses on improving the capacity of women-owned businesses to become attractively bankable to prospective financiers in order to improve their access to credit. It will also address the need to improve the capacity of financial institutions lending to, or planning to lend to, women enterprises to effectively appraise these enterprises' projects and develop appropriate financial products targeting women enterprises.

Technical Support & Management unit costs	Year 1	Year 2	Year 3	Total
No. Interventions	200	400	600	1,200
Cost per intervention	4,500	4,500	4,500	
Total cost of interventions	900,000	1,800,000	2,700,000	5,400,000
Management costs	268,250	158,550	102,833	529,633
Total Funding Required	1,168,250	1,958,550	2,802,833	5,929,633

To ensure effective implementation with properly planned and coordinated roles and functions, it is recommended that the finance facility be managed by a competent and professionally staffed management unit that will be appropriately domiciled at the EABC. The management unit will essentially handle components 2 and 3 while also playing a collaborative role on component 1. The total funding requirement for this component is USD 5.93 Million.

At the objective level, the finance facility components are illustrated below.



1. INTRODUCTION

Background and Context

The East Africa Women in Business Platform, collaborating with the East Africa Business Council and with support from GIZ/GOPA, contracted a Financial Services Development Consultant to review the situation (on the basis of documented information and research findings) of access to formal credit by the women-owned enterprises within the EAC member states with a purpose of designing a finance facility that should target at increasing access to finance by these enterprises. The finance facility, once implemented, should positively impact the growth and sustainability of the women enterprises and thus unlocking their potential to positively contribute to the economic development and integration of the region.

The underpinning principle for establishing the finance facility for women-owned businesses is the need to address the imbalance in access to formal finance by women and men-owned enterprises which greatly constrains the entrepreneurial zeal and aspirations of women to engage in and grow their businesses. It is thus intended to create a level ground for gender access to finance within the EAC region which is considered to be highly critical in steering the agenda for economic growth and regional integration given the favourable relative level of participation in business undertakings by both men and women, the skewed access to finance notwithstanding.

The unfavourable access to credit by women-owned enterprises largely arises from the *Know Your Customer* (KYC) parameters adopted by the financial institutions to appraise credit applications which more often disadvantage women compared to men. The major causes of the gender imbalance in access to formal credit have been adequately researched and documented in the past. The principal causes, both supply and demand-related, that merit focused and innovative approach, and thus constituting the key parameters on which the proposed finance facility in this report is premised, include;

1. Inadequate collateral possessed by women entrepreneurs to adequately back their credit requests;
2. Inadequate business propositions in terms of business plans or feasibility studies for the projects for which women enterprises normally seek credit;
3. Inadequate management capacities and systems within the women-owned businesses which increase the risk averseness within financial institutions lending to these businesses;
4. Weak equity resources required by lenders to match the potential credit offering and also to facilitate sustainable startup businesses to improve their attractiveness to lenders.
5. Credit supply constraints, including limited outreach by FIs, unavailability of suitable (gender-tailored and gender-responsive) financial products and inadequate liquidity.

The combined effect of these is the heightened risk profile for the women-owned enterprises that directly impacts the financial institutions' willingness to lend to these enterprises compared to those of their male counterparts where the above constraints are comparably of lower profile and magnitude, in addition to the liquidity incapacitation to meet financing requirements within financial institutions.

The above situation is against an irrevocably acknowledged dominant participation in trade and other commercial activities by women in the EAC region by policy makers and other stakeholders. There is enormous demand for formal credit for the women-owned businesses given their big numbers especially at micro, small and medium enterprise levels and, the constrained equity resources and limited appropriate alternative sources of finance for these businesses but, as mentioned earlier, the supply of credit remains highly constrained. Thus the demand and supply imbalance in access to finance for women in general and women-owned businesses in particular has for some time remained a major concern in the EAC's[1] strategy and efforts to support the accelerated development and expansion of women-owned businesses.

This report builds on the findings in the previous studies on women-owned enterprises to access credit which recommended, among other solutions, establishment of a finance facility for women enterprises in the EA region. Therefore the finance facility proposed in this report is supposed to operationalize this recommendation and thus contribute to the steering of the agenda to increase access to finance for women enterprises to a higher level.

The recommendation for the establishment of the finance facility for women also recognizes the potential valuable role of EADB in the implementation of the facility given the pivotal role the bank plays in catalyzing the economic development in the EAC region, and also deriving from its establishment mandate in this direction. Thus the active input of the bank at the preparatory stage of the facility and its signaling to potential involvement in its implementation[2] was considered very crucial as this would speed up the establishment of the finance facility and realization of its desired impact.

Objectives of the consultancy for the finance facility

Increasing the participation of women in profitable commercial activities as a sustainable avenue to realizing meaningful economic development lies at the heart of the EAC and the women entrepreneurs associations in the East African region. One of the main objectives of EAC is to "develop policies and programmes aimed at widening and deepening cooperation among the partner states in, among other fields, economic and social fields". Also the objective of articles 121 and 122 of the EAC treaty foresees the enhancement of the role of women in socio-economic development and in business as an integral step to realising effective cooperation, integration and development of the partner states. Besides the EAC, the mandate of EAWiBP focuses on improving the efficiency of their membership businesses which inevitably embeds increased access to formal finance by these enterprises.

[1] Specifically the East African Business Council

[2] This active participation of the bank would contribute to its objective and the mandate to strengthen the socio-economic development and regional integration of the EAC member states

Realization of the above objectives and mandate cannot be accelerated if access to credit for women-owned enterprises continues to be constrained. Therefore the eventual establishment of the EAC regional finance facility for women-owned businesses that should augment other initiatives to improve access to credit by, among others, women entrepreneurs, is specifically targeted at contributing to the realisation of the above objectives and mandate. Accordingly, the overall goal of the finance facility is to increase access to finance by women entrepreneurs in the EAC region through initiatives and innovations that directly address the strategic bottlenecks they encounter while pursuing formal credit for their businesses.

Specifically the consultancy activity to propose the finance facility aimed at:

1. Identifying the beneficiaries and sectors to be targeted by the regional financial facility;
2. Assessing the financial and technical assistance needs of the targeted beneficiaries; and
3. Identifying the appropriate parameters (i.e. structure, management, disbursement mechanism and beneficiary technical assistance framework) to guide the financial facility.

To the highest degree possible, the proposed finance facility components have been carefully considered and appropriately tailored in order to ensure the achievement of the above objectives.

