

CONTENT

- I. SUMMARY PROJECT INFORMATION 1**
 - PROJECT/PROGRAM NAME 1
 - GEOGRAPHIC LOCATION(S) 1
 - FINANCING 1
 - PUBLIC PROJECT/PROGRAM DESCRIPTION 1
 - WE-FI TEAM 2
- II. EXECUTIVE SUMMARY 3**
- III. IMPLEMENTATION PROGRESS 5**
 - KEY ACTIVITIES DURING THE REPORTING PERIOD 5
 - PLANS FOR THE NEXT YEAR 6
 - KEY CHALLENGES AND LESSONS LEARNED 6
 - COVID-19 IMPACT 7
 - IMPLEMENTATION PROGRESS ASSESSMENT 7
- IV. WE-FI IMPACT 8**
 - OVERVIEW OF OVERALL IMPACT TARGETED 8
 - CHALLENGES MEASURING IMPACT 8
 - RESEARCH AND EVALUATION 9

ABBREVIATIONS

BDS	Business Development Services
COVID-19	Corona disease of 2019
FI	Financial Intermediary
GBA	Global Banking Alliance for Woman
GC	Governing Committee (of the We-Fi)
GCM	Grants and Co-Financing Management Unit
IDA	International Development Association
IDB	Inter-American Development Bank
IDB Group	Inter-American Development Group
LAC	Latin America and the Caribbean
LMIC	Lower middle-income countries
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MIC	Middle Income Countries
ONCAE	Office of Contracting and Acquisitions of Honduras
ORP	Office of Outreach and Partnerships
PBI	Performance Based Initiatives
SME	Small Medium Enterprises
TA	Technical Assistance
TC	Technical Cooperation Operation
UIS	Updated Institutional Strategy
UMIC	Upper middle-income countries
We-Fi	Women Entrepreneurs Finance Initiative
WeForLAC	Women Entrepreneurs for Latin America and the Caribbean
WSME	Women-owned/led Small and Medium Enterprises

2020 IMPLEMENTATION PROGRESS REPORT WOMEN ENTREPRENEURS FINANCE INITIATIVE (WE-FI)

Name of Implementing Partner: Inter-American Development Bank Group

Reporting Period: From: July 1, 2019 To: June 30, 2020

I. SUMMARY PROGRAM INFORMATION

- **PROGRAM NAME**

WOMEN ENTREPRENEURS FOR LATIN AMERICA AND THE CARIBBEAN (WeforLAC)

- **PROGRAM TIMELINE**

GC Approval Date	May 2019
Project Implementation Start Date	July 2019
Mid Term Review Date (if planned)	December 2021
Project Closing Date	December 2024

- **GEOGRAPHIC LOCATION**

Latin America and the Caribbean.

- **FINANCING**

Sources of financing		Approved Amount	Committed Amount
We-Fi Financing Approved	(A)	\$24,279,370 ¹	\$6,116,000
IP Contribution	(B)	\$110,411,000	\$96,000,000
Of which IDA		12,063,627	\$4,066,500
Public sector contributions	(C)	\$2,510,000	\$1,210,000
Private sector financing mobilized	(D)	\$131,491,500	
Additional funds mobilized	(E)	\$2,225,000	
Total Non-We-Fi Mobilized Funds (F)= (B+C+D+E)		\$246,637,500	\$97,210,000
Total Program Size	(G) = (F+A)	\$270,916,870	\$103,326,000
Leverage	(F/A)	10.16	15.89

- **PROGRAM DESCRIPTION:**

The general objective of the Inter-American Development Bank Group (IDB Group) WeForLAC Program is to promote the growth of women-owned/led Small and Medium Enterprises (WSMEs) by developing

¹ \$1,588,370 corresponds to the MDB fee.

innovative and catalytic projects and programs, building the entrepreneurial ecosystem in challenging country environments, generating important data to fill knowledge gaps, and promoting intelligent public policy and private sector initiatives. The specific objectives of WeForLAC are to improve: (i) WSMEs’ access to finance; (ii) WSMEs’ access to markets; (iii) WSMEs’ access to skills and networks; and (iv) the entrepreneurship ecosystems for WSMEs.

