

IMPROVING ACCESS  
TO FINANCE  
FOR WOMEN  
ENTREPRENEURS IN  
MENA REGION

*supported by*



Federal Ministry  
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## 1. Introduction and scope of work

Women led enterprises in the Mena region are of particular interest due to their high potential economic growth. However, they have not yet reached their full capability. Women in the Mena area are still facing several challenges from cultural and social to economic and financial barriers. It's crucial to enhance women's entrepreneurship for more rapid economic development that is essential to solve the region's employment problem and attain prosperity. Facilitating women's access to financial resources, will absolutely empower their ability to pursue not only their own business growth but also expand national economic growth. Now is the time to make the move happening by addressing women's needs and challenges for accessing the right source of funding.

The principle reason for this report is to prepare a road map for policy makers to improve the access to finance for women entrepreneurs in the Mena region with a particular focus on four nations from the region: Lebanon, Egypt, Tunisia, and Algeria. The document review is based on previous studies and data gathered on women led businesses in MENA area. Thus, it is considered as an analysis of secondary data resources.

As such, the scope of this report is to highlight key challenges, designing solutions and to present a strategy entailing key recommendations with a clear call to action for each actor of the financial ecosystem. This strategy provides key recommendations measures to strengthen the ability of women entrepreneurs to access additional capital and grow their businesses.

This report is composed of two parts. The first part comprises two sections. The first one summarizes the key findings from previous researches of main challenges limiting the ability of women entrepreneurs to raise capital. And the second one designs solutions facilitating the access for raising capital.

The second part develops a comprehensive strategy with a clear call for action providing recommendations and orientations for stakeholders playing a major role in the financial ecosystem. This call to action roadmap identifies strategic foundational drivers for women entrepreneurs to thrive, grow and flourish in the country. Even though this strategy may differ from one country to other, it should be considered as a road map that has to evolve with the prevailing particular context of each country where women entrepreneurs operate.

## 2. Key Challenges

Nowadays, across all regions, Covid-19 has had a negative impact on the overall economic growth all over the world. As a result, this pandemic has shifted the perception of doing business towards creating new business models, more aligned with the technological revolution. Therefore, this health crisis inhibits most of the people, men or women, from pursuing their businesses in a traditional way and has forced them to think outside of the box. The most important challenge today is how to influence a new mindset to encourage new ideas, mostly based on artificial intelligence, for solving the economic problems. But, nothing can be implemented if the financial tools are not available or accessible. As all we know, financing is an important mean by which to pursue new economic opportunities; That's why addressing women entrepreneurs' specific needs in accessing finance must be an essential part of the development agenda.

Generally speaking, access to finance for women-led-enterprises across the Mena region is limited by numerous non-financial and financial challenges. Such as, conditions of business environment; weak investment climate and governance; limited infrastructure; lack of supportive structures for starting and developing a business; cultural and social barriers; gender discrimination; lack of self-confidence; legal impediments and access to inheritance; lack of property rights protection; informal or home based businesses; misleading perception on women competencies; time allocation and availability; lack of education, skills, capacity building, technical assistance and trainings; weak of financial transparency and management skills; mismatch of capital supply and demand; mistreatment by banks and lack of expertise in MSMEs lending; limited financial instruments; lack of awareness on banking operations and services; heavy loan application requirements like high collateral and guarantor demand, mobility constraints, creditworthiness and the necessity of having a business track record of successful banking relations; lack of incentives and subsidized loans schemes; high interest rates, commissions and delay in loans' approvals; reluctance of financial institutions in financing early stage enterprise due to high risk involvement; limited appetite for accepting outside investors or diversifying the source of capital; funding scene dominated by commercial banks' lending and narrow understanding of VCs; lack of network and access to new markets; ambiguity in understanding technical financial terms; lack of easy access to information on available financing mechanisms; market information asymmetries; lack of re-

search on new financing mechanisms like preferred shares, convertible, warrants and options; lack of collaboration between micro finance institutions and commercial banks; lack of confidence in the Lebanese banking sector due to liquidity problems and the severe economic, financial, social, and political crisis (case of Lebanon)...to name a few.

Those barriers can have great implications for access to finance and business growth because generally speaking financial markets develop where countries develop.

### 3. Designing solutions

To address the challenges mentioned above and to better serve women entrepreneurs in obtaining access to funding, solutions need to be designed. Based on the findings of previous studies, the below designed solutions are to be considered as a catalyst for both the demand and supply for funding women entrepreneurs.