Methodology to accomplish the tasks

In order to properly inform the recommendations for the respective components of the proposed finance facility and to comply with the scope of work in the consultancy TOR, it was imperative for a clearly formulated and executed approach to be adopted. The methodology adopted to accomplish the tasks in the scope of work was detailed in the consultancy inception report that was presented to the stakeholders at the commencement of the consultancy activity for their necessary input, comments and concurrence.

The methodology included 1) reviewing the existing literature on the barriers (and efforts to) to enhance business women's access to financing and credit, and analysis of existing and/or past similar financial facilities in the region and internationally; 2) accomplishing a one-day inception mission to Arusha, Tanzania on the 10 June 2013 to discuss and harmonize the consultancy execution plan, identify and agree on the entities/parties for the field data collection activity; 3) holding field interviews with national level stakeholders representing women-owned businesses in the respective EAC member states[3] to validate the information obtained from the literature review and obtain comments on the finance facility model proposed; 4) interviewing selected financial institutions/agencies implementing finance facilities for women and women-owned businesses that helped in gaining better understanding of the challenges faced by the institutions implementing these facilities and learning relevant lessons that reasonably contributed to the design of the facility; and 5) preparing and presenting the draft report to stakeholders for comments and validation prior to completing this final report.

3 The stakeholders and their respective people interacted with during the field visits are in annex 1.

In addition, discussion was held with EADB to gauge the bank's thinking and appetite for the proposed finance facility, understand its policy and operational parameters and the likely impact of these on the proposed finance facility in terms of potential structure, delivery mechanisms, target beneficiaries and beneficiaries' eligibility requirements, and ultimately to establish the qualified interest of the bank to engage in implementation of specific components of the facility. At the meeting, the officials of the bank indicated their interest in participating in the facility particularly managing the liquidity fund and technical support components (to be elaborated on later) once the facility has been designed. The positive signal by EADB that it would be willing to participate in the facility was considered a very important milestone given the pivotal function and the institutional mandate of the bank in the regional economic development of the EAC partner states.

The above methodology ensured the realization of adequate input on the scope of the components of the proposed finance facility, addressing the concerns of the various stakeholders on the potential structure and business operational focus of the facility, identifying the key sectors the facility should target and essentially helping to realistically determine the parameters of the facility components on a demand-driven and supply-responsive basis. These were considered very important for the sustainability and impacting implementation of the facility. The involvement of the national-level businesswomen associations and chambers of commerce recognized the expected valuable roles these associations should play in steering the implementation of the finance facility, particularly in vetting the beneficiaries for the sustainable uptake and utilization of the facility funds, and in mobilizing for effective delivery of business development support intervention component of the facility. The major valuable input realized from the field discussions was the recommendations on the implementation mechanisms, including management structures, of the respective components of the facility.

Thus in essence the methodology ensured the harmonization of the demand and supply considerations prior to recommending the parameters of the finance facility. This was considered very important to avoid recommending a supply-led facility that may generate limited uptake by the demand side or recommending an only demand-led facility that may not stimulate reasonable participation interest from the supply side.

Similar past and ongoing initiatives

The proposed finance facility for women-owned businesses will not be any new innovation at all. There have been several initiatives targeting exclusive financing of women-owned businesses within the EAC partner states and in other countries. Notable examples in the EAC region include the Women Enterprise Development Fund (WEDF) in Kenya, the Exim Bank's Women Entrepreneurship Finance Programme and the Tanzania Women Bank in Tanzania, Women's Initiative for Self-Empowerment in Burundi, Business Development Fund for Youth and Women in Rwanda, and DFCU Bank's Women in Business Loan Scheme in Uganda. There are also multiple financial products targeting women within many financial institutions in all the EAC countries. The available literature indicates that these initiatives are creating substantial impact on the women-owned businesses, the weaknesses on the depth and breadth of respective initiatives and in their outreach efficiency notwithstanding. The most notable weakness within the past and existing finance facilities targeting women and other special groups is the failure to comprehensively focus on all the key challenges to access credit in a holistic manner.

Beyond the direct finance facilities for women-owned businesses, there are a number of guarantee programmes targeting to increase access to credit by, among others, women-owned businesses. These guarantee programmes are mainly financed by development partner governments and agencies, and national governments. Their core objective is to provide risk comfort, particularly in cases of inadequate collateral, to financial institutions lending to segments and sectors targeted by the funders. The credit guarantee initiatives have equally enabled the targeted borrowers to address their challenges to access credit and are thus catalyzing the improvement of credit access landscape for these borrowers.

However, the financing facilities that target women-owned businesses have so far been initiated at national level and have not been designed with a broader focus to address the trans-national challenges across the EAC region. Even at national level, the geographical coverage is still relatively limited in majority of the cases. Also the scope and operational levels of businesses are not clearly identified especially for product offering by microfinance institutions, in addition to limited consideration for all the stages or life cycles of businesses with much bias on operational businesses with clear track record.

Discussions with entities handling such facilities during the field activity to generate views to inform the design of the finance facility generated useful lessons to learn in terms of challenges faced, sectors and scale of businesses where impact has been bigger and sustainable, identified gaps in the design and implementation of the facilities, and also recommendations on strategies for design of sustainable new facilities. These have reasonably informed the proposed parameters of the components of the EAC finance facility for women-owned businesses, including management and delivery mechanisms for it. Accordingly there has been no need to *re-invent the wheel* but rather refocusing the recommendations for the facility to embrace the features with high impact while at the same time carefully addressing the gaps and challenges in the past and on-going initiatives, particularly in regard to technical assistance and business support interventions.

2. FINANCE FACILITY MODEL/MODELS

Addressing the challenges that constrain the access to credit identified earlier requires taking a strategic approach that aims to create and increase qualified demand for formal credit from the target beneficiaries and to enable financial institutions to increase effective supply. These will be elaborated later and constitute the core focus of the finance facility proposed.

