

PROPOSAL FOR FUNDING
WOMEN ENTREPRENEURS FINANCE INITIATIVE (WE-FI)
“WOMEN OF THE STEPPE”



A WOMEN IN BUSINESS PROGRAMME

IMPLEMENTED BY

THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Date of submission: February 2019

TABLE OF CONTENTS

I. BASIC INFORMATION.....	3
EXECUTIVE SUMMARY.....	4
II. STRATEGIC CONTEXT AND RATIONALE BASIC INFORMATION.....	5
A. Country/Regional/Global Context.....	5
B. Sectoral and Institutional Context.....	6
C. Rationale for Use of We-Fi Grant and Alignment with Funding Principles	7
III. PROGRAMME DESCRIPTION	8
A. Programme Objectives	8
B. Programme Components.....	9
C. Programme Beneficiaries	11
D. Theory of Change and Results Chain.....	12
E. Innovation and Lessons Learned.....	15
IV. PROGRAMME IMPLEMENTATION.....	15
A. Institutional and Implementation Arrangements	15
B. Role of the IP and the Role of Partners.....	16
C. Monitoring and Evaluation Plan and Timeline.....	17
D. Sustainability	17
V. KEY RISKS IDENTIFIED AND MITIGATION MEASURES.....	18
A. Risks Identified.....	18
B. Proposed Action Plan.....	18
VI. RESULTS FRAMEWORK.....	18

I. BASIC INFORMATION

1. Programme Name

“Women of the Steppe” – EBRD Women in Business Programme in Central Asia

2. Implementing Partner Name and Contact Person:

European Bank for Reconstruction and Development (EBRD)
One Exchange Square, London, EC2A 2JN
Contact Person: Alexia Latortue, Managing Director, Corporate Strategy; Email: latortua@ebrd.com
Adrian Keler, Principal Manager, Donor Co-Financing Email: kelera@ebrd.com

3. Type of Programme:

Private Public Both

4. Geographic focus:

100% of We-Fi funding will be allocated to activities in the following International Development Association (IDA)-eligible countries in Central Asia (Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan)

5. Implementation Period Start Date:

Start date: **July 2019** End Date: **June 2029**
* The Programme would continue for another three years after the completion of activities so that all partner financial institutions (“partner banks” or “local banks” is taken to include also microfinance institutions and non-bank financial institutions, such as leasing and factoring companies and insurance institutions) contracted during the Programme implementation period would continue to have access to the first loss risk cover.

6. Total We-Fi Grant Amount Requested:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total requested from We-Fi (tentative breakdown by year, USD mn)	6.7	6.5	6.4	2.3	0.7	0.3	22.9

100 % of the We-Fi grant will be allocated to IDA-eligible countries¹

PROGRAM FINANCING DATA

Total Cost of Programme: **US\$ 139.9 million**
of which, Total Financing Requested from We-Fi: **US\$ 22.9 million**

Resource Mobilization/Leverage Table:

	We-Fi grant requested (A)	IP Contribution (B)	Other public sector contributions (C)	Private sector financing (D)	Additional leverage achieved (F)	Total leverage (G)
Amount (in US\$)	22.9	80.0	2.0	35.0		117.0
Ratio		3.5	0.1	1.5	-	5.1

100% of (G) expected to be allocated to IDA-eligible countries

EXECUTIVE SUMMARY

The EBRD We-Fi ‘Women of the Steppe’ Programme will provide approximately US\$ 114 million of investment as well as advisory and policy support to **reach over 7,000 women-led SMEs across the Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan**, all facing significant gender-related constraints in access to finance and know-how as well as policy gaps limiting the enabling environment. The Programme takes a holistic approach to **tackle demand-side, supply-side, and enabling environment constraints**, thereby sparking systemic change at the market and firm-level, building on the EBRD’s direct exposure to and experience with serving women entrepreneurs in the region.

The Programme would be implemented through six components:

- i. **Dedicated financing for women-led SMEs** to directly address the gender finance gap. US\$ 114 million will be made available to finance about 4,200 women entrepreneurs.
- ii. **Risk Mitigation instruments** to encourage and to some extent de-risk the financing of local banks and/or EBRD to women-led SMEs.
- iii. **Technical assistance to local banks** to improve their offer to women entrepreneurs and build capacity to understand the needs of women-led SMEs. Sixteen financial institutions are expected to join the Programme.
- iv. **Access to know-how for women-led SMEs** through tailored advisory services, training, mentoring and coaching to SMEs to improve their skills, performance, access to markets and competitiveness, improve financial literacy and develop core entrepreneurial skills. Over 700 women will benefit from these services.
- v. **Network-building activities to strengthen the impact of women entrepreneurs** in their communities will be organized in partnerships with local stakeholders, providing a space where they can share relevant experience and strengthen the voice of women in the wider business community. Over 2,100 women entrepreneurs will be reached through advocacy/outreach activities (digital learning continent, seminars and networking events)
- vi. **Policy reform and advocacy activities** will contribute to creating a supportive ecosystem for women entrepreneurship, including through regulatory and legal reforms. Enhanced advocacy, awareness raising and capacity-building of critical state and non-state actors on gender-supportive policy will serve as vital complement to achieve sustainability for the Programme’s objectives. It is anticipated that 105 piece of legislation will be screened using gender-responsive regulatory impact tool and that 14 reforms to laws/regulations will remove constraints and support women entrepreneurs.

The Programme - **100% dedicated to serving women in IDA-eligible countries** - will **leverage 5.1x the We-Fi grant**, thereby effectively crowding-in the private sector. It will provide finance to women-led businesses, particularly those underserved women based outside of main urban centres and in rural areas as well as women who are first-time borrowers or new clients to the local bank. The Programme will achieve **impact at three levels**: i) increasing access to finance and building the skills and know-how of **women entrepreneurs** to develop their businesses, increasing competitiveness and putting these women-led businesses on to a sound path to growth; ii) creating **shifts in the financial sector** by demonstrating to banks, microfinance institutions and leasing companies that lending to this segment is commercially viable and overall assisting them to better serve the needs of women as clients; and iii) **removing structural barriers** that women entrepreneurs find to grow and operate their businesses and **empowering women and women-led enterprises** so that they become a more widespread feature of business culture, thereby providing **role models** for women.

As such, EBRD would deliver on We-Fi objectives to **address both financial and non-financial constraints** of underserved women-led SMEs operating in challenging environments and promoting sustainable lending to the segment. The Programme will also **leverage strategic partnerships** between EBRD and a network of partners (including UN Women, UNDP, Asia Foundation,) who have a clear mandate and strong track record in promoting gender equality and women’s economic empowerment in the region.

II. STRATEGIC CONTEXT AND RATIONALE BASIC INFORMATION

A. Country/Regional/Global Context

The European Bank for Reconstruction and Development (“EBRD”) is one of the leading development finance institutions promoting women’s entrepreneurship and financial sector reform in the countries where it invests.² In partnership with We-Fi, the EBRD proposes an innovative model combining policy reform with private sector led-financial and non-financial support to women entrepreneurs³ to deliver systemic change toward women’s economic empowerment in four Central Asian countries - Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan (the “target countries”).