#### The proposed solutions:

- Promote new regulation for a joint property registration between husband and wife to enable equal rights to use the common property as collateral for borrowing money. Likewise, for issuing new regulations for addressing inheritance process or the right for signing contract.
  - Adopt flexible loan conditions and fast decision-making procedures. Reduce collateral burden relying on cash and immovable assets by adopting new alternatives like lending secured by movable assets backed by transparent financial reporting.
  - Enable the access to micro-credit loans throughout all commercial banks to build a track credit record history in the same lending institution, allowing women-owned small businesses to go beyond micro loans and access long-term larger loans aiming for higher potential growth.
  - Launch incentives projects backed by subsidized interest rate and collateral alleviation either by the intervention of the central bank or any local or international organizations aiming for countries' economic development.
  - Facilitate the link between women entrepreneurs and investors through mediators such as incubators and entrepreneurial support organizations.
- Those mediators could also play a role in reducing or sharing the risks taken by banks by providing their own guarantee on behalf of the client to the favor of banks (Case of Kafalat – refer to the article published on WiB platform “Women Entrepreneurs and Access to Finance” <https://www.womeninbusiness-mena.com>)
- Introduce new schemes by central banks to encourage financing of startups, accelerators, and incubators through banks and financial institutions (Case of BDL circular 331 - refer to the article published on WiB “Women entrepreneurs and access to finance” <https://www.womeninbusiness-mena.com>).
  - Establish and regulate credit bureaus for micro loans for exchanging information about borrowers' credit history. These credit bureaus should also share the gathered information with the credit bureaus of commercial banks or any other lending institutions.
  - Develop special financial package for unbanked women offering special conditions for saving accounts, plastic cards, insurance, mobile application, in addition to cash grants as incentives while opening an account.
  - Offer new financing tools when bank debt and equity financing are unavailable or unsuitable such as mezzanine financing and cash-flow based financing.
    - Mezzanine is a long-term stable source of financing for companies that are cash flow positive to further grow through expansion projects with an advantage of three to four years of delayed loan repayment. It is structurally layered between senior debt and equity, subordinated in order of payments to senior debt but is senior in rank to equity (common stock). Additionally, this debt does not require change of ownership or loss of control rights.
    - Cash-flow based financing is a lending secured or backed with the pledge of projected future cash flow. This means a company borrows money from its expected generated revenues.
  - Attract angel investors from family members and friends to directly invest funds in a potential growing firm. This could create new ways of investments for people who have excess of funds and don't trust the banking system (case of Lebanon) to channel directly their funds to invest in companies that envisioned a future growth.

- Promote equity, debt, and reward crowdfunding to collect faster money through online sites (such as Zoomaal ...) with a special focus on reward crowdfunding. The latter is about collecting money in exchange of rewards like a product sample or gift, rather than paying interest for debt crowdfunding, or selling stocks for equity crowdfunding. This is considered as love money that allows more people to give a little bit of money.
- Promote the culture of using financial instruments such as preferred shares, convertibles, warrants and options for SMEs to mitigate the fear of loss of control and to unleash the appetite for outside investors coming from VCs, and as such open the arena to more equity investments.
- Create an organized SME's stock market for promoting direct investment through buying stocks and increase source of equity funding. This dedicated stock exchange should have simplified listing regulations and easy access.
- Provide trainings for the employees of the financial institutions to know better how to serve, guide, and financially educate women entrepreneurs while dealing with them without any gender discrimination. These trainings will equip banking employees with adequate knowledge to understand women's business needs and to serve them effectively.
- Provide one-to-one technical assistance and advisory services for debtholders through tailored mentorship to ensure the correct use of funds, and to help them in creating solutions for problems that might occur during the loan period.
- Combine capacity building training with expanded access to finance from lending institutions. This could be done by incentivizing banks through offering them more credit lines if they provide with loans customized training to enhance women's skills in running their businesses. For example, training on understanding the financial statements like balance sheet, income statement (P&L) and cash flow statement, could create an opportunity of understanding the basics of accounting and to shift from paper work of doing business to a computerized system. As such, this could improve the potential for meeting loan requirements and to match smart capital Venture Capital /Private Equity and angel investors mechanism.
- Combine NGOs initiatives of capacity building programs (like soft skills and technical skills based on artificial intelligence) and distributing in kind-grants with access to finance from lending institutions. In addition to organizing competitions honoring successful business women with financial grants.
- Build a beneficial network dedicated to women entrepreneurs allowing them to exchange ideas, access new information, learn from others' failures and join efforts to tackle new challenges. In addition to organizing competitions honoring successful businesswomen with financial grants.
- Raise awareness on how financial institutions work and explain the wide variety of offered financial products and services to fill the knowledge gap in understanding financial information. The right access to finance starts by financial inclusion. It enables people to engage more effectively with formal financial service providers.
- Promote innovative financing mechanisms – Fintech – such as mobile and online banking, and electronic transfer. Developing a mobile truck branch and ATM could also be a solution reaching people living in rural areas to access banks' services easily without distance constraint. This approach could solve the mobility burdens limiting entrepreneurs living in remote area of being banked and therefore limiting their access to loans.
- Encourage business-to-business connections among women entrepreneurs in the country and across the region to offer immediate opportunities to expand into new markets – Case of Women in Business Platform – Home | Women in Business ([womeninbusiness-mena.com](http://womeninbusiness-mena.com))
- Last but not least, create a financial hub in each geographic area joining all efforts of NGOs, micro finance institutions and commercial banks or any other financial institution offering capacity building, distributing in kind grants and providing loan for the purpose of easing the access to information.