Objective

The overall goal of the finance facility is to improve the women-owned businesses' access to formal credit in an effective, sustainable and broadly impacting manner. This will be achieved by adopting a strategy that comprehensively addresses the strategic challenges the targeted women-owned entities face while pursuing credit that is necessary for their growth and expansion. The specific objectives of the facility are;

1. To address liquidity constraints and gaps within the financial institutions in the delivery of credit to women-owned businesses for short, medium and long term financing needs. This challenge cuts across all the tiers of financial institutions but is more pronounced in microfinance institutions (MFIs) that are handling emerging and/or expanded commercialized women-owned enterprises with bigger and extended tenure credit requirements.
2. To address existing risks and the inadequate risk cover facilities (collateral) that constrain women-owned businesses to access credit even where liquidity within the financial institutions may not be constrained. Thus the facility will in this respect address the inadequate collateral challenge and will also target to improve the non-collateral risk appetite for lending to women entrepreneurs through improved skills to prepare bankable project propositions and improving management and operating systems of the enterprises.
3. To address operational risk of financial institutions that may be keen and interested to lend to women-owned enterprises but face a challenge of skills gap to better appraise these enterprises. The facility will assist the prequalified PFIs to develop products tailored for women-owned enterprises and also to improve skills for better appraisal of credit requests for women-owned enterprises' projects.

Strategy to design the facility model

The strategy to address the above respective specific objectives is as follows:

1. Liquidity for Credit

Increasing liquidity exclusively targeting financing of women-owned businesses that cuts across the entire spectrum of the financing requirements (including short-term requirements for working capital and, medium and long-term investment financing requirements for projects) should go a long way in improving the credit access landscape for women enterprises. The strategy for this focuses on putting in place a line of credit provided and managed by a highly reputable financial institution, preferably EADB, to be accessed by pre-selected PFIs[4] for eventual intermediation to women-owned businesses seeking credit from them or directly accessed by women enterprises in cases of credit requirements of large amounts.

The line of credit funding source will be clearly identified and necessary commitments ensuring its availability will be dully executed through appropriate endorsements by the respective interested parties. The source will either be;

a. from the financial institution providing the line of credit to PFIs such as EADB[5];
b. from externally sourced and contracted liabilities by the FI providing the line of credit to PFIs from other international funding institutions such as EIB, ADB, IFC, Global Women Banking Alliance, etc.;
c. from donor funding initiatives that may be directly interested in supporting women entrepreneurial ventures through grants or concessional credit;
d. from appropriations of funds by partner states from their budgetary provisions; and/or
e. from a combination of all or some of the above sources.

While determining the source of funding and management of the liquidity fund, emphasis will be put on convenience of access by the prospective borrowers or final beneficiaries in terms of matching the credit with their financing needs (specifically access timing and, credit amount and tenure) and to some degree possible affordability for the borrowers.

To ensure increased deep and broad outreach, the selection of PFIs will as much as will be feasible cut across all tiers of financial institutions or at least put emphasis on linkage mechanisms whereby higher tier PFIs have in place linkage relationships with lower tier FIs through which the sourced line of credit will be re-intermediated to targeted beneficiaries that may not find it easy to directly access the PFI services. Criteria for selection of PFIs will be developed with clear emphasis on proven strong management capacity and systems, credible financial position, demonstrable commitment to develop products or schemes for women-owned businesses and, capacity to track and report impact to feed into the facility monitoring and evaluation system.

2. Risk mitigation for inadequately or uncollateralized projects

The strategy focuses on enabling financial institutions to increase their appetite to lend for women-owned projects with proven viability prospects but having inadequate or no collateral. This will be by putting in place a credit guarantee scheme or fund. The guarantee scheme will

[4] This strategy will ensure enhanced outreach as the FI handling the liquidity fund (e.g. EADB) may have constrained outreach capacity required for convenient access of the fund by the targeted beneficiaries.
[5] During the discussions with EADB it was noted that the Bank has not in the past provided funds for special schemes from its internal resources but rather managed special schemes for targeted beneficiaries from externally sourced funds.

give lending comfort to financial institutions that would otherwise be reluctant to lend to the women-enterprises that have collateral challenges. With a guarantee fund, borrowers with inadequate collateral will access credit that will be guaranteed up to a predetermined proportion of the assessed security coverage up to a maximum of 75 percent of the loan principal value. The enterprises guaranteed will not be made aware that they are being guaranteed but rather the FIs extending credit will only have such knowledge as the lending comfort will be to them and not to the borrowers.

A guarantee fund will be sourced from appropriate avenues by the party/parties spearheading the establishment of the facility. As will be elaborated later, the guarantee fund does not require to have the full equivalent value of the credit guaranteed but rather will cover a realistically evaluated portion of the credit exposure guaranteed as it will not be plausible that the guaranteed credit will realize 100 percent default rate. As such, it will be a requirement that the projects of the beneficiaries under the guarantee fund will be meticulously appraised to ensure that they are reasonably viable, self-liquidating and thus less risky in terms of operational performance.

3. Technical Assistance Support to Improve Efficiency

The strategy for this focuses on improving the capacity of women-owned enterprises that express interest to obtain credit under the women-owned businesses finance facility to prepare bankable business plans/feasibility studies for their proposed projects, address operational systems inadequacies and formalize their businesses, including formal/proper registration of their enterprises. This will involve taking a strategic approach to increase the women enterprises' qualified demand for credit. This will specifically be through training and counseling of the prospective borrowers through the facility.

In addition, the strategy will focus on improving the capacity of women-owned business associations to provide relevant technical assistance support to their membership for the necessary sustainability of the intervention. Skills gaps within participating financial institutions to properly appraise women-owned business proposals and also to develop appropriate financial products for women enterprises will equally be addressed under this initiative to increase effective supply of credit to women-owned businesses.

Other strategy aspects of the facility that will enable realization of higher and broader development impact, and which should permit replicable and scalable roll out include,

1. **Focus on enterprises with commercial operational levels:** For maximum **impact** the facility will specifically focus on targeting private sector women-owned small and medium enterprises (SMEs), their definitional and specification challenges notwithstanding. SMEs have been recognized to be major drivers of economic growth, employment generation and poverty reduction and thus the strategy to focus on women-owned SMEs for the proposed facility will not be miscalculated. The emphasis on these enterprises is because of their high

potential to provide rapid pull and push impact to access credit. This will be possible because the availability of women-owned SMEs' credit through the facility should provide impetus to commercializing micro enterprises to improve their operational levels so as to qualify for lending under the facility while also enabling the larger SMEs that will access credit under the facility to realize their growth and expansion prospects and thus improve their candidacy for non-facility commercial credit from higher tier financial institutions such as commercial banks.

Nonetheless focus on replicability and scalability of the facility to none SMEs beyond the pilot phase will not be ignored during the initial implementation phase of the facility. As and when implementation impact is assessed, necessary initiatives will be undertaken to broaden the scope of the facility to accommodate the enterprise operational levels initially excluded from the facility.

