

PUBLIC VERSION

# ISLAMIC DEVELOPMENT BANK

## **PROPOSAL FOR FUNDING WOMEN ENTREPRENEURS FINANCE INITIATIVE (We-Fi)**

**Business Resilience Assistance for Value-adding Enterprises  
(BRAVE) for Women “BRAVE WOMEN” Program**

Submitted to Secretariat: March 12, 2018

# PROPOSAL FOR FUNDING WOMEN ENTREPRENEURS FINANCE INITIATIVE (We-Fi)

Date of Submission to the Secretariat 12.03.2018

## PART I: GENERAL INFORMATION

### 1. Program Name

Business Resilience Assistance for Value-adding Enterprises (BRAVE) for Women  
"BRAVE WOMEN" Program

### 2. Implementing Partner

#### Organization and Address:

Islamic Development Bank  
8111 King Khalid St.-Al Nuzlah Al Yamania Dist.  
Unit No.1 Jeddah 2444-22332  
Kingdom of Saudi Arabia

#### Contact Person:

May Ali Babiker

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#### Title:

Manager, Social Capacity Development Division

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### 3. Type of Program:

Private Sector

Public Sector

Both

### 4. Funding Request from We-Fi

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Total Requested from We-Fi</b>	<b>\$ 6 mil</b>	<b>\$ 8 mil</b>	<b>\$10.24 mil</b>	<b>\$ 8 mil</b>	<b>\$ 0 mil</b>	<b>32.24 mil</b>

**Intended Beneficiary Countries:**

Country groupings:

**100% Low-Income Countries (IDA)/ 100% of which are in fragile countries**

List of countries and/or regions where activities are expected to take place:

- Yemen – Middle East
- Nigeria – Sub-Saharan Africa
- Mali – Sub-Saharan Africa

**5. Mobilization:**

Financial instruments (grants, loans, equity, etc.)	We-Fi Investment Requested (\$)	IP Investment Expected (\$)	Private Investment Expected (\$)	Bi-lateral Investment Expected (\$)	Donor Government Investment Expected (\$)	Total Project Cost (\$)
Grants	32 mil				Na	36 mil
Technical Advisory		4 mil				
DFI Line of Finance				15 mil		15 mil
Equity Investments			30 mil			30 mil
Local Bank Loans			6 mil			6 mil
Suppliers Credit			6 mil			6 mil
<b>Expected Leverage to We-Fi</b>	<b>1</b>	<b>0.2x</b>	<b>1.3x</b>	<b>0.5x</b>	<b>Na</b>	<b>3x</b>

**6. Program Timeline:**

<b>Start Date:</b>	1 July, 2018	<b>End Date</b>	30 June, 2023
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## Part II: Strategic Context:

### 1. Program Context:

Fragility, poverty and gender inequality are interrelated. So are entrepreneurship, emancipation and closing of gender gaps. Small and Medium Enterprises (SMEs) play a prominent role in fragile settings. Increased research to better understand the experience and needs of SMEs in fragile settings has revealed that local firms are essential in times of fragility. Local SMEs are shown to have greater flexibility enabling them to have business continuity while larger foreign firms are more risk averse and generally relocate or leave the country during times of insecurity and fragility. SMEs not only provide needed goods and services they also provide jobs for people in need, essential for both livelihood support during times of conflict and fragility and in reconstruction and development to bring about stability.<sup>1</sup> Despite of the vital role SMEs play, many are forced to close during these critical and the majority of them are women-owned or led SMEs exacerbating the barriers to women entrepreneurship. Furthermore, during periods of conflict women have even less opportunities for employment. According to the OECD, 43% of those in severe poverty live in countries in fragile situations, 70% of which are women, youth and children. Encouragingly though, one of the predicament for women to emancipate from poverty is entrepreneurship. In Liberia and Rwanda, to name a few, women have demonstrated to, not only be resilient entrepreneurs, but also effective civil servants worthy of the top leadership spots. Generally, in fragile situations, women tend to invest back into the family and the community, making entrepreneurship a coping strategy to poverty reduction. In addition, there is a strong link between entrepreneurship and reduction of gender gaps in certain indicators such as education, health, and household nutrition. The Global Entrepreneurship Monitor (GEM, 2017) reports that 85% of countries assessed showed 10% increase in overall female Entrepreneurial Activity and a 5% reduction of the gender gap (ratio of women to men participating in entrepreneurship).