The legacy of Soviet influence in Central Asia means that there is legal equality for women and men in the target countries. However, initial country assessments recently commissioned by the EBRD in all four countries, show that in practice, significant gender gaps in several spheres of life remain. Women’s role in economic, political and social life is constrained, especially as a result of socio-cultural norms and traditional practices which limit women’s access to resources such as land, finance, information, and networks that are all vital for their effective participation in the economy as entrepreneurs. Women entrepreneurs also report a lack of the role models needed to shift attitudes and allow for aspirations to flourish. Gender-based violence levels are also high, with a large proportion of women reporting sexual violence from a partner during their lifetime⁴ and bride-kidnapping and early marriages also present in some countries.⁵



Poverty levels across all four countries remain significant especially in rural areas, and there are high levels of seasonal labour migration to neighbouring countries.⁶ For example, Tajikistan’s GDP per capita in 2018 is the 17th lowest worldwide. **Poverty affects more women than men** – the difference between women and men income per capita is on 42% on average (see Table 1). **Labour force participation** rates of women are significantly lower than those of men, and in Uzbekistan and the Kyrgyz Republic are actually falling.⁷ **Financial inclusion of women** is also low, in particular in Uzbekistan (see Table 1 below).

Table 1.

	Kyrgyz Republic	Mongolia	Tajikistan	Uzbekistan
<i>GDP per capita PPP (US\$)</i>	3726	12,918	3,195	6,865
<i>Difference in GNI/capita, 2011 PPP, between female and male (%)</i>	-51	-28	-49	-43
<i>GNI/capita, 2011 PPP, female (US\$)</i>	2,159	8,482	2,233	4,687
<i>GNI/capita, 2011 PPP, male (US\$)</i>	4,369	11,759	4,392	8,264
<i>Labor force participation rate, female (%)</i>	48	53	45	53
<i>% of women having formally borrowed from a financial institution</i>	9	29	13	1
<i>% of women having borrowed to start, operate or expand a farm or business</i>	9	13	10	1

Sources: Global Findex 2017 data, IMF World Economic Outlook 2018, World Bank Database 2018

Central Asia as a region has a much lower level of **women's entrepreneurship** than East Asia or Latin America⁸-- at 29.2% in Uzbekistan, 32.7% in Tajikistan, 38.9% in Mongolia and 49.4% in the Kyrgyz Republic. Moreover, women find it particularly difficult to break out of informal industries and home-based work in health, education, textiles and retail sectors. They are thus often stuck in the low productivity areas of the economy.

Ziyadat⁹ is a 29-year-old suburban resident of Osh in the south-western part of the **Kyrgyz Republic**. In her suburb there are many single mothers and wives who do not work but are still responsible for supporting their families. For Ziyadat, responsibility for her elderly parents and her brother, disabled following a work accident, had meant waking up at 5am and working until very late selling meat in the local market. However, Ziyadat then realised that she could make a better living by selling dumplings instead of meat. Starting with her own investment of only 1,000 soms (US\$ 14), she has gradually increased production levels and developed specialist packaging to sell to shops in central Osh. Ziyadat now employs three women from her neighbourhood and her brother is also active in her business by helping to organise logistics. Now, in order to grow her business, Ziyadat would need finance but also know-how. Her dream is to be able to provide opportunities to others in her community.

B. Sectoral and Institutional Context

Access to finance is limited for SMEs in general in Central Asia. The financial sector is underdeveloped with regards to SME lending more generally, and there is no recognition or understanding of women entrepreneurs as a client segment with distinct needs and potential. These constraints are particularly evident in Uzbekistan where, although the financial sector is fairly large, much of the lending is through state banks, with high collateral requirements and lengthy administrative processes. In Tajikistan, an on-going financial crisis has severely constrained access to credit. Despite legal reform during the post-1990s period, access to land remains significantly more limited for women in the four countries. As a result, women find it harder to mobilise assets to access to the highly collateralized banking system in the region. Mongolia in particular has one of the highest rates of collateral-based lending in the world and value of collateral to loan (almost 200%). In Tajikistan, 56% of women entrepreneurs compared to 44% of men identified the lack of property to raise finance as a significant problem.¹⁰

The geographic context in the region also presents specific challenges for banks given a relatively high urbanisation rate but with a dispersed rural population. In rural areas, access to banking services is constrained by limited opening hours, limited availability of public transport and psychological hurdles. The financial sector is well behind international good practice in terms of effectively serving the SME sector, and women entrepreneurs in particular. Microfinance institutions have limited outreach and given their small average loan size serve only the micro end of the SME segment, leaving the small and medium enterprises and the high growth potential enterprises largely underserved.¹¹ The cost of bank finance is very high across all four countries, and is particularly acute in Mongolia, driven by deposit shortfalls and inefficiencies in the commercial banking sector. Overall lack of trust in the financial sector remains a problem in the region, reflecting the legacy of financial and economic turmoil following the breakup of the former Soviet Union.

In all four countries, in an already difficult environment, women entrepreneurs and their businesses face additional constraints to their ability to operate and grow compared to other businesses. The financing gap in particular is a major obstacle in enabling the transition from micro businesses to small and medium-sized firms. Women are often reluctant to apply for finance. For example, in Uzbekistan only 1% of women report having asked for a loan in the last year.¹²

Low financial literacy, suspicion and confusion about the financial sector and limited access to entrepreneurial training, combined with a lack of awareness of the value of external advice, all further stymie the growth potential of women entrepreneurs. For example, women entrepreneurs in Mongolia tend to be self-taught and rely in general on advice from their spouse (23%), other family (22.4%) or friends (14.4%) rather than professional advisory services¹³. They also report feeling held back in business and dealings with authorities as well as not finding their way easily through groups of (predominantly male) decision-makers in the administration or support programs.

The demands on women's time are also a considerable constraint to their entrepreneurial activities and aspirations. Unpaid care work is carried out primarily by women, thus limiting the amount of time that they can spend on their businesses. For example in Tajikistan, 73 % of women entrepreneurs spend three or more hours per day on care responsibilities, and 39 % of women generally spend five or more hours on care responsibilities, as compared to 15 % of men.

Notwithstanding all the above challenges, there is positive momentum with regard to the political and policy environment to improve the situation of women entrepreneurs. In recent years, women's economic empowerment and women's entrepreneurship has appeared on the agenda of authorities in the region, backed in large part by donors, non-governmental organisations (NGOs), and development agencies. For instance, in 2011, Mongolia adopted the Law on Gender Equality and is currently implementing a National Programme on Gender Equality 2017-2021. Similarly, the Strategy of Actions in Five Priority Areas for the Development of Uzbekistan in 2017-21, which includes targets to improve the investment climate, also includes specific targets for achieving gender equality, while the Kyrgyz Republic has adopted a National Strategy on Achievement of Gender Equality to 2020.