Besides the push/pull impact elaborated above, the other rationale for focusing on SMEs is because of the existing financing opportunities for micro and large enterprises. There are multiple initiatives (cutting across the whole region) targeting micro enterprises. The micro finance initiatives under national governments, donor and private interventions are providing diversified opportunities for increased access to credit by micro enterprises, including those owned and run by women. There are even microfinance products purely dedicated to women and women enterprises. Similarly the attractiveness of large women-owned enterprises to higher tier FIs and their high potential to meet FIs' requirement (collateral, sound management systems, business plans, etc.) are not doubtable. This therefore justifies the focus on the "missing middle" enterprises that have graduated from MFI catchment concentration but are also yet to prove qualified candidacy for commercial and development banks' lending.

2. **Sector focus:** In addition to focusing on SMEs, the facility will target enterprises in identified sectors that have qualified potential for rapid and high enterprise growth and thus having capacity to significantly contribute to the regional development and integration prospects through wealth and employment generation, food security, etc.

3. **Leveraging on similar initiatives in the region**. The proposed finance facility for women will not compete with existing or new national or regional initiatives that equally provide potential to increase access to credit, including by women entrepreneurs, under any arrangements that may have similarity with the components of this facility. It will rather complement such initiatives. The current initiatives like the Africa Guarantee Fund, the Agricultural Credit Guarantee schemes, the Women Enterprise Funds, the Youth and Women Funds, the SME funding under EIB lines of credit to several commercial banks and EADB, etc. are of relevance in this regard. Thus collaboration (through MOUs where feasible) with

these initiatives to leverage managerial efficiency and TA skills and, share experience and lessons will be very important for realization of the facility's desired impact.

4. **Guarantee for institutional credit:** Besides providing risk share comfort to PFIs for the women entrepreneurial credit portfolio, the guarantee fund will also address backward linkages to ensure that FIs with collateral constraints to raise loanable funds are assisted with lending comfort provided to their lenders for credit to be exclusively intermediated for women-owned enterprises. This will particularly apply for lower tier financial institutions with liquidity and collateral constraints that will either seek to access the facility line of credit or will intend to borrow from other sources.

Though affordability of credit for women enterprises will be very important, emphasis on convenience of access (as earlier mentioned) rather than subsidized credit will be of priority. This will particularly be important to maintain level play ground in the product markets accessible by both men and women. Nonetheless financial institution(s) that will manage the credit fund for lines of credit for women enterprises will be required to explore possible opportunities of lower cost funds for this facility in order to provide the lines of credit to PFIs at relatively lower cost that should eventually translate to affordable cost to the final beneficiaries.

3. STRUCTURE OF THE FACILITY

As explained in the strategy to be adopted, the facility will have three components that will respectively focus on liquidity, collateral and project appraisal-related challenges, including the capacity of women-owned enterprises to generate bankable proposals. Although the exact impact of the liquidity fund has not been adequately assessed due to the limited available data on the number of women-owned SMEs in EAC and their total credit requirements, the realization of targets beneficiaries and loan amounts will fairly impact the performance of the beneficiary businesses and therefore on the regional development prospects. Also the catalyst or ripple impact of the facility on both women-owned businesses and financial institutions is expected to be substantial.

The three components of the facility that will be interlinked and mutually reinforcing to effectively take care of the above strategies and their operational features are summarized below.

Component One: Liquidity Fund

Summary Statement and Component Objective

Liquidity Fund	Year 1	Year 2	Year 3	Total
Beneficiaries accessing credit	2,000	4,000	6,000	12,000
Average loan amount USD	15,000	22,500	33,750	
Total disbursement USD	30,000,000	90,000,000	202,500,000	322,500,000
Principal repaid USD	3,000,000	24,000,000	45,000,000	72,000,000
Funding required USD	27,000,000	66,000,000	157,500,000	250,500,000

This component will generate/establish a fund for the line of credit to be accesses by PFIs for intermediation for women-owned SME businesses. The detailed projections are in the box on the top right corner of this section. The principal objective of the liquidity fund will be to assist financial institutions to access adequate liabilities and thus increase the volume of loanable funds for women businesses within these institutions that would otherwise be reluctant to lend to or develop financial products for the women enterprises. The liquidity fund may also help to overcome regulatory and policy issues such as credit concentration limits, credit amount and credit tenure limits, etc.

Implementation Strategy

The liquidity fund will be dully established and managed by a selected (but having qualified interest) financial institution with proven capacity to provide convenient and cost-effective access to credit by women-owned enterprises throughout the EAC region through a demonstrable financial services delivery outreach mechanisms. With clearly determined eligibility criteria for enterprises and, draw down parameters and mechanisms to monitor and report impact on the target enterprises, the line of credit will cater for both working capital and investment financing requirements of business projects within the sectors that the facility will target. Specifically the line of credit will cater for;

a. Loan funds for microfinance PFIs whose liquidity to cater for lending needs for the women enterprises may be highly constrained in terms of loan amounts and loan duration;
b. Loan funds for higher tier financial institutions (commercial and other banks) with inadequate funds for larger and long-term financing needs for women-owned businesses; and
c. Loan funds accessible by women-owned businesses directly from the financial institution managing the liquidity fund.

With the liquidity fund, access to adequate volumes of loanable funds will be ensured and thus enabling the beneficiary financial institutions to increase their capacity to lend to women-owned businesses and in a timely manner. Importantly, the liquidity fund will emphasize affordability in terms of cost of credit for the eventual borrowers by paying attention to the relevance of the originating source of the fund as earlier observed. For the desired bigger and broader regional impact, a sufficiently large amount of money will be required to finance the pilot liquidity fund as indicated in the projection figures above.

Because of the fungible nature of the line of credit targeting women-owned enterprises that may generate propensity for diversion by the PFIs to finance non-women businesses, mechanisms to enhance compliance, including tight reporting and monitoring mechanisms, will be instituted by the fund management unit. Also to ensure the realization of the objectives for which the facility has been established, the liquidity fund will be administered through a professionally managed financial institution with a strong financial muscle, outreach efficiency and oversight capacity to adequately monitor borrower financial institutions to ensure the liquid fund exactly benefit the targeted enterprises.

Given its central role and the objectives for which it was established, the EADB will be expected to be at the center of implementing this component. Accordingly, and in collaboration with the entities that are initiating the facility, the bank will be expected to play a key role in sourcing for the funding of this component. Leveraging on its strength and collaboration opportunities, this task ought to be achievable more easily than if pursued by the entities initiating the facility themselves.

The main structure and key features of the credit fund are summarized in the text below.