The program is expected to reach at least 19,252 WSMEs, with a focus on underserved women. For the purposes of this proposal, underserved WSMEs are defined as: (i) financially unserved or underserved; (ii) WSMEs led by women living in conditions of vulnerability and poverty as measured by IDB Group development effectiveness metrics; or (iii) WSMEs led by excluded populations such as indigenous, afro-descendant, and rural women. Indigenous and afro-descendant women entrepreneurs in LAC face the double burdens of gender and racial biases and also tend to come from vulnerable socioeconomic backgrounds that hinder the possibility to grow their businesses. The WeForLAC target countries are Honduras, El Salvador, Guatemala, Mexico, Colombia, Brazil, Ecuador, Dominican Republic, and Peru.

Focus on low-income countries: Honduras, an IDA country, will be the principal country in which a series of coordinated public and private sector initiatives will be implemented to support the growth of WSMEs. Forty-five percent of Women Entrepreneurs Finance Initiative (We-Fi) resources² will be devoted to Honduras. Lessons learned in Honduras will be applied to the rest of the region, with a focus on lower middle-income countries (LMICs) (e.g. Guatemala and El Salvador).

Leverage innovation from upper middle-income countries (UMICs): Upper middle-income countries (UMICs) such as Mexico, Colombia, Brazil, Ecuador, and Peru and the Dominican Republic will be eligible to receive WeForLAC resources. Their mature financial sectors facilitate the development of innovative financial instruments, which can be replicated in LMICs in the medium term. These UMICs were chosen because of the opportunities to leverage resources from IDB Group operations in pipeline or in execution or because of significant demand for WSME advisory services, technical assistance, and lending.

The proposal builds on the comparative advantage and strengths of all parts of the IDB Group, including IDB Invest (private sector arm), IDB Lab (innovation hub, focus on STEM entrepreneurs) and the IDB (public sector).

- **WE-FI TEAM**

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² This is over the full contribution of \$24.3 million.

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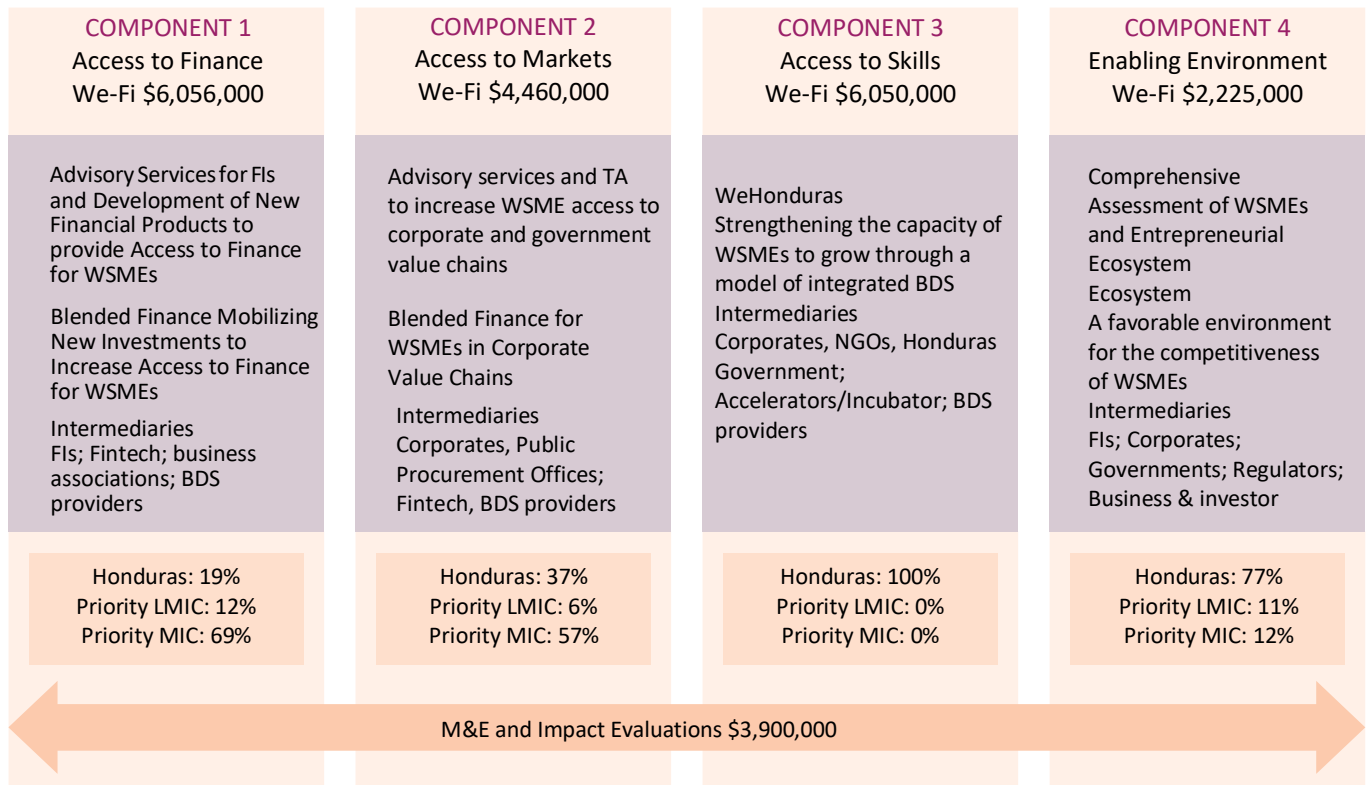
II. EXECUTIVE SUMMARY