The following **key constraints** to women entrepreneurship in Central Asia have emerged from the country assessments:

- **Inadequate ecosystem for women's entrepreneurship** with insufficient **networks and information**: recent trends show reversals of equality gains accrued during the Soviet period and societal and institutional support for entrepreneurship is not strong.
- **Supply-side limitations to access to finance**, driven by banks' lack of understanding of women entrepreneurs' needs and their potential as an attractive client segment as well as a misperception in the market that 'women's banking' is to be addressed mainly by microfinance institutions. This is compounded by a general banking system that is heavily reliant on collateral.
- **Women entrepreneurs find it harder to mobilise collateral** and are concentrated in **low-productivity segments of the economy**, due to land rights and limited access to finance to develop their businesses.
- **Low financial literacy and business skills**, accompanied with lower levels of confidence and assertiveness, as a result of the lack of social support for women entrepreneurship, hold back business growth and dealings with authorities and banks.
- **Unpaid care work** and lifecycle events (maternity, sickness, care) impact on women's ability to run their business and on accessing business networks.

In summary, the Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan are among the poorest and most challenging economies where the EBRD invests,¹⁴ and women entrepreneurs in these countries face significant gender-driven barriers to developing and scaling up their businesses. Substantive urban-rural differences and very remote populations in these countries further exacerbate these challenges. Women entrepreneurs today thus remain far below their potential and are unable to contribute fully to inclusive and diversified economic growth. The authorities' recent openness to reform and the private sector know-how in addressing supply side and demand side constraints, however, create a strong basis to introduce effective instruments and approaches that can unlock the vast potential of women entrepreneurs.

C. Rationale for Use of We-Fi Grant and Alignment with Funding Principles

Through the Programme, the EBRD and We-Fi partnership can push the frontiers of available financing for women in the region and accelerate the creation of well-functioning financial markets that can sustainably serve the women entrepreneur client segment. We-Fi represents a unique opportunity for the region to provide support to women entrepreneurs through a holistic approach and develop a lasting platform for both private and public sector partners to align engagement and maximise impact.

The EBRD is an extremely well-suited partner to help We-Fi achieve its goal of mobilising private sector finance to catalyse its impact. The Bank is **the largest single investor in the region**, with a total investment of US\$14 billion to date. Through its network of seven local offices in the four countries, the EBRD has a strong direct presence in the target countries which gives it a deep local market knowledge and ability to work directly with a range of clients (mostly private) in projects that foster economic development and strengthen the role of the private sector, and in particular SMEs. We-Fi funding will mobilise US\$ 114 million of financing (achieving a leverage of five times the We-Fi grant) and reach

over 7,000 women entrepreneurs across the four countries through financing and know-how support and enable the EBRD to work with an estimated 16 local banks¹⁵, having a direct impact on the local markets. To maximize impact on the underserved, focus will be partly on women who are based outside of main urban centres and in rural areas and to first time borrowers or new clients to the local bank.

Through the Programme, We-Fi will achieve its objectives to catalyse lasting change via engagement with policy-makers to create eco-system changes. **EBRD prioritises policy dialogue to unlock opportunities for the private sector as a core part of its business model. In Central Asia, EBRD enjoys close and productive relations with a wide range of strategic public and private sector stakeholders and partners.** Since the mid-2000s, EBRD has been supporting Investment Councils in Tajikistan, Kyrgyz Republic and soon to be created, in Uzbekistan. Investment Councils are permanent, consultative bodies for public-private dialogue on the investment climate supported by a professional Secretariat. These councils operate as a platform where economic stakeholders can raise concerns or commission in-depth studies on areas where they have identified bottle-necks or opportunities. Government participants are typically at a very high level – prime minister level or equivalent, which ensures that the issues raised by the private sector are taken seriously and reforms are undertaken. The Investment Council platforms can be instrumental for advancing the goals of the Programme and putting into place the appropriate gender-intelligent changes of policy.

Finally, the Programme is 100% dedicated to **servicing women in IDA-eligible low-income and low-middle income countries**, which will therefore support the We-Fi strategic goal of allocating 50% of its resources to activities in IDA countries and/or fragile and conflict affected countries/territories.

III. PROGRAMME DESCRIPTION

A. Programme Objectives

The overall objective of this Programme is to contribute to women’s empowerment by increasing their economic opportunities, thereby contributing to the We-Fi core objective to **break down barriers to financial access for women entrepreneurs**. The EBRD seeks to maximise impact by providing a unique mix of financing, advisory services and policy dialogue to create lasting systemic change. The Programme offers a fully integrated product to respond to the multi-dimensional nature of women-led SMEs’ barriers to growth described in the previous section. EBRD has tested the proposed approach successfully in Kazakhstan since 2015. In 2017 EBRD launched a pilot program in Tajikistan which has confirmed the relevance of the model for the Central Asia countries. At its core, the EBRD Women in Business value proposition aims at creating the **conditions** for women-led SMEs to thrive, promoting a **systemic impact at the market and firm-level**. The specific objectives of the Programme are:

Alignment with We-Fi

1. **Provide access to finance for women entrepreneurs**, through **dedicated financing** both through local banks and/or directly for women-led businesses, addressing the shortage of credit available to this segment and leveraging EBRD financing with the partner banks’ own funds.
2. **Strengthen capacity of local banks to serve the needs of women entrepreneurs supported by risk mitigation instruments**, so that the impact is sustainable.

Address financial constraints faced by women-led SMEs

3. **Increase access to know how for women entrepreneurs**, through provision of **advisory services, training, mentoring and other non-financial services** to build their business and managerial capacity and financial literacy
4. **Increase access to business networks and networking tools** to better integrate women entrepreneurs in existing business networks.

Increased number and capacity of women-led SMEs to access markets

5. **Strengthen the ecosystem** through institutional strengthening to support delivery of gender-intelligent **policies and regulations** and encourage active dialogue between the public and private sectors to address country-specific non-financial barriers that affect women entrepreneurs.
6. **Empower women entrepreneurs through advocacy, awareness raising and role modelling**, to address socio-cultural barriers, and improve public perception of women’s entrepreneurship.