Funding requirement for the credit fund	USD 250.5 Million will be required for the liquidity fund to reasonably cater for the projected financing needs of women-owned businesses in the five EAC member states.
Beneficiary financing requirements	Liquidity funds will be available for short-term working capital and medium term investment requirements.
Use of funds / project cost that will be financed	Operational requirements, purchasing and installing physical goods (equipment, materials, infrastructure, constructions, etc.) and intangible investment directly associated with the project (studies, training, technical assistance, etc.), plus any interest during implementation of the project and any justified increase in working capital requirements arising from the project.
Status of activity project	The project should normally be new or in progress but not completed i.e. not applicable for refinancing the projects.
Accessibility to the Fund	Credit fund will be accessible from the FI providing the lines of credit by pre-selected PFIs (MFIs, banks, etc.) and individual SME borrowers seeking large amounts of credit.
Tenure for draw down from the credit fund	To facilitate competitive draw down from the credit fund to finance requests from PFIs, the fund will be available to be accessed and disbursed for a period of 3 years.
Level of financing	Up to a maximum of 75% of the proposed project cost (i.e. sponsors will be required to provide equity funds of a minimum of 25%).
Nature of items to be financed	New or second-hand although the proportion of second-hand equipment and materials must not exceed 50% of the project's total physical investment and the techno-economical lifespan of second-hand equipment must at least exceed the loan tenor.
Amount accessible by PFIs and big individual borrowers	Minimum loan amount will be USD 250,000 and maximum amount will be USD 2 Million
Amount accessible by beneficiaries from PFIs	Minimum loan amount will be USD 5,000 and maximum will be USD 1 Million
Tenure and grace period of credit fund	To enable effective financing of medium term projects, the credit fund facility will operate for 8 years from the date it is established. The fund will have a grace period of 3 years. Loan tenure and grace periods for final beneficiaries will be decided by the PFI according to the characteristics of the project to be financed (grace period will typically correspond to the establishment period of the project).

Component Two: Guarantee Fund

Summary Statement and Component Objective

B. Guarantee Fund	Year 1	Year 2	Year 3	Total
FI portfolio guarantee:				
New FI portfolio guaranteed	4,500,000	13,500,000	30,375,000	48,375,000
Maximum guarantee exposure	3,375,000	10,125,000	22,781,250	36,281,250
Expected liquidated guarantee	506,250	1,518,750	3,417,188	5,442,188
Institutional credit guarantee:				
New institutional credit guaranteed	5,000,000	7,500,000	11,250,000	23,750,000
Maximum guarantee exposure	2,500,000	3,750,000	5,625,000	11,875,000
Expected liquidated guarantee	250,000	375,000	562,500	1,187,500
Total guarantee funds required	756,250	1,893,750	3,979,688	6,629,688

Under this component a fund will be established to provide risk-sharing comfort to financial institutions to catalyze their appetite for lending to women-owned projects with proven viability prospects but having inadequate or no collateral. As mentioned in the strategy for the finance facility, the guarantee will provide a collateral cover of up to a maximum of 75% of the outstanding loan principal amount for the final beneficiaries under the facility. The guarantee comfort will not only help to increase access to credit by the women-owned businesses but also help to gradually build the capacity of these businesses to address their collateral inadequacies as their businesses expand.

Besides guarantee for women-owned business borrowers, the guarantee fund will also provide institutional credit guarantee for credit to financial institutions with collateral constraints. The institutional guarantee cover will be up to a maximum of 50% of the principal amount borrowed. The projections for the guarantee fund are summarized at the top right hand corner of this section.

Implementation Approach/Strategy

The credit guarantee will be available for;

1. **Portfolio guarantee**: In this case interested financial institutions will seek guarantee to cover a portfolio level of credit for women-owned businesses and subsequently place the loan applications on this guarantee in the cases where risk sharing will be required. In other words the guarantee will be sought prior to receiving applications from the potential beneficiaries. For example a financial institution can seek a guarantee cover of say USD 2 Million and subsequent to accessing this guarantee place approved loans with inadequate collateral on this guarantee scheme until the total portfolio under guarantee reaches the guarantee value. Any loans approved prior to accessing the guarantee scheme shall not be placed on the scheme, i.e. the portfolio guarantee will not be applied in retrospective.

The other important feature of the portfolio guarantee is that the portfolio value guaranteed will apply to the principal amounts disbursed only and will not be recyclable in case of loans fully paid and on which the guarantee exposure lapse. However, a guarantee beneficiary will be illegible for further guarantee on repeat borrowing provided the previous guaranteed loan has not been defaulted on. The portfolio guarantee will particularly apply for relatively smaller loan amounts whose individual exposure on the guarantee may not be substantial.

2. **Individual Guarantees**: For larger credit requests and also for credit requests of medium and long-term tenure whose guarantee exposure will be relatively bigger and risky, personal or individual project guarantees will be sought by the financial institutions interested in accessing risk sharing comfort from the fund for these projects. In this case the approval of the guarantee will be based on the pre-appraised/pre-approved project.

In either case (portfolio or individual guarantee), the intended beneficiaries (borrowers) will not be informed that their credit is being guaranteed. Also the appraisal, approval and monitoring of the beneficiary projects, and recovery processes by the financial institution lending for the guaranteed projects will comply with the normal procedure, save for the collateral requirements that will be made flexible and relaxed in this case. A conservative provision of 15% has been made for a liquidated guarantee for defaulted loans under the portfolio guarantee. This is within the limits under good practice and also rhymes with the conventionally reported high financial discipline amongst women and high recovery rates for credit extended to women.

3. **Institutional Guarantees**: The guarantee fund will, in addition to providing portfolio comfort to financial institutions lending to women-owned businesses, extend guarantee for financial institutions having collateral constraints that will be interested to access credit for intermediation to women enterprises. In this case the guarantee will be provided to the lenders to these financial institutions up to a maximum of 50% of the loan extended. The providers of the institutional credit to whom guarantee will be extended under this category will not be restricted to financial institutions but may include other sources such as pension funds and other institutional funds providers in order to broaden and diversify the sources and possibly lower the cost of credit.

   FI seeking to access guarantee for institutional credit will have proven good performance track record and a demonstrable commitment to provide credit to women enterprises. Due diligence will be done on these institutions prior to approving their requests. This will help to lower the guarantee exposure likely to be liquidated which has been projected at 10%.

The main structure and key features of the guarantee fund are summarized in the text below.