## 4. Call to Action Strategy

Going forward, with the limited resources available, it is crucial for all the stakeholders of the financial ecosystem including financial institutions, governments, NGOs and other partners to work all together in a complete harmony to improve the access to source of financing and specifically for women entrepreneurs. Hence, following a unified strategic roadmap and enabling each entity to help where best it can, will absolutely lead to a greater economic growth.

This strategy provides key recommendations with a clear call to action for each actor of the financial ecosystem. Although this strategy may differ from one country to other, it should be considered a road map that has to evolve with the prevailing particular context of each country where women entrepreneurs operate. As such, it should be constantly tailored according to the actual challenges and opportunities in the market.

The solutions discussed in part one of this report were pulled into four clusters of recommendations.

- **Strengthen and develop regulations, policies and procedures** (see table 1);
- **Provide tailored training, technical assistance and mentorship** (see table 2);
- **Promote advanced and new financing tools** (see table 3);
- **Raise financial awareness and access to information** (see table 4).

This road map strategy endorses a set of recommendations for each actor to establish a supportive environment in order to facilitate women entrepreneurs' access to financial services in their respective countries.

**“EMPOWERING WOMEN IS NOT ONLY THE RIGHT THING TO DO – IT MAKES ECONOMIC SENSE”**

**Christine Lagarde**

*Former managing director of the IMF*

**TABLE 1**

## Regulations / Policies / Procedures

<b>FINANCIAL INSTITUTIONS</b>	Set policies to accelerate the loan approval process.
	Motivate commercial banks to offer microcredit loans products and encourage partnership between commercial banks and micro financial institutions.
	Establish and regulate a centralized credit bureau collecting and exchanging credit information of borrower's credit history accessing any types of loans from any lending institutions.
	Set a yearly budget for loans' officers targeting women-led enterprise and compensate them accordingly.
<b>GOVERNMENTS</b>	Develop new regulations for a joint property registration between husband and wife allowing women to leverage assets as collateral.
	Address inheritance process by giving equal rights for women to inherit.
	Facilitate the creating of an organized SME stock exchange.
	Support the formation of a hub in each geographic area facilitating the access of all products and services offered by NGOs, micro finance institution, commercial banks or any other institution.
	Motivate the establishment of companies aiming to assist businesses accessing loans through providing loan guarantees based on viable business plans.
	Incorporating businesswomen's associations in governments'decisions on regulatory, economic, and funding policies.
<b>NGOS AND OTHER PARTNERS</b>	Advocate for changes in laws and policies impeding the growth of women entrepreneurs.
	Advocate for the necessity of involving business women in economic decision-making.
	Create entrepreneurial support organization to facilitate the link between women entrepreneurs and investors.
	Set and meet targets for women's participation in the economic growth.