The purpose of this report is to inform the We-Fi Secretariat of the activities of the WeForLac Program from July 1, 2019 through June 30, 2020. In doing so, it fulfills the reporting requirements in the Financial Procedures Agreement signed between the Inter-American Development Bank and the World Bank as Trustee of the Women Entrepreneurs Finance Initiative Trust Fund.

The general objective of the IDB Group WeForLAC proposal is to promote the growth of WSMEs by developing innovative and catalytic projects and programs, building the entrepreneurial ecosystem in challenging country environments, generating important data to fill knowledge gaps, and promoting intelligent public policy and private sector initiatives. The specific objectives of WeForLAC are to improve: i) WSMEs’ access to finance; ii) WSMEs’ access to markets; iii) women entrepreneurs’ access to skills and networks; and iv) the entrepreneurship ecosystems for WSMEs (see Figure 1). The WeForLAC target

countries are Honduras, El Salvador, Guatemala, Mexico, Colombia, Brazil, Peru, Ecuador, and the Dominican Republic.

Figure 1: WeForLAC Program Components



Highlights during the reporting period include the approval of four projects in support of WSMEs for a total of **\$6,116,000**, including: **Business Development Services and Favorable Environment for Women Entrepreneurs** in Honduras for US\$2,900,000, prepared by the IDB, (ii) **WeXchange: Unleashing the Growth Potential of Women STEMpreneurs in Latin American and the Caribbean** for \$450,000, prepared by IDB LAB, (iii) a transaction that includes **Advisory Services and a Performance-Based Incentive grant for Elcatex**, a textile company in Honduras, for \$210,000, prepared by IDB Invest, and (iv) **Advisory Service Technical Assistance to Support the Growth of WSMEs in Honduras, Lower-Middle Income Countries, and Middle Income Countries by Improving their Access to Finance**, for \$2,556,000 also prepared by IDB Invest. Furthermore, program development has been robust: projects with third and fourth quarter approvals expected for calendar year 2020 total **\$8,875,000**.

Additional key activities in the implementation period include the **submission for consideration of, and subsequent approval by, the We-Fi Governing Committee of a WeForLAC Request for Program Expansion, and adjustments in the Program budget**, resulting in the addition of Ecuador and the Dominican Republic as eligible countries for the WeForLAC program. Furthermore, in-depth IDB WeForLAC internal **Operational Guidelines** were published in the IDB Intranet to support project preparation and execution, and a **We-Fi WSME definition and tool** was prepared and disseminated to guide project teams in using We-Fi approved definitions in identifying and reporting on women owned/led

SMEs, and in working with clients to obtain responses to survey questions outlined in the Guidelines as a tool to help reconstruct the We-Fi WSME definitions, establish baseline data, and track progress towards obtaining results from the We-Fi results framework.