Funding requirement for the guarantee fund	USD 6.63 Million will be required for the credit guarantee fund to cater for both FIs portfolio guarantee and institutional loan guarantee sub-components.
Accessibility to the fund / Beneficiaries to be targeted	Women enterprise projects with high viability prospects but having inadequate or no collateral and financial institutions seeking to borrow to finance women-owned businesses but having collateral constraints.
Tenure for signing off on the guarantee	Guarantee facility will be available for uptake for a period of three years from the commencement of the finance facility scheme.
Guarantee exposure	Maximum of 75% of the principal for final beneficiaries and 50% for institutional loans.
Guarantee access/utilisation fees	FI beneficiaries will be required to pay a utilization fee of a minimum of 1% of the value of the guarantee provided. The payment will be upfront upon signing the guarantee agreement.

Component Three: Technical Assistance Support

Summary Statement and Component Objective

Improving the capacity of women-owned businesses to become attractively bankable to prospective financiers is critically important if access to finance for these enterprises is to be sustainably realized and increased. Equally the capacity of financial institutions lending to, or planning to lend to, women enterprises must be addressed if they are to be effective in appraising women-owned business projects and developing appropriate financial products targeting women enterprises. Thus the component adopts a double pronged approach of addressing the demand and supply side efficiency-related weaknesses. The objectives of the component, therefore, are;

Technical Support and Facility Management	Year 1	Year 2	Year 3	Total
Technical Support:				
No. of support interventions	200	400	600	1,200
Cost per intervention	4,500	4,500	4,500	
Total cost for interventions	900,000	1,800,000	2,700,000	5,400,000
Management costs:				
Office overhead costs	150,000	180,000	252,000	582,000
Salaries	102,000	117,300	134,895	354,195
MV, equipment & furnishing	75,000	-	-	75,000
Total costs	327,000	297,300	386,895	1,011,195
Guarantee utilization fees	(58,750)	(138,750)	(284,063)	(481,563)
Total management costs	268,250	158,550	102,833	529,633
Total funding required	1,168,250	1,958,550	2,802,833	5,929,633

1. to assist women enterprises to prepare and present projects that will have high probability of getting funded by prospective financial institutions; and

2. to assist financial institutions interested in financing women enterprises to improve their capacity to appraise and monitor the women projects and also to develop appropriate financial products that are reasonably tailored to the financing needs of these projects, and thus increase their responsiveness to the financing requests by women entrepreneurs.

Implementation Approach/Strategy

Under this component a fund will be mobilized/established (see text box on the top right hand corner of this section) to provide technical assistance support to the women-owned businesses intending to seek access to credit under the finance facility (or even those that will have accessed credit under the facility but may require support to better implement and manage their financed projects). It will also provide technical support to financial institutions keen to provide finance to women-owned businesses to improve their credit supply efficiencies as elaborated below. This component will complement the other two components and to a high degree will catalyze the process of accessing credit under these components.

Support to women-owned enterprises: The approach for this intervention will be on addressing the challenges, other than those relating to liquidity and collateral, which constrain access to finance by women-owned businesses. The specific challenges that will be focused on under this support include preparing bankable business/project plans or feasibility studies, improving operational management and financial systems, improving credit and financial management literacy, improving governance, supporting business registration efforts and facilitating access to market information and market linkage opportunities. The support will be in form of training and, counseling and mentoring for the women-owned enterprises targeted and will be provided in collaboration with the financial institutions from which the beneficiaries will be seeking credit. In this regard the financial institutions will be expected to play an instrumental role in screening and nominating the beneficiaries for the technical support from its existing and prospective clientele pool.

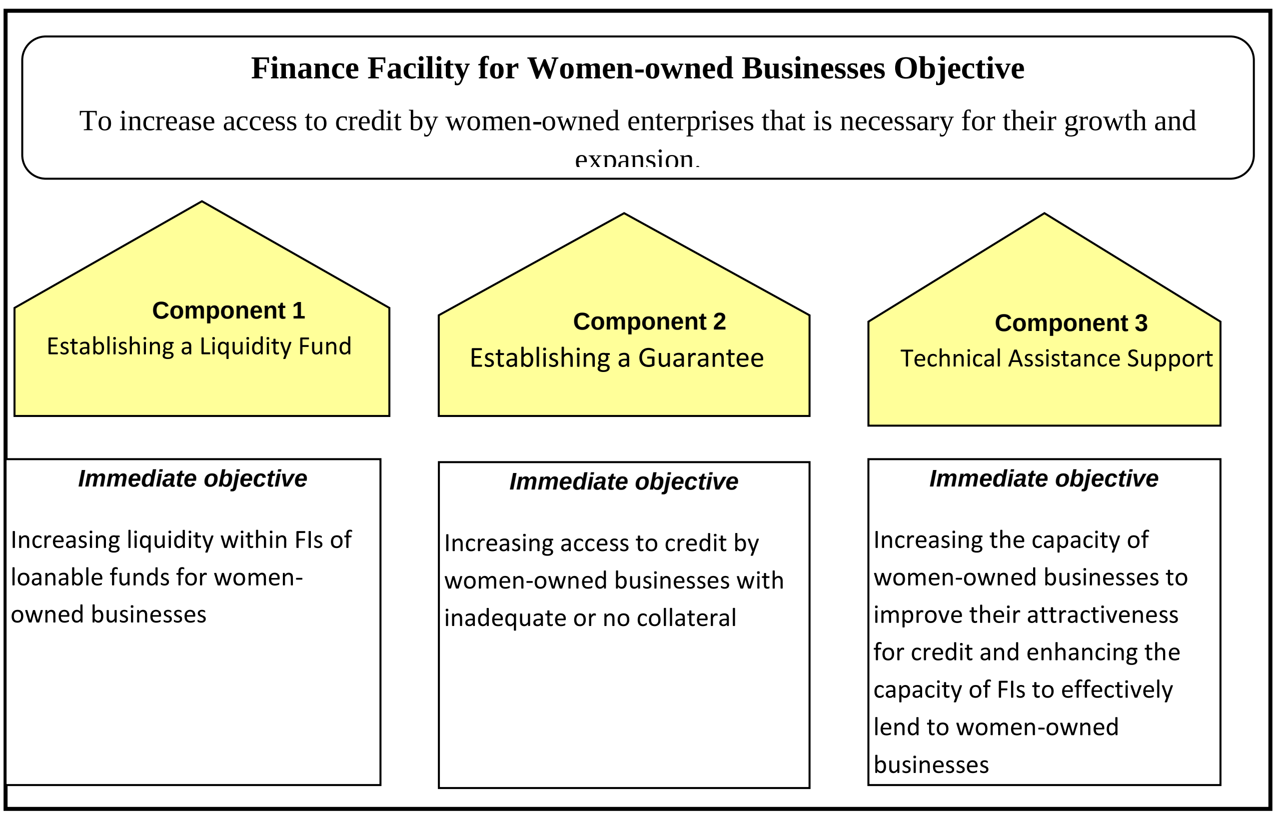
The provision of services under this component will be by privately contracted service providers with demonstrable professional competence and capacity and not by the financial institutions that will lend to the women-owned enterprises because of the need to maintain reasonable checks and balances and for the necessary sustainable capacity building for business development service providers. Where feasible and desirable, the technical assistance support to women-owned businesses will be provided in collaboration with the relevant women-owned business associations and platforms.