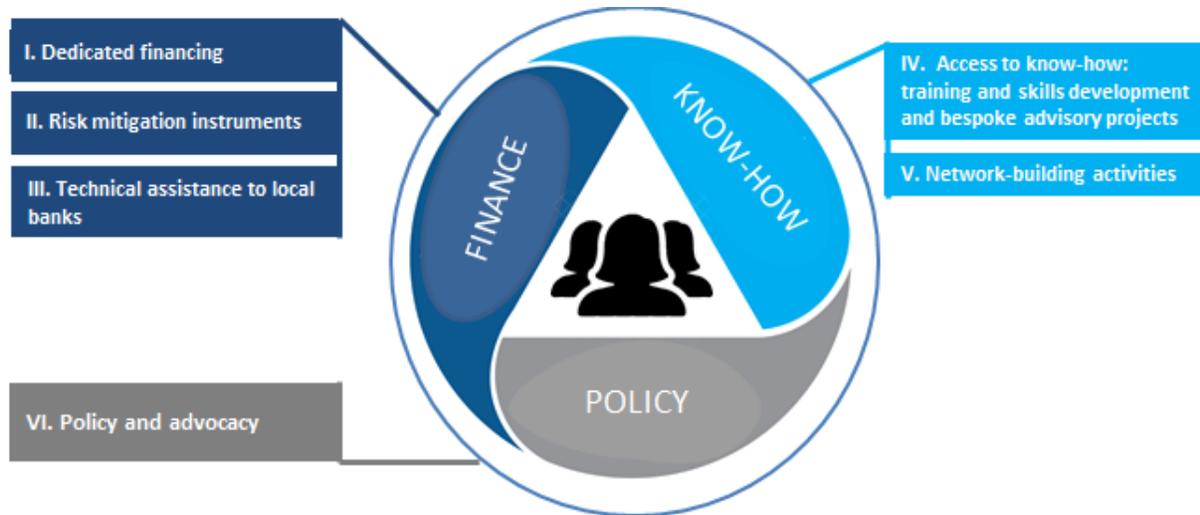
Address non-financial constraints faced by women-led SMEs

B. Programme Components

To reach the objectives described above and effectively address the trifecta of challenges faced by women-led SMEs – access to finance, know-how and policy, the Programme has six complementary components, as shown in Figure 1 below.

EBRD intends to deploy all components concurrently to address the range of ecosystem challenges and maximize the Programme’s impact, creating the overall conditions for change at all levels of intervention.

Figure 1.



Finance

(i) Dedicated financing

US\$ 80 million in financing to women-led SMEs, provided through two channels – by EBRD via local banks for achieving scale through on-lending to eligible women-led SMEs and by EBRD directly, supporting champion women-led SMEs in the local markets. This financing will **mobilise about US\$ 34.7 million** in additional financing from partner banks, **for a total of US\$ 114 million** in finance supporting women entrepreneurs across the four countries. The financing to banks for on-lending will be provided either in the form of credit lines or in the form of risk-sharing framework agreement (where EBRD supports local banks lending to women by sharing the risk of the loans – see next section). For larger women-led SMEs, the EBRD will lend directly to the high-potential SMEs led by women and provide tailored and hands-on capacity building/technical assistance so that the SMEs can introduce high standards in financial management, operations and reporting as well invest in innovation and growth to generate further employment potential. No funding is requested from We-Fi for these activities. Targeted support for these high-potential SMEs will create demonstration cases in local markets.

To maximize the additionality of the financing, a strong priority will be given to women who are first time borrowers or new client to the local bank as well as women based outside of main urban centres. As most small businesses sell their goods and services locally, the lending to women-led SMEs will be done as much as possible in local currencies, reducing the exposure to foreign-exchange risk. The exact distribution of financing per country will depend on the market demand.

(ii) Risk mitigation instruments

Actual or perceived risk is a major obstacle to bank’s willingness to serve the women-led SME market. The Programme will deploy risk mitigation instruments to encourage and to some extent de-risk the financing of women-led SMEs.

(iii) **Technical assistance to local banks to improve the offer to women entrepreneurs**

Technical assistance will bring expertise and international good practices to help local banks to make the product and process changes needed to better serve women entrepreneurs. This can include work to conduct market research and to design and market appropriately tailored products. Inciting banks to adapt or change systems is a challenge requiring new skills, hands-on coaching, and often cultural change. Together with its partner the Global Banking Alliance for Women (GBA), the EBRD has built specific expertise in doing just this over the last five years. EBRD has successfully helped a network of over 30 financial institutions in 18 countries to date.

Know-How

(iv) **Access to know-how: training and skills development and bespoke advisory projects to enhance the competitiveness of women-led SMEs**

Taking the ‘entrepreneur lifecycle approach’ into account, the Programme will tailor advisory services and access to know-how activities to support women-led SMEs of different maturities, sizes and business sophistication levels. The goal of this Programme component is to foster the growth of the women-led SMEs and to help them innovate and respond to changing markets.

For instance, the Programme will offer financial literacy training to women in the micro segment and who are at the beginning of the entrepreneur lifecycle. Moving up the scale, training courses will cover a wide range of topics targeted at women with businesses of different levels of sophistication, such as digital strategy, financial management, corporate governance, and leadership among other subjects. For the more mature SMEs, the Programme will design bespoke advisory projects. These SMEs will typically have two years of operations or more, and need access to quality external advice to move to the next level, improve on performance and thereby competitiveness. Advisory projects are conducted through the local consulting sector – and that in and of itself is part of strengthening the ecosystem for women’s entrepreneurship – and can cover a wide range of areas, including strategy, marketing, organisation and management, operations, information communication technology, engineering solutions, quality management, energy efficiency, environmental management, accounting and financial reporting. Advisory projects for women entrepreneurs are provided on a partial-grants basis and will require the beneficiaries to share a portion of the project’s costs.

(v) **Network-building activities to strengthen the impact of women entrepreneurs in their communities**

Market outreach is vital to ensuring sustainable support structures for women entrepreneurs. The EBRD has a range of tools developed specifically this, including the *Women in Business Seminars*, which are held in partnerships with local stakeholders and consist of Master Classes and networking opportunities for women entrepreneurs. These classes provide a space where women feel comfortable and able to share relevant experience and as result strengthen the voice of women in the wider business community. As intermediary partners, such as Chambers of Commerce, often serve businessmen as well, this will also serve to engage men, important in ecosystem interventions targeting women’s economic empowerment in order to make them effective and sustainable.

Another, more intensive know-how engagement available for women-led businesses is through business coaching. The Programme will provide business coaching through specially-trained local business advisers who support women-led SMEs in different areas of business development over a longer duration (up to one year).

Finally, mentoring is another effective tool the Programme will use to build know-how, tapping into existing local and international mentoring programmes as appropriate. A woman entrepreneur is matched with another, more experienced businessperson to accompany her as she takes her business to the next level. Mentoring programmes can be an incredibly effective tool to assist women in building their confidence and capacity to grow their businesses. The training, mentoring and knowledge-building could be particularly relevant for women entrepreneurs in the rural context, where women traditionally lack access to market information and networks. These relationships and networks often continue well beyond the life of the formal intervention.

Policy

(vi) **Policy and advocacy activities to enable a more conducive business environment for the promotion of women entrepreneurs and the financial inclusion of women**

The Programme will raise awareness, enhance advocacy, and build capacity of critical state and non-state actors, to promote targeted regulatory and legal reforms that support women’s entrepreneurship.

C. Programme Beneficiaries

The primary beneficiaries of “Women of the Steppe” are women-led SMEs.