Forward looking priorities in the year ahead will include focusing on the quality of design and execution of projects approved and in pipeline, as these operations undergo internal quality control and Bank approval and begin to execute. Additionally, given the reality of COVID-19 the design of some projects (for example technical assistance delivery mechanisms) will need to be reassessed to be adapted to the new reality.

III. IMPLEMENTATION PROGRESS

- **KEY ACTIVITIES DURING THE REPORTING PERIOD**

Key achievements in the reporting period include the approval of four projects for a total of **\$6,116,000**:

IDB. Business Development Services and Favorable Environment for Women Entrepreneurs in Honduras (HO-T1353). US\$2,900,000. Approved December 26, 2019. The purpose of this TC is to contribute to the growth of small and medium-sized businesses led by women in Honduras, through the implementation of a model for business development services, as well as the promotion of a favorable and safe environment for businesswomen. The specific objectives are: (i) to develop a business development services model specialized in the attention of women-owned/led companies with an emphasis on the digitalization of services; and (ii) to promote a favorable and safe environment for women entrepreneurs.

IDB Lab. WeXchange: Unleashing the Growth Potential of Women STEMpreneurs in Latin American and the Caribbean (RG-T3593). \$450,000. Approved March 9, 2020. The objective of this project is to support women entrepreneurs of Central America in STEM fields to expand and diversify their networks in the greater Latin America and the Caribbean (LAC) region and beyond, deepen their learning and mentorship opportunities, and get access to regional and global early-stage seed and VC investors.

IDB Invest. Elcatex. \$210,000. (HO-G1255). Approved April 28, 2020. This is an IDB Invest transaction for Elcatex, a Honduras-based clothing manufacturer. The objective of the advisory service provided is to increase the number of women-owned SMEs in the value chain while creating capacity in this client to maintain and reinforce its WSME in the value chain. This will be done through an advisory service to i) disaggregate the client database by sex, ii) create capacity into the procurement teams, iii) create partnerships with business and governmental association supporting the WSME in Honduras to increase their access to markets. A Performance-Based Incentive grant mechanism in an aggregate amount of up to US\$210,000 is also part of the transaction. We-Fi Incentive Payments of up to US\$30,000 annually will be provided to borrower, upon accomplishment of annual targets set for number of WSMEs incorporated in supply chain. The transaction also includes a \$64 million IDB Invest A Loan, and a \$32 million China Co-financing for Latin American and the Caribbean loan.

IDB Invest. Enabling the Growth of Women-Led SMEs Through Financial Institutions and Innovative Financial Instruments. \$2,556,000. (RG-T3634). Approved May 7, 2020. The main objective of this IDB Invest advisory service technical assistance is to support the growth of WSMEs in Honduras, lower middle-income countries and upper middle-income countries by improving WSMEs' access to finance. For this IDB Invest will provide advisory services to clients, including financial intermediaries and corporates, to

design and pilot new financial products and instruments to increase and accelerate financing of WSME . An important element of the acceleration of financing is topromote the creation of a new asset class – gender bonds – to facilitate access to finance to WSMEs.

The Project Summaries included in Annex VII provide additional detail.

In addition, program development has been robust. Projects with third and fourth quarter approvals expected for calendar year 2020 total **\$8,875,000**. There are seven operations overall. Five of the projects in pipeline are under the management of IDB Invest and involve the provision of advisory services and blended finance. The pipeline also includes two proposals for impact evaluations, one led by the IDB and the other by IDB Invest, as well as an IDB project that will support the adoption of climate-smart technologies in agricultural MSMEs led by women (see Annex VI: List of Approved and Pipeline Projects for more detail).