For sustainability of the intervention under this component, a principle of graduating beneficiaries will be developed and adhered to. Essentially this will require limiting of an individual beneficiary to a maximum number of support interventions accessible. Also as much as will be feasible, technical assistance providers will be sourced locally or from within the region as their availability and competence was vetted during the field activity. Another key feature of the technical assistance support will be the focus on improving access to credit rather than wider focus on supporting business operations.

Support to financial Institutions: The focus here will be on improving the capacity of financial institutions to effectively appraise women-owned business projects and also assisting them to develop financial products tailored to women-owned business needs. Though women-owned enterprise projects may not be unique to warrant unique appraisal and monitoring approaches, it is evident that strategic or targeted interventions/schemes normally require some degree of change in mind set of the financial institutions' staff to efficiently handle such schemes and also support for making adjustments in financial products to accommodate any changed features that may be necessary to support effective implementation of the new schemes.

In addition, some financial institutions may possess inadequate understanding of the operational mechanisms of risk sharing tools such as managed credit guarantee schemes. Also there are other many emerging issues that should be of interest for financial institutions, especially those that may arise from the requirements of the initial providers of the liquidity and/or guarantee funds such as environmental conservation. This will therefore require some level of technical assistance support, specifically in form of staff training, to step up financial institutions' skills to effectively handle these dimensions.

At the objective level, the components of the finance facility are illustrated in the figure below.



4. OTHER CONSIDERATIONS AND FEATURES

a. Harmonizing the facility financing sources

The three components of the proposed facility have varied characteristics although their intervention initiatives will reinforce each other for synergy impact. Though the liquidity fund has a pure commercial perspective and thus has potential to attract commercial lenders, the other two components, more so the technical support component, have limited scope for commercialization under their interventions for the target beneficiaries. In the short to medium term the guarantee fund for risk-share comfort for collateral-constrained borrowers may not be expected to yield any profitable operations but rather will suffer decline in value from any claims for defaults that may be liquidated.

In the case of the interventions under the technical support component, it is highly unfeasible that the beneficiaries will make any commercially impacting contributions towards the services they will access under the facility. The support will be provided cost-free except for the beneficiary indirect costs such as travel, lodging and upkeep while attending the training, etc. It is until the capacity of such beneficiary entities is fairly built to appreciate the economic or commercial impact of the interventions under the component that these beneficiaries can start thinking of cost-sharing these interventions. Further, the diversity of the business support environment in the EAC region with majority offering support totally free (including providing refunds for travel and upkeep) may render any initiatives that may emphasize cost-sharing to be less attractive.

Therefore, the only limited inflows outside of the credit recoveries under the liquidity fund will be from the returns on short term investments of any portion of the guarantee fund that will not be expected to be liquidated in the near term, and also the nominal utilization fees from the financial institutions accessing the guarantee. These will be inconsequential to consider raising the funds for the last two components in form of repayable loans and accordingly the sourcing of funds for these components will adopt a grant approach.

As a result of the diversified funding possibilities, it is imperative that sourcing of funds for the respective components be fully harmonized to ensure realization of simultaneous implementation of all the components. It is possible some providers of commercial finance such EIB, ADB, IFC and others can also provide grant funds for capacity building and technical support to mitigate slow or non-uptake of loans provided under the commercial facilities and also to mitigate defaults on credit accessed under the schemes they help to fund. Therefore pursuit of funding for the different components from such sources should be emphasized. Equally, pursuit of funding for the components may be done on basis of basket funding in which case different prospective sources (consortium of funders, including donors or development partners) may be pursued with emphasis on the need to raise the total funding for all the components at once although different funders may commit to funding specific components.

b. Parameter for SMEs and Women-owned Businesses

Conventionally there is no standard definition of SMEs. What may be an SME in East Africa may be categorized as micro enterprise in other countries such as South Africa and some countries north of the Sahara, of course not mentioning the developed countries. Even within the EAC itself there is a marked variation in terms of business operational levels such that developing a crosscutting classification for women-owned enterprises within the region may not be easily attained and justified.

In order to guide rational implementation of the facility that will carefully take care of the business operational variations and thus facilitate equitable access to opportunities under the facility throughout the region, a simplified approach to categorize the enterprises will be adopted. The approach will be premised on three basic and simple (but very important and relevant) parameters that will guide the proper selection of beneficiaries;

a. **Registered Business:** The business should be formally registered with the relevant registrars in their respective countries where they are domiciled.
b. **Annual Turnover**: Businesses qualifying to be considered as SMEs under this facility will be required to have a minimum annual turnover equivalent to USD 100,000.
c. **Number of Employees**: The business should employ at least four permanent employees.

For purposes of ensuring reasonable outreach to the lower end SMEs and also to take care of exceptional business peculiarities such as SMEs with high turnover but low employee levels because of their operational scope as is the case with professional services, qualification of SMEs under the facility will be based on mandatory formal registration and at least one of the other parameters.

Equally important has been the need to provide clear parameters of what constitutes a woman-owned business. This is because many "women-owned" businesses may have males engaged in their running, not as employees but as key decision-makers or controllers. These may be spouses of the women owners or their male children, or even business partners. Therefore, for purposes of clarity for the proposed facility, women-owned businesses will be categorized as such on the basis of the legal majority ownership as reflected by the registration documents of the business being fronted for financing by women and also on the majority of key management and decision-making role on routine operations of the business being by women.

The above parameters will be very important to guide implementation of the facility by facilitating the systematic identification and selection of potential beneficiaries under the facility. Without these parameters the facility may run into risk of being encroached upon by non-intended beneficiaries which may derail the realization of the intended impact.