In order to design a relevant and effective program of activities, the EBRD has extensively consulted with the potential beneficiaries of the Programme. Most crucially, the EBRD conducted focus groups and conversations with women entrepreneurs in all four countries to better understand the challenges and the opportunities and priorities of women entrepreneurs in each country. In designing the Programme, the EBRD also leveraged its extensive network of regional offices and robust network of local stakeholders and relationships with the financial sector to ground-test ideas and approaches. These consultations and views from the four markets, helped to define an appropriate and effective mix of instruments to deliver real change in these economies.

Women entrepreneurs. The primary beneficiaries of the Programme will be **women-led small and medium-sized enterprises**, defined as:

- Enterprises where the overall operational management responsibility is held by a woman (or women)¹; or
- Enterprises where a woman (or women) holds overall operational management responsibility for the company, and a woman (or women) also owns all or part of the equity.

This definition seeks to encourage a focus on women as managers and those with real decision-making power within the business, recognising that management responsibility and ownership are not always held by the same individuals. The definition is operationalised with specific guidelines for each country on how ‘women-led’ can be ascertained and verified for different legal entities.

The Programme’s definition is fully aligned with the European Union (EU)’s definition of SME. Women-led SMEs shall be considered as enterprises engaged in economic activity as fitting the above definition, with **fewer than 250 employees** and either with an **annual turnover not exceeding EUR 50 million (USD 58.7 million)** or with a **balance sheet value not exceeding EUR 43 million (USD 50.4 million)**. On an exceptional basis, beneficiary women-led enterprises may have **up to 499 employees**, recognizing that enterprises in the Central Asian region exhibit high levels of labour intensity, driven both by cheap labour and limited access to technologies. These enterprises would still fall within the EU definition in terms of turnover and asset size. The same eligibility criteria are applied across all components, ensuring a coherent focus on the same target group at the market level.

The EU definition of SMEs, as applied above, is aligned with the IFC’s definition of a small and medium enterprise, looking at parameters of turnover (sales) and employee numbers. In terms of thresholds, the EU definition turnover threshold is broader (IFC threshold: up to US\$ 10 million; EU threshold: up to US\$ 58.7 million) and lower in terms of number of employees (IFC threshold definition up to 300; EU threshold: up to 250).

The Programme will also work with a range of intermediary beneficiaries to reach women entrepreneurs and to build a supportive entrepreneurial ecosystem. They are:

Financial institutions. The EBRD’s selection criteria for the estimated 16 partner financial institutions, include, but are not limited to, (1) commitment to engaging with the needs of women-led SMEs as a segment, (2) creditworthiness, readiness and capacity to engage with the EBRD, (3) ability to mobilise internal resources and to allocate dedicated staff to this Programme, (4) integrity, (5) regional presence and (6) transparency. Financial institutions may include a broad range of providers, including (i) commercial banks ii) micro-finance institutions (MFIs) and (iii) leasing companies,

registered and operating in the target countries. This enables the Programme to have a wide outreach and promote increasing intermediation within the financial sector, which in Central Asia lags behind international good practices. By also targeting microfinance institutions, the Programme will support the MFI sector in the region to better serve not only micro enterprises, but also the lower end of the SME segment, addressing the challenge of a ‘missing middle’ for women entrepreneurs, who graduate from microfinance but remain too small and/or unsophisticated for the banking sector and it will also enable the Programme to reach women in underserved rural and agricultural areas. In some countries such as Tajikistan, MFIs have evolved to become important systemic financial institutions with a considerable outreach to SMEs. Loans will be provided with terms and conditions consistent with the EBRD’s standard policies and procedures.

Policy counterparts. The EBRD will work with a range of policy counterparts (described in section IV.B below) selected for their relevance, commitment to women empowerment, implementation capacity and transparency. The Programme will build their capacity for the long term and engage them actively in the Programme’s implementation and evolution, ensuring responsiveness to women entrepreneurs’ changing needs.

D. Theory of Change and Results Chain

The theory of change (illustrated in Figure 2 below) takes a multi-faceted and private-public sector approach to the most pressing constraints – access to finance, know-how, and policy constraints – affecting women entrepreneurs (described in section I). The Programme will create sustainable change to promote growth of women-led SMEs in the four target countries through an ecosystem approach, thereby delivering on the objectives of We-Fi to address both financial and non-financial constraints of underserved women-led SMEs operating in challenging environments. The Programme focuses on creating systemic change – a hallmark of the EBRD experience and way of working. The EBRD seeks to create inclusive market structures that produce better outcomes in a sustainable manner, hence the focus on working with formal financial institutions to unlock finance, with local consultants and networks to build know-how, and with national policymakers to improve the policy environment.

How the proposal addresses these constraints and contributes to We-Fi objectives: the theory of change seeks to achieve change at three levels: i) at the level of individual women entrepreneurs and their businesses; ii) at the level of financial institutions and the market, transforming the way banks approach this segment; and iii) at the macro level to improve the policy and regulatory environment.

EBRD seeks to contribute to **systemic change at the market and firm-level** that goes beyond the direct impact of the individual programme in each country through both its scale as well as the replicability of the changes. This will be achieved by first, removing structural barriers that women entrepreneurs find to grow and operate their businesses; second, demonstrating to banks that lending to this segment is commercially viable and overall, helping banks understand the financial needs of women-led businesses and assisting them to develop new products to serve them; third, building the confidence of women entrepreneurs in their ability to develop their businesses and their skills for doing so, and encouraging them to access finance via formal channels; and fourth, empowering women-led enterprises so that they become a more widespread feature of business culture, thereby providing role models and encouraging other women.

