What We Learned from Financing Women Entrepreneurs in East Africa

OPPORTUNITIES AND CHALLENGES

September 15-16, 2021
Acknowledgements

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MEDA and Aspen Network of Development Entrepreneurs (ANDE) hosted a symposium that brought together participants from SGBs, investors, financial service, and technical assistance providers from East Africa and beyond. The symposium discussed insights from MEDA’s Invest 001, Second Chance program (funded by USAID) and shared lessons on gender lens investing and financial inclusion for women. The event also provided small and growing businesses (SGBs) with opportunities to share their investment experiences with other SGBs and interact with investors and other stakeholders in the investment industry.

Symposium key takeaways

**Intention matters in impact investing:** Impact investing requires intentionality; When Development Financial Institutions are not intentional about reaching women, they will not ask the financial institutions for reporting.

**Gender Lens Investing (GLI) should focus on process and goals:** GLI involves including gender factors into investment analysis and decisions. It involves proactively searching for women-led businesses, businesses with products and services that are targeted for women and changing internal policies to create a balance in the workforce and promote gender inclusion within value-chains. GLI can lead to better business outcomes through innovation spurred by gender diversity and the achievement of social impact by closing the gender gap.

**Flexibility is necessary to meet the needs of diverse WSGBs:** There is a need to tailor support to the type of businesses and make capital more responsive to the needs of each business.

**Gender mainstreaming is crucial:** Gender discussions should take place among all teams.
Day 1: Discussion points and lessons – Opening session

MEDA’s President and CEO, Dorothy Nyambi, highlighted how gender-lens investing is part of a larger approach since it goes “beyond the investment deal” to include the whole process of seeking, securing, and using funds to grow women-owned businesses. Dr. Nyambi reaffirmed MEDA’s commitment to understanding how it can more effectively support a better GLI ecosystem.

In her opening remarks, Khatuchi Khasandi, East Africa Regional Chapter Manager of ANDE, provided attendees with a background of her organization. She outlined how ANDE provides critical financial, educational, and business support services for small and growing businesses (SGBs) to create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

Session 1: Importance of integrating gender inclusion into business operations – Value for Women (VFW) Director of Programs

Speaker

• Stephanie Finigan, Manager, Value for Women’s consulting team

Overview

Value for Women (VfW) is a specialized advisory firm that helps organizations advance gender inclusion. VfW believes that women are key drivers of economic and social growth, and that women’s inclusion is essential for better business outcomes. To promote women’s inclusion, VfW identifies and tests new solutions that foster gender equality while unlocking the powerful economic potential that women hold.

Stephanie emphasized the importance of demystifying gender and inclusion, and promoting gender lens investing (GLI) as a realistic and achievable practice. GLI was defined as the deliberate incorporation of gender factors into investment analysis and decisions. On the one hand, GLI entails proactively looking out for women-led businesses and businesses with product & services that are targeted for women. However, it also includes refining internal policies to create a balance in the workforce and promote gender inclusion within the value-chain. In this way, GLI is relevant to both the investment decisions of a company and the internal policies that structure the company.

Key takeaways

• For investors, GLI should be about investing in more businesses that enhance gender equality.

• For SGBs, GLI means better business outcomes through innovation spurred by gender diversity and achievement of social impact by closing the gender gap.

• For both investors and SGBs, promoting GLI requires looking inward, assessing existing structures and policies and their gendered impacts.
Session 2: Importance of integrating gender inclusion into business operations

Panel Discussion: The investment ecosystem – Challenges and opportunities for gender lens investing

Speakers

- Temilade Denton, Social Impact and ESG manager, Alitheia Capital
- Yedau Ogoundele, Senior Partner, SouthBridge Group
- Dr. Frank Aswani, CEO, Africa Venture Philanthropy Alliance (AVPA)
- Lily Han, Principal, Volta Capital

Overview

The speakers contributed their diverse perspectives and expertise to the discussion. Key issues that were covered included the challenges that women experience when trying to access finance, lack of understanding among investors about the benefits of providing finance to women entrepreneurs, and other topics.

Key takeaways

- There are institutional and historic barriers that prevent women from accessing finance and support for their businesses.
- Gender equality is socially and economically beneficial.
- Some lenders are biased towards providing capital to women businesses.
- Organizations like African Venture Philanthropy Alliance, SouthBridge Investment, and Alitheia Capital strive to provide women businesses with the tools and funding they need to succeed (i.e., Microloans, funding etc.).
- Understanding what tools should be provided and used by investors/lenders and women businesses is key to effectively supporting women led businesses.
- Debt is the most common form of financing for WSGBs. To access equity and grants, this will require strong institutional capacity in the businesses.
- Emphasis should be placed on valuing women’s needs and not just focusing on the number of women receiving finance. This can be accomplished, for example, by looking at the role of the women through gender smart tools for achieving better outcomes for women.
- In Africa, most countries have not dismantled the policies and laws that hinder women from accessing finance. This is a major barrier to GLI.
• Biases in funding can start at the level of fund management processes. This limits capital supply even to successful women-led businesses. We need a review of fund management processes to address these supply side issues.

Session 3: Gender lens in impact investing

Speaker
• Sherryl Kuhlmah, Criterion Institute

Overview
During this talk, Sherryl Kuhlmah from Criterion Institute spoke about the nature of GLI and the role that capital plays in meeting the needs of women led businesses. The conversation then shifted to the importance of GLI being used throughout the investment process and integrated throughout the team. By increasing their knowledge of gender lens investing, investors can tailor their products more effectively to their customers.

Key takeaways
• Gender lens investing is an important aspect of women receiving the necessary capital they need to make their businesses successful.

• For gender lens investing to be successful, an emphasis needs to be placed on the capital that is provided and for whom it is provided.

• There needs to be a shift in industry norms to better tailor capital services to women led businesses.

• A gender lens should be applied throughout the investment process and prioritized for all investment decisions.

Session 4: The challenges and opportunities in accessing finance in Kenya and Rwanda

Speakers
• Rose Mutuku, Managing Director, Smart Logistics

• Michael Muthengi, Kenya Country Manager, Business Partners International

• Seema Gohil, Agriculture Lead, East Africa, Acumen

• Ezra Musoke, Fund Managing Director, SEAF (Small Enterprise Assistance Fund) KASI Agriventures Tanzania
Overview

During this discussion, Rose Mutuku discussed the challenges and opportunities that women experience when trying to access finance in Kenya. These challenges include high interest rates and expensive capital, collateral requirements, inadequate understanding of bank products, and limited alternative financial instruments. Yet, there are many opportunities that exist, including government lending opportunities, informal lending institutions and digital tools for financing. The conversation among the speakers also discussed diverse financial services they offer for SGBs in Kenya and Rwanda.

Key takeaways

- Women led businesses face many challenges, including high borrowing costs, limited information and knowledge of equity financiers and bank products.

- The opportunities include technical assistance, finance, no collateral requirements, and peer-to-peer chapters for education.
Day 2: Discussion points and lessons – investors discuss their services and products that target small and growing businesses

Session 1: The Experience of women-owned small and growing businesses (WSGBs) in accessing finance

Overview
This discussion focused on the results of an in-depth survey that MEDA conducted with 35 companies from multiple business sectors in Kenya and Rwanda. These companies were provided with business development services as part of the Second Chance Success Project. This discussion further highlighted the key takeaways from the report, such as the many challenges that women entrepreneurs experience but also the benefits and opportunities to invest in WSGBs.

Key takeaways
- WSGBs produce many socially beneficial outcomes, such as creating jobs for local people, providing market access to household enterprises, and building the capacity of local people to be employed or start their own businesses.
- The main sources of capital (among interviewees) were reinvested profits, borrowed money from family or friends, personal savings, and money from informal money lenders.
- There are numerous challenges, including lack of suitability of investment products, gender-related stereotypes, limited networks among women business owners, lack of confidence to borrow money, limited information on products, policies, and regulations and gender-neutral rules that do not incentivize investments into women enterprises.
- Solutions include incentivizing private investment, more training and information to build awareness among investors, offering networking opportunities for WSGBs, and providing technical assistance to WSGBs to become ‘investment ready’.

Session 2: Networking Breakout Session – SGBs share learning and experiences on the challenges and opportunities in the access to finance ecosystem

Speaker/Moderator
- Catherine Walker, Senior Project Manager, MEDA

Overview
During an engaging networking session, women entrepreneurs shared their experiences, including the challenges they encounter, their own motivations and potential opportunities.
The participants highlighted several challenges that exist for them as female entrepreneurs, including limited access to market information and the high borrowing costs of capital. But there were numerous solutions that were proposed as well, including technical assistance to businesses, women dedicated funds, and bank customer loyalty programs.

Key takeaways

• Women entrepreneurs have many reasons for starting businesses. These reasons include the need to supplement the income of their partner, freedom of time, viable business opportunities or frustration with current products in the market.

• There are many challenges for women entrepreneurs. These entrepreneurs have limited access to market information, insufficient resources to carry out market research, collateral-focused loans, inadequate negotiation skills for alternative finance, a high cost of finance and a fear of dealing with financial institutions.

• There are also many opportunities for women entrepreneurs. Bank customer loyalty programs, such as Barclay’s reward program, women dedicated funds, greater technical assistance to help women scale their businesses and new payment solutions, such as MPESA, to help businesses build their credit histories, were all offered as promising solutions.

Session 3: Investors discuss their services and products that target small and growing businesses (SGBs)

Speakers

• Brienne Van Der Walt, Chief Executive Officer (CEO), GroFin
• Christine Mwea, Head of Consumer banking, KWFT (Kenya Women Finance Trust)
• Agnes Mueni, Business Development Manager, Root Capital
• Rose Gichuki, Head of Women Banking, Stanbic Bank
• Jessica Villanueva, Technical Director, MEDA

Overview

Each speaker described his/her unique approach to engaging more women entrepreneurs. Themes that were covered include the barriers that women experience, such as limited financial literacy and understanding of financial products on the part of women business owners. Financial institutions also lack understanding of the value of women owned businesses, which impedes these entrepreneurs’ ability to secure finance. Some solutions for women entrepreneurs include capital support, training, and tailored financial products.
Key takeaways

- Women entrepreneurs face many challenges in the market, including insufficient financial literacy, limited access to financial resources (collateral) and market information, lack of understanding among asset owners regarding women’s businesses, and the need for spousal support and childcare responsibilities.

- There are opportunities as well, such as offering women specific funds/support, technical assistance in the form of leadership and governance, and gender equity grants that can invest in gender-related work and financial literacy training.

Session 4: How MEDA is promoting gender lens investing

Speaker/Moderator
Jessica Villanueva, MEDA’s Director of Investments

Overview
Jessica Villanueva, MEDA’s Director of Investments, provided a high-level overview of the MEDA Risk Capital Fund (MRCF), how it works and its main goal, which is using capital and technical assistance to support the economic advancement of lower-income and disadvantaged communities, including women and youth.

Key takeaways

- The MRCF is well positioned to support entrepreneurs: With $25 million CAD, it can continue to invest in entrepreneurs and companies that may be overlooked by traditional financial institutions or lenders, and shift power dynamics in market systems.

- The MRCF invests in developing markets: This fund invests in viable small and medium-sized enterprises (SMEs) and funds in developing markets to support the economic advancement of low-income and historically disadvantaged communities, including women and youth.

- The fund uses capital and technical assistance to support its clients: through this approach, it can create broad change in market systems. MRCF prioritizes investments in agri-food chains and financial intermediaries and other ecosystem players that will create value for its clients.
Participant feedback

“It was my absolute pleasure. Thank you for the excellent preparation and coordination. It was great learning from the insightful presentations and experiences. We look forward to working together in future events.” – Khatuchi Khasandi, ANDE Regional Charter Manager

“It was a pleasure to be on the panel and to have the opportunity to discuss with other experts. The symposium was very well organized with interesting insights from guest speakers.” – Yedau Ogoundele MD, Investments and Fundraising, Southbridge Investments

“It was really an extremely interesting symposium and thank you for your invitation for GroFin to participate.” – Vymala

“Thank you for inviting the DADA team – It was an honor and pleasure to attend and speak at your very well-organized symposium.” – Rose Kamene Gichuki, Head of Women Banking, Stanbic Bank

The event organizers thank the attendees for their participation in the symposium and the panelists for their time and insight. The organizers also express their gratitude to Global Affairs Canada (GAC) and USAID for their support of the M-SAWA and Second Chance projects.