In the case of start-ups, the project business plan or feasibility study should clearly reflect the above parameters in the relevant sections for ownership and management for such projects to qualify for funding and/or technical support under the facility.

In addition, the SME projects qualifying for funding under the facility must demonstrate viability in the three fundamental areas:

- Economic
- Technical
- Environmental

c. Key/Eligible Sectors

For maximum and rapid impact the key sectors in which women enterprise engage that the facility will target are detailed below. The list takes into account the variations in business operations throughout the EAC region and is thus expected to have broader inclusion, including catering for demographical dimensions such as urban and rural women enterprises.

- General trading
- Agribusiness, including (food, textiles, etc.)
- Manufacturing and cottage industries
- Mining
- Tourism and hospitality
- Transport, clearing, forwarding and warehousing
- Education
- ICT development and services
- Professional services
- Handcrafts and jewellery
- Health
- Commercial real estates
- Related services sectors

d. Equitable Access to the Facility

One of the concerns raised by the demand side (potential beneficiaries) during the field activity task to develop the finance facility is the variation in the economies of the respective EAC partner states that may potentially negatively skew the access opportunities in favour of the countries with larger economies. Certainly this is a genuine concern that deserved attention and a rational approach to handle. However, the design of the proposed facility has technically avoided recommending the ring-fencing or setting of quotas for liquidity funds or guarantee funds and technical assistance support for the respective EAC partner states and rather recommends that the management of facility exercises reasonable prudence to ensure equity in accessing the facility by the targeted beneficiaries throughout the EAC.

Besides exercising prudence in ensuring equitable access, many prospective beneficiaries of the finance facility engage in trans-national businesses. This should equally help to spread the benefits of the facility throughout the region and thus mitigate the prejudice on potential access inequities. Thus the spirit of enhancing regional economic development and accelerated regional integration has taken higher precedence over individual national concerns.

5. FACILITY MANAGEMENT

The management of component one of the facility (the credit fund for the lines of credit to PFIs and individual borrowers) that will focus on increasing the liquidity of the participating financial institutions to enable them to effectively lend to women enterprises with appropriately tailored financial products will rest with the FI providing the lines of credit to PFIs. However, it is recommended that the other components (the guarantee fund and the technical assistance support) will need to be separately managed by a professionally and competently managed structure. Accordingly a facility management unit to be appropriately domiciled[6] will be established and a budget for its operations provided. The initial funding requirement for the unit for three years is included in the technical assistance support budget presented in component 3. The objective and relevant parameters of the facility management unit are elaborated below.

Objective of the management unit:

The overall goal of establishing a facility management unit is to ensure effective planning, coordination and monitoring of the activities that will target the improvement of access to formal credit under the Women-Businesses Finance Facility through having in place appropriate policies and procedures that guide the process, and proper programming and execution of the respective finance facility interventions through appropriately developed work plans and budgets.

Roles and responsibilities

The roles and responsibilities of the management unit will include;

a. Planning of the activities of the facility and execution of these plans. In this regard the management unit will be tasked to prepare annual work plans and budgets, and execute the activities under the facility in strict adherence to these work plans;
b. Coordinating with other entities that will be implementing the activities of the respective components of the facility such as the financial institutions and technical assistance support providers, the women entrepreneurs associations and the final beneficiaries to ensure that the implementation of the activities is properly harmonized for the realization of the desired impact. The unit will also coordinate with other organizations and entities engaging in supporting women initiatives and/or providing similar interventions as those in the proposed facility for the necessary leveraging of resources, sharing experiences and learning lessons.
c. Monitoring the implementation of the activities supporting increased access to credit. This will involve continuous liaison with the participating financial institutions to

[6] For effective coordination and, oversight and monitoring of the facility management unit it will be important that the unit be domiciled at EAWiBP or EABC secretariats.

establish the progress and impact of the facility. In this regard the unit will establish a monitoring and evaluation system that will enable clear reporting of the intervention activities by the participating financial institutions and other collaborating entities. The principal objective of the monitoring activity will be to ensure that the resources under the facility exclusively benefit the women enterprises targeted by the facility.

d. Managing the technical assistance support activities, including recruiting and contracting competent service providers of the identified support interventions, and working with the participating financial institutions and women entrepreneurs associations to schedule the technical assistance support activities and to identify the prospective beneficiaries of these activities.
e. Reporting to the entities that will participate in putting in place the finance facility. The management unit will ensure regular reporting to EAWiBP and EABC the impact of the facility and the challenges faced, and the unit budget performance.

Organizational set up and staffing of the unit

The management unit will be a technical office/unit within the sponsoring organization structure and will not necessarily be required to be a registered entity. This will be very important to facilitate control of the operations of the unit and also to mobilize additional external resources to support its functions and roles.

The staffing of the unit will ensure high levels of professional competence and experience in managing the activities of the facility subcomponents to ensure realization of sustainable impact by the facility.

The operational tenure of the management unit will as much as is feasible match the tenure of the liquidity and guarantee fund components but with scaled down operations after the draw down timing for the liquidity fund and after the timing of signing off on the participation on the guarantee fund. The scaled down role would thereafter focus on managing the guarantee fund exposure on outstanding credit guaranteed and also for monitoring and reporting the impact of the finance facility.

6. Recommendations for further interventions to increase impact of the finance facility

Beyond the tasks in the scope of work for this report, the following recommendations are considered to be highly relevant to contribute to the success of the proposed finance facility for women-owned businesses.

1) Supporting the FI that will establish and manage the credit fund to define parameters for the lines of credit, to prepare MOUs/agreements with PFIs, etc.

2) Setting up a competent and professionally staffed management unit and supporting it to prepare business plan, etc.

3) Supporting PFIs to develop products for women-owned businesses, beyond the technical support under the finance facility.

Annex 1: List of people met

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Tanzania Women Chamber of Commerce	Shamsa Diwani	shdiwani@gmail.com
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	Alice Remezo	President <afab.bi@yahoo.fr>
	Amelie Nimbona	nimbameliia@yahoo.fr
WISE (Burundi)	Marie L. Kamikazi	MD <imf.wise@yahoo.fr>
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	Elithabeth Thande	Member <thande-elithabeth@gmail.com>
	Ziporah Kiruthu	Member
	Sheila Kiplagat	Treasurer
FEWA – Kenya	Felicity Biriri	Board Member <felicity@topointt.net>
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	Justa R. Kiragu	Senior Investment Manager <JKiragu@eadb.org>

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