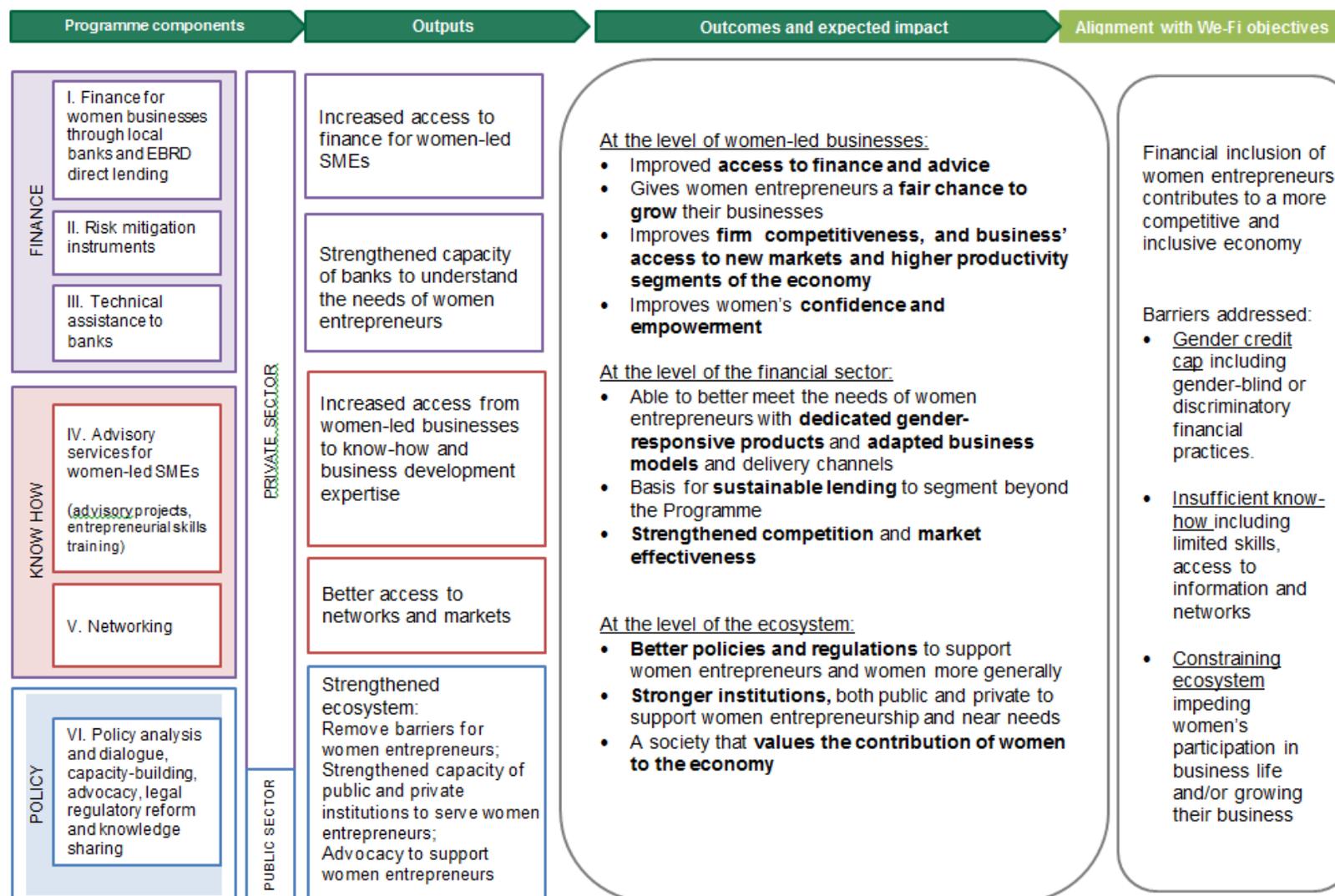
Addressing financial constraints faced by women-led SMEs through mobilization of funding from commercial institutions and strengthened capacity of the financial sector to serve women (We-Fi Objective 1). The right level and type of finance and advice are essential for women-led SMEs to grow and be able to operate in higher-productivity, higher-value added sectors. **Bank finance** has been identified as a focus primarily because it is a financial instrument that has a broad reach and therefore potential to have a substantive impact in closing gender gaps in access to finance in Central Asia. Lack of capital can tend to constrain women to low productivity sectors and severely limits their ability to move their business up the value chain and transition from micro to small and medium-sized businesses. The **risk mitigation instruments** incentivise lending to women entrepreneurs, which is often an untested segment. **Direct finance and co-financing of individual women-led SMEs** will be also essential in catalysing high-potential women-led SMEs. **Technical assistance** is a vital complement for the local banks, to help them understand the differentiated financial and non-financial needs that women-led businesses have, and assists banks in developing women’s banking strategies which address those needs with targeted value propositions. An important element of the technical support to banks is also to define the business case through market analysis of the segment. This is expected to lead over time to a demonstration

effect at the market level by showing that lending to the women segment is commercially viable so that lending continues to flow beyond the timeline of the We-Fi. By engaging an estimated 16 banks, microfinance institutions and leasing companies, the Programme aims to provide a significant demonstration effect at the market level the financial sector in all countries.

Increasing the number and capacity of women-led SMEs to access markets through more women in entrepreneurship support programmes and firms showing increased sales or profits (We-Fi Objective 3). The **access to know-how** provides women SMEs with the tools and skills they need to innovate, attract finance and additional expertise, aligned with the We-Fi objective of also **addressing crucial non-financial constraints of women-led SMEs**. Women entrepreneurs have less access to - but express demand for - managerial and business capacity building. Training, mentoring and knowledge-building is particularly relevant for women entrepreneurs in a rural context. This component is designed to equalise that access with the expectation is that business skills development and networking will ultimately strengthen the businesses' internal functions, increase competitiveness and put businesses on to a sound path to growth. Engaging successful women entrepreneurs and businesswomen in **networking, advocacy and awareness-raising activities** to tell their stories can help build role models, as well as creating champions for the Programme and shift entrenched mindsets in the local market. Here, importantly, men must also be included in the debate and the conversation, with the aim of seeking attitude change with men also recognising the value that women's entrepreneurship brings. These activities overall serve as a vital complement to achieve sustainability, as the built capacity within SMEs and the relationships and networks created, will last beyond the lifetime of the Programme.

Addressing non-financial constraints faced by women-led SMEs through strengthened capacity of public and private sector institutions to serve the segments and reduced gender biases in laws and policies (We-Fi Objective 2). The **policy component** of the Programme will contribute to creating a supportive ecosystem for women entrepreneurship, including through regulatory and legal reforms. The Programme will use the methodology of the 'Gender Responsive Investment Climate Analysis', developed by the EBRD, to identify key investment climate bottlenecks affecting women-led SMEs in a given country and work with key stakeholders through policy dialogue, advocacy, capacity building and reform to address them, mainstreaming a gender-intelligent approach throughout entrepreneurship and economic policies. In that process, the Programme will leverage the role of Investment Councils to build capacity of key stakeholders in the **public and private sector** (including key policy makers as well as women business associations and platforms) and elicit reform in priority areas for women entrepreneurs in each of the countries. Public campaigns will address some of the more entrenched cultural and social norms that undermine the role that women are allowed to play in the economy and reinforce the strategies and actions plans adopted or to be adopted by local policy-makers towards women empowerment.

Figure 2.



E. Innovation and Lessons Learned

The Programme builds on identified **best practice**¹⁶ in promoting women’s access to finance. These broadly define the most impactful initiatives as those that included several of the following components: (i) market research to assess the economic opportunity, (ii) customer segmentation to understand the financial products needed by women in business, (iii) innovative financial and non-financial products and services, (iv) unique delivery and outreach models, including marketing and branding strategies, (v) an organisational structure to support value proposition to women-led SMEs and (vi) gender-disaggregated data to support the business case for serving women-led SMEs.

These recommendations are reflected in the structure of the Programme, in addition to drawing on over two decades of EBRD’s direct experience in providing advisory services to SMEs (over 20,000 across three continents) and in engaging with local banks to improve how they serve specific sub-segments. More specifically, the Programme in Central Asia will integrate the lessons learned from implementation of the **Women in Business Programmes** across 18 countries since 2014, during which EBRD has supported over 50,000 women entrepreneurs. Notably the experience in neighbouring countries – Kazakhstan as well as in Tajikistan, where a small pilot was launched in 2017 – were relevant in refining the approach for this proposal. We-Fi will present a unique opportunity for the EBRD to build on the track record of Kazakhstan and the pilot in Tajikistan to roll-out at scale and ambitious effort to dramatically improve the ecosystem for women’s entrepreneurship in Central Asia – a challenging region with high-levels of poverty, weak institutions and an underdeveloped private sector.

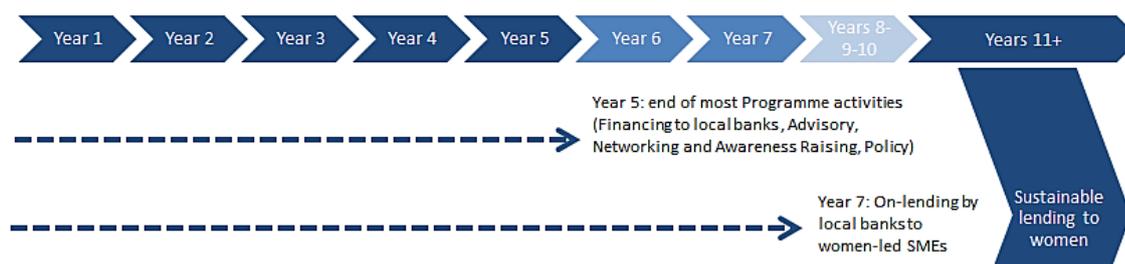
Lessons learned from the EBRD’s experience include the importance of obtaining a **strong commitment from local banks** as prerequisite for the long-term success of a strategy that focuses on the women’s market. EBRD carefully selects the local partner banks, ensuring leadership buy-in to push the agenda within the institution. The market assessments conducted in the target countries, commissioned by the EBRD in preparation of the Programme, gives the EBRD full confidence that there is buy-in for the Programme from all beneficiaries. Another important lesson is to **view women-led SMEs as a distinct business**, rather than a mere extension of the existing retail or commercial business. In this regard the offer to women requires a holistic and customer-centric value proposition, understanding their needs and priorities in their respective socio-economic and cultural settings. A further key ingredient for success lies in **tailoring support to each local bank and women entrepreneur** based on their specific requirements as well as integrating supply-side determinants of the gender credit gap and demand-side interventions.

IV. PROGRAMME IMPLEMENTATION

A. Institutional and Implementation Arrangements

As illustrated in the figure below, the Programme is designed to be implemented over a period of seven years, although it is anticipated that its deployment in each country will span over about five years, after which an impact evaluation will be conducted in Year 6. Only a few activities will take place after five years (such as some on-lending to sub-borrowers by late-joining local banks, which will be included into the Programme’s results until the end of Year 7).

Figure 3.



Implementation of the We-Fi Programme will be the responsibility of the EBRD, ensuring a common overall approach to the management and monitoring of underlying activities while drawing on the expertise from across the EBRD in a multi-disciplinary team.

More specifically, for the access to finance component (**dedicated financing for women-led SMEs and risk mitigation instruments**) the EBRD Financial Institutions (FI) Business Group will negotiate with local banks the dedicated financing and the risk mitigation instrument, supporting loan disbursement processes and monitoring transactional performance throughout the Programme. The EBRD will enter into a Consultancy Agreement with a team of consultants, for the purpose of implementing the **technical assistance support for the local banks** under the Programme. The team of consultants, selected in accordance with the EBRD Corporate Procurement Policy/EBRD Procurement Policies and Rules, will comprise experienced international and local experts.

The EBRD's Advice for Small Businesses (ASB) team (within the SME Finance & Development Group) will be in charge of implementing and monitoring all activities under the **access to know-how and networks** components of the Programme. This team has dedicated staff based in the seven Resident Offices across the four target countries, enabling regional outreach and close engagement with beneficiaries. Advisory projects for women entrepreneurs are provided on a partial-grants basis and will require the beneficiaries to share a portion of the project's costs, to strengthen commitment to and ownership of the project.

The EBRD has expertise in bringing the voice of the private sector together with public authorities for **policy engagement**. The Gender and Economic Inclusion (G&EI) team will design, support and implement the policy component, drawing from other relevant subject matter experts within the EBRD, such as staff from the Legal Transition and Local Currency Local Capital Markets teams as required, as well as its Country teams. The policy activities envisaged under the Programme will be undertaken in a broader context of EBRD activities, utilising already secured funds. These activities will serve to support the Programme's objectives and further widen its impact. For example, in the Kyrgyz Republic, the EBRD is leading on a broader initiative to assist the government in removing legal prohibitions from the labour legislation that currently preclude women from accessing a number of jobs, as well as policy dialogue focused on improving SMEs' participation in public procurement on the new national eProcurement system and a review of the shadow economy. In Tajikistan, of particular note is that the EBRD developed and launched a 'Gender Responsive Investment Climate Reform' a toolkit to build policy makers' capacity to formulate policies/reforms to support women entrepreneurship (as described in previous sections). In Mongolia, policy dialogue with the government will continue in particular in the area of regulatory and legislative frameworks related to leasing and development of non-banking financial institutions sector, often well-placed to serve women entrepreneurs (but for now very embryonic in all target countries except for microfinance institutions). Finally, complementary EBRD activities are also ongoing in all four countries relating to training and upskilling the consulting sector through training and consolidation support, from which the women entrepreneurs stand to benefit.

B. Role of the IP and the Role of Partners

The Programme will leverage strategic partnerships between EBRD and well-positioned international and non-governmental institutions with a clear mandate and strong track record in promoting gender equality and women's economic empowerment in the target countries. EBRD will also leverage its wide network of partners in each of the four countries.

The preparation of market studies commissioned by the EBRD on the experience and needs of women entrepreneurs in the four target countries included close discussions with a wide range of stakeholders active in the area of women's economic empowerment in Central Asia and helped to define the key constraints and opportunities in the local context that the Programme subsequently responds to. This also formed the basis for defining concrete areas of collaboration under the Programme.

C. Monitoring and Evaluation Plan and Timeline

The Programme timeline is provided below.

Milestones	Expected Dates
Start of Programme implementation	1 July 2019
Close of Programme's Access to Know How and Policy activities	30 June 2024
Programme impact evaluation	First half of 2025
End of Programme implementation	30 June 2026

D. Sustainability

Sustainability is embedded in the Programme design all three levels: at the level of local banks and the banking sector, at the level of women-led SMEs and at the level of the wider enabling environment for women's entrepreneurship. The concept is an ambitious one, in that it aims to foster meaningful and lasting change to the space in which women-led SMEs operate in Central Asia.

At the level of partner banks and the wider financial sector in the four countries, the Programme will encourage partner banks to expand their lending operations through the introduction of financial products suitable for women-led SMEs that are not only commercially viable, scalable and replicable, creating strong demonstration cases in the local financial sector. Through the technical assistance, partner banks are supported in the identification of gender financing gaps and development of new products, processes and corporate practices to embed a women's strategy at all levels of management within the partner bank, ensuring ownership and commitment. Thus, the approach is expected to be sustained beyond the lifetime of the Programme, and to be followed by other financial institutions. Lending conditions under the Programme will be in line with international best practices and internal SME lending procedures of each partner bank.

At the level of women-led SMEs, increased access to know-how will equip women SMEs with the skills and knowledge needed for growing their businesses and result in their improved competitiveness and performance, upskilling and improved financial literacy, stronger business networks to exchange experience and ideas. These activities overall serve as a vital complement to achieve sustainability, as the built capacity within women entrepreneurs and the relationships and networks created will last beyond the lifetime of the Programme. There is also significant value in creating local, regional and national champions among women entrepreneurs to tell their stories, as this can help build role models.

At the level of the wider enabling environment, the EBRD's core mandate of private sector focus and its unique presence in country with ability to influence the state and non-state actors are key to creating long lasting positive impact in the target countries' economies. Policy interventions under this Programme will be undertaken with the state authorities' informed understanding of the challenges at hand and their high-level commitment and ownership. The fact that this Programme targets four countries in Central Asia with similar historical paths from the Soviet Union era (or strong influence of the Soviet Union in the case of Mongolia) to economic reforms undertaken in the 90s-00s, presents an added value of cross regional learning and growth for the years to come. Throughout the Programme's duration, lessons from each country shall be shared amongst the peers – local banks, women SMEs and policy makers alike. Experience sharing by the Kazakhstan State guarantee fund (DAMU) will also contribute to this Central Asia peer learning. Finally, the Programme will promote women's entrepreneurship and more broadly women's participation in business and the wider economy through advocacy efforts to shift societal attitudes for the long term.

V. KEY RISKS IDENTIFIED AND MITIGATION MEASURES

A. Risks Identified

Given the EBRD's long standing relationships and direct presence through its network of local offices in the target countries, as well as its experience in SME financing in the region, operational risks associated to the Programme are likely to be low. External economic and political risks are considered substantial due to an overreliance on commodities leading to potential for price volatility (particularly in Mongolia), while concentration of power in the hands of relatively few individuals within the governments of Tajikistan, Uzbekistan and, to a lesser extent, the Kyrgyz Republic has the potential to lead to a lack of commitment from policy makers to reform efforts if priorities shift. Further detail on these risks is provided in Annex 3.

B. Proposed Action Plan

The Programme builds on extensive EBRD experience and tried-and-tested methodologies that are continuously being refined. New and innovative elements will be introduced in staged approach and closely monitored and refined. Similarly, the EBRD will leverage its experience and direct presence in the region to mitigate operational and political risks, using public/private fora such as Investment Councils to promote transparency and accountability for the Programme's activities. Advocacy and awareness-raising activities have also been included as an important and substantial activity under the Programme, to be undertaken with local and international partners in this area, to ensure an effective, relevant and sensitive approach is taken.

Fiduciary risks will be mitigated through the strict application of EBRD policies including in the areas of procurement, financial management, the uniform framework for preventing fraud and corruption, public information, integrity, and environmental and social safeguards. In addition to this, EBRD's Project Complain Mechanism, also applicable to activities funded under this Programme, offers a second layer of risk management to ensure that such activities will not have unintended impacts on final beneficiaries. The Project Complaint Mechanism provides an opportunity for an independent review of complaints from individuals and organisations concerning EBRD-financed projects which are alleged to have caused, or are likely to cause, environmental and/or social harm. Further detail on the risk mitigation actions that will be undertaken is provided in Annex 3.

VI. RESULTS FRAMEWORK

The Programme would be deployed against a comprehensive and robust results framework, incorporating eight of the twelve We-Fi core PDO indicators and including a comprehensive list of custom indicators to track progress against the Programme's objectives. More than 7,000 women will be reached in total. The Programme will engage about US\$ 114 million in finance for women-led SMEs, leveraging US\$ 80 million in funding provided by the EBRD, both directly to women-led SMEs and through partner banks, with an additional US\$ 34 million mobilised from partner financial institutions. In addition, following extensive training to both senior management and frontline staff, partner financial institutions will be well positioned to introduce new products and services tailored to the needs of the women-led SME segment in their market. More than 700 women entrepreneurs will also be supported directly, gaining the know-how they need to take their businesses further through training in key entrepreneurial skills, advisory services from local consultants and international advisers and mentoring and networking services. Finally, the Programme also contains a substantial policy and market outreach element, which plays a key role in building the environment for women entrepreneurs to change the market, permanently.

End notes

¹ Refers to all IDA-eligible countries, including IDA-blend.

² Established in 1991 following the fall of the Berlin Wall, EBRD's mandate is to foster the transition towards open-market economies and to promote private and entrepreneurial initiative. With 70 shareholders and operations in 38 economies across three continents, EBRD has a strong private sector approach and the ability to offer investments, policy reform, and technical assistance, all under one roof.

³ The terms “women entrepreneurs”, “women-led SMEs” and “women-led businesses” are used interchangeably to refer to eligible participants of the Programme.

⁴ UNFPA 2017. Breaking the silence for equality: 2017 National Study on Gender-based Violence in Mongolia

⁵ Human Rights Watch, 2017 <https://www.hrw.org/news/2017/05/10/kyrgyzstan-new-domestic-violence-law>

⁶ The Asia-Pacific Population Journal, Vol 32, No 2, December 2017. The United Nations Economic and Social Commission for Asia and the Pacific.

⁷ Uzbekistan, women's labour force participation fell from 61.7% in 2010 (compared to 73.7% for men) to 53.8% of women in 2017 (compared to 77.9% for men); Kyrgyz Republic shows a downward trend since 2006 (World Bank Findex 2017)

⁸ World Bank, Gender Equality Brief 2018, Europe and Central Asia.

⁹ Ziyadat was one of the focus group participants interviewed as part of the Kyrgyz Republic Market Study commissioned by EBRD in 2018.

¹⁰ EBRD Tajikistan GRICA

¹¹ The largest loan size reported in the microfinance sector in the Kyrgyz Republic EBRD market study for example was US\$ 1,430 (KGS 100,000)

¹² Global Findex 2017

¹³ National Statistical Office of Mongolia, 2018 data

¹⁴ See EBRD Transition Report 2018, <https://2018.tr-ebd.com/>

¹⁵ The terms “partner banks” or “local banks” are used interchangeably and taken to include also microfinance institutions and non-bank financial institutions, such as leasing and factoring companies and insurance institutions.

¹⁶ To name a few: [Global best practices in banking for women-led SMEs](#), Women's World Banking and EBRD (2014); [Promoting women's economic independence and entrepreneurship Good practices](#), European Institute for Gender Equality (2015); [Financing women entrepreneurship: a global challenge](#), OECD.