Additional key activities in the implementation period include:

- In-depth IDB Group WeForLAC internal **Operational Guidelines** were expanded on and published in website to support project preparation and execution.
- **Development of a We-Fi WSME definition and tool.** Project teams need to use We-Fi approved definitions included in the guidelines in identifying and reporting on women owned/led SMEs. Teams are expected to work with clients to obtain responses to survey questions outlined in the guidelines as a tool to help reconstruct the We-Fi WSME definitions, establish baseline data, and track progress towards obtaining results from the We-Fi results framework.
- A first **cash transfer was made** in the fourth quarter of 2019, and a second cash transfer is currently being processed.
- A **WeForLAC Request for Program Expansion, as well as adjustments in the Program budget, was submitted for consideration and subsequently approved by the We-Fi Governing Committee** in April 2020, resulting in the addition of Ecuador and the Dominican Republic as eligible countries for the WeForLAC program (see Annex VIII: WeForLAC Request for program expansion. Proposal for consideration of the We-Fi Governing Committee. February 28, 2020).
- The 7% **administrative fee was distributed** to the respective units that work on the WeForLAC Program.

● **PLANS FOR THE NEXT YEAR:**

The focus in the year ahead will be on the quality of design and execution of projects approved and in pipeline, as these operations undergo internal quality control and Bank approval and begin to execute.

In addition, a request will be submitted to the We-Fi Governing Committee for a waiver for WeForLAC disbursement periods that can extend beyond December 2024.

● **KEY CHALLENGES AND LESSONS LEARNED:**

The scope of work and timeline is proceeding with approximately a six-month delay in disbursement, primarily due to COVID-19. As the WeForLAC Program is just launching it is early to note lessons learned. Some challenges are noted below.

Operational challenges. On the **preparation side**, some challenges include: (i) the lack of data (or database) on women-owned/led Small and Medium-sized Enterprises (SMEs); (ii) the identification of executors/customers and the definition of geographical areas and intervention may take time; (iii) time is required for the financial structuring of loans to which We-Fi operations will be linked; (iv) the signing times of the cooperation agreement between the IDB and the Government of Honduras are extended due to terms that are inconsistent with national legislation in relation to the counterparty (e.g. in Honduras the public sector counterpart should be limited to 20% of the total amount of the operation, even in kind, but the project requires a significant contribution of counterpart), as well as to other bureaucratic procedures; and (v) the allocation of budgetary space is required when the executor is a public entity, but the Honduran Ministry of Finance restricts this space, leaving the executor without the possibility of executing.

On the **implementation side**, implementation requires coordination between the public sector, the private sector and other actors; and in some cases, strengthening of the institutional capacity of actors and women's SMEs themselves to participate in projects.

Institutional challenges. Efforts have been made to coordinate between the various operations, however we see there is more potential to strengthen this effort as we move forward in execution.

Actions to address challenges. To address the challenges mentioned above, project teams are taking the following actions: (i) using the We-Fi approved definitions included in the operational guidelines to identify and report on women owned/led SMEs, and working with clients to obtain responses to survey questions outlined in the guidelines as a tool to help reconstruct the We-Fi WSME definitions, establish baseline data, and track progress towards obtaining results from the We-Fi results framework, (ii) identifying databases and mapping SMEs led by potential women benefiting from operations (as defined by We-Fi) in specific economic sectors, in the absence of a database to identify them; (iii) in Honduras involving the Ministry of Finance and the General Coordination Secretariat of Honduras early in preparing operations to facilitate the processes of signing a convention, budget allocation and coordination between ministries and public bodies under this initiative, and (iv) identifying national partners that can support implementation (Chambers of Commerce, Cooperatives, Country Offices of International Agencies, among others).

- **COVID- 19 IMPACT:**

Latin America is now the part of the world most affected by COVID-19, both by confirmed cases and by deaths. The region is reeling from overburdened health systems, worsening economic conditions, and increasingly, popular unrest. The emergency context of COVID-19 has slowed implementation in some countries (e.g. Honduras) by changing government priorities, as well as by the closure of the economy during quarantine and/or implementation of population mobility restriction measures. Economic revival has now begun, but gradually.