Creating more opportunities for women entrepreneurs to engage successfully in business activities can produce considerable benefits for women, their families and communities, Moreover, it delivers society-wide gains as a result of inclusive economic growth. However, several challenges need to be addressed along the road.

The typical constraints faced by women entrepreneurs are lack of access to finance, lack of sound business skills, lack of skilled labor, limited access to market, lack of equipment and technology, restrictive regulatory frameworks—are repeatedly stated in the literature and by women themselves, operating micro to large scale enterprises. The effect of these constraints are detrimental. Recent estimates show 4% and 7% income losses (in GDP per capita) respectively on aggregate productivity and resource allocation as a result of gender gaps across developing regions

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<sup>1</sup> Growing or Coping: Evidence from small and medium size enterprises in fragile settings Anette Hoffmann and Paul Lange, Clingendael, 2016

(Global gender gap report, 2016). Besides, women entrepreneurs operate in a contextual vicious circle of informality, which isolate them from formal business networks and financial institutions systems. In Benin, Chad and Mali, 95% of women workers outside agriculture operate in the informal sector (Chen, 2001). They are being offered only informal sources of finance, short term in tenor with high interest rates, making it difficult to address their investment needs (Financial Inclusion in Africa, AfDB 2013).

A recent assessment, made by the ILO published in the paper “Effectiveness of Entrepreneurship Development Interventions for Women-Entrepreneurs: An ILO-WED Issue Brief, 2014”, provided an overview of the recent evidence about the impact of women’s entrepreneurship development (WED) interventions on women entrepreneurs and identifies gaps. It analyzed six meta-evaluations and 23 impact evaluations from 2010 to 2014. Ten of these evaluations examined the impact of finance, nine of business training, and nine of business training plus follow-up business advice. Key findings include:

- There is little rigorous evidence that either access to finance alone or business training alone leads to sustained business growth among women’s microenterprises;
- Interventions that combine finance and business training are seen to be more effective than other individual interventions;
- There is early evidence that business training combined with follow-up technical assistance, and business grants together with business training may be effective in supporting the business growth of existing female entrepreneurs;
- There is evidence that entrepreneurship programs have been more effective in stimulating the creation of women’s new microenterprises than in supporting the growth of women’s existing businesses;
- To effectively support the business success of women entrepreneurs at the microenterprise level, WED interventions should address more barriers to women’s entrepreneurship beyond limited access to finance and business skills.

BRAVE WOMEN Program is an attempt to support female owned/led businesses and address barriers to women entrepreneurship in selected value chains in Yemen, Mali and Nigeria, three of the most vulnerable countries in Africa and the Middle East. The Program will complement ongoing initiatives in these countries, with an emphasis on women only skills training and access to finance scheme, aimed at boosting entrepreneurship and job creation within fragile and conflict settings.

### Mali

In Mali, the 2015 National Institute of Statistics places the unemployment rate at around 10.6%, women being the most affected, facing enormous difficulties which cause them to stop pursuing economic activities because of lack of support from authorities, inadequate skills training and poor access to capital. Ongoing initiatives do not put an emphasis on women, rather they address the overall private sector firms’ development and employment issues. The Program for Economic Growth and Promotion of Employment in the Private Sector (PACEPEP), carried out by the National Council of Malian Employers (CNPM) with the support of the Danish Technical Assistance Bureau NIRAS, intends to support private sector job creation. PACEPEP has two funds to finance registered

SMEs: an advisory fund for training and capacity building and an investment fund for physical asset acquisition. The advisory support scheme has supported 705 SME, 80 inclusive projects and 20 research and development projects, while the investment fund has focused on 460 SME, 60 inclusive projects and 70 green projects. BRAVE WOMEN wants to complement this initiative through training and physical assets investments with an emphasis on women.

Yemen