**TABLE 2**

## Capacity Building

<b>FINANCIAL INSTITUTIONS</b>	Provide capacity building training for women entrepreneurs to enhance their skills in running their business and to adapt new business model aligned with the technological revolution.
	Incentivize banks through providing them with more credit lines from international financial institutions or donors while providing customized training simultaneously with loans.
	Provide training for financial institutions' employees to meet women entrepreneurs needs.
	Provide one to one technical assistance and advisory services through tailored mentorship.
	Provide training on financial products and services offered by financial institutions to increase women knowledge and skills.
	Combine access to loan with capacity building.
<b>GOVERNMENTS</b>	Sponsor practical business skills training mainly on soft skills and artificial intelligence techniques.
<b>NGOS AND OTHER PARTNERS</b>	Develop partnerships between all the ecosystem stakeholders to provide a package of training, financing, in-kind grants, mentoring and technical assistance.
	Encourage successful business women to become mentors and advisors for women-led business.
	Encourage business-to-business connections among women entrepreneurs in the country and across the region to offer immediate opportunities to expand into new markets – Case of Women in Business Platform.

TABLE 3

## Financing Tools

<b>FINANCIAL INSTITUTIONS</b>	Set flexible loan conditions to meet specific needs in sectors where women mostly operate.
	Provide incentives loans through subsidized interest rate by using the fund of the required reserves held by central banks.
	Use graduated interest rates targeting clients building up new business.
	Alleviate collateral burden for businesses having viable business plans.
	Reduce collateral burden from asset back collateral to movable assets and transparent financial reporting.
	Provide grace period (delayed in payment) for loan reimbursement.
	Use new credit scoring system including tests incorporating personality and character traits, leading to fix interest according to measured risks.
	Introduce new schemes by central banks guaranteeing the banks' direct equity investments in women-led enterprises or indirectly through incubators and accelerators.
	Partner with companies offering loan guarantees or risk sharing facilities in order to provide long term financing. Partners such as Kafalat in Lebanon.
	Offer new financing tools when bank debt and equity financing are unavailable or unsuitable such as mezzanine financing and cash-flow based financing.
	Introduce financial instruments such as preferred shares, convertibles, warrants and options for corporations to unleash the appetite for outside investors through mitigating the fear loss of control.
	Expand the reach of digital financial services – Fintech – such as mobile and online banking, and electronic payments.
<b>GOVERNMENTS</b>	Facilitate the penetration of key international venture firms to foster the collaboration with local players for transferring knowledge.
	Restore the trust in the governance and the financial system.
	Build the necessary infrastructure and create a safe political environment to attract foreign investors.
<b>NGOS AND OTHER PARTNERS</b>	Promote the concept of angel investors inciting family members, friends and colleagues to directly invest funds in potential growing firm.
	Encouraging banks' depositors who don't have trust in the banking system to channel directly their funds through investing in women-led enterprises as angel investors.
	Encourage successful business-women to become angel investors in women-led business.
	Promote crowdfunding to collect money through online platforms.
	Encourage reward crowdfunding (love money) to collect money in exchange of rewards.
Restore confidence in the financial system in countries facing financial and economic crisis – case of Lebanon – by building again the trust through implementing new conservative regulations protecting consumer rights.	



**TABLE 4**

## Financial Awareness

<b>FINANCIAL INSTITUTIONS</b>	Raise awareness on how financial institutions work and explain the wide variety of offered financial products and services to fill the knowledge gap in providing the right information.
	Promote financial inclusion for the unbanked population especially in rural areas.
	Enables people to move from informal financial to formal financing.
	Develop a mobile truck branch and mobile ATM to facilitate people living in rural areas to access banks' services easily without distance constraint.
	Create special financial package for unbanked women offering special conditions for saving accounts, plastic cards, insurance, mobile application, in addition to cash grants as incentives while opening an account.
	Increase the banks' interest in targeting women business clients through publishing good practices and successful stories of women entrepreneurs.
<b>GOVERNMENTS</b>	Support the creation of a financial hub in each geographic area joining all services provided by NGOs, micro finance institutions, commercial banks or any other financial institution to facilitate access to information.
	Collect and monitor data on women-owned SMEs.
	Monitor financial inclusion and conducting surveys.
	Measure the positive effect of women intervention in the economic development.
<b>NGOS AND OTHER PARTNERS</b>	Build a beneficial network or hub dedicated to women entrepreneurs allowing them to exchange ideas, access new information, learn from others' failures and join efforts to tackle new challenges.
	Organize competitions honoring successful businesswomen with financial grants.
	Build a hub of information for accessing both private and public sources of finance.
	Encourage access to finance through highlighting success stories of women-owned enterprises.
	Promote international good practices for international policy around women's economic inclusion aiming the replication of successful models.