To address the slowdown in implementation through the COVID-19 context, WeforLAC support will be adjusted to consider the needs of women-led SMEs. The strong existing in-country presence of WeForLAC

project teams will help execution be less affected by travel restrictions. Finally, to coordinate WeforLAC's various operations hiring a consultant in the Honduras office is being contemplated to facilitate coordinated and consistent action between these projects and other actions of support the IDB will provide for the economic revival of that country.

- **IMPLEMENTATION PROGRESS ASSESSMENT:**

Satisfactory: The project is likely to achieve the majority of its major outcomes/outputs efficiently with moderate shortcomings

IV. WE-FI IMPACT

- **OVERVIEW OF OVERALL IMPACT TARGETED:**

As the IDB Group WeForLAC projects are just being approved, it is too early to provide an overview of the IP's progress towards meeting annual targets and/or overall targets.

- **CHALLENGES MEASURING IMPACT:**

A **first** challenge identified for the implementation and evaluation of the projects benefited by WeForLAC has been the identification of potential beneficiaries and the measurement of baseline values. As multiple public and private WeForLAC projects will be executed in Honduras, WeForLAC impact evaluation funds have been devoted to finance the mapping of data sources and a diagnosis that will help identify and describe the WSMEs in Honduras, and their ecosystem. This will be key to identify potential beneficiaries and understand their characteristics and the main challenges that they face in order to guide the design of the WeForLAC interventions in the country. The mapping will consider all sectors in the economy, with emphasis or more in-depth analysis in the following sectors (connected to WeForLAC interventions): textile, services, solar energy, agriculture. In addition, it is expected that the mapping is conducted at the national level, but some key areas that will have more in-depth analysis would be: Tegucigalpa, San Pedro Sula, Choloma (Cortes), La Ceiba, Nacional, and Corredor Seco, taking into account the areas of influence of WeForLAC interventions in the country. All data sources identified, and micro-level data will have to be compiled in a repository or database. Three proposals from firms to do this mapping have been already received and revised by the Development Effectiveness Teams of IDB and IDB Invest. The contract with the selected firm is being processed.

A **second** challenge has been the arrival of the COVID-19 to the region. The proposed calendars have had to be postponed and therefore many interventions as well. Additionally, the evaluation designs for some projects will have to be reassessed because several interventions will need to change to be adapted to the new reality under the pandemic. For example, mechanisms to identify and select beneficiaries, the development of intervention materials, and the delivery methods will have to be adjusted, possibly making greater use of digital platforms. Moreover, the evaluation team expects that data collection on the ground will experience delays given social distancing measures in place and the challenges in reaching SMEs in these difficult times. In the future, also new alternatives of collecting data, for example online or phone surveys, will have to be considered and carefully evaluated considering its pros and cons.

A **third** challenge for measuring impacts has been working closely with clients to make sure that we align their definitions to the We-Fi WSME definitions. In some cases, clients do not have the same segmentation or do not have the immediate capacity to report information with the sex disaggregation. The Team is making sure to align as much as possible with the definitions required and taking stock of different definitions whenever this happens. This also underscores the importance of providing technical assistance from the very beginning to strengthen data collection and monitoring systems.

- **RESEARCH AND EVALUATIONS:**

Under the Development Effectiveness teams at IDB and IDB Invest, two TC operations are in preparation for a total of US\$3 million to support all WeforLAC impact evaluation work. Both Teams (one in the IDB and one in IDB Invest) have been in close coordination with public and private IDB Group teams and closely monitoring the pipeline of WeforLAC projects to identify potential opportunities for impact evaluations and in-depth studies. Proposals on measuring gender biases in what is related to the assignment of credit to women-led/owned SMEs have been presented to IDB Invest clients, including Davivienda Colombia and BAC El Salvador. With these clients, Client Beneficiary Agreements (CBAs) that formalize the scope of the technical assistance and the commitment of the client to work with IDB Invest on the identified areas have been signed. Also, a CBA was signed with Elcatex, a manufacturing company in Honduras, which includes a proposal to train women-led/owned SMEs in Honduras to facilitate their access to markets and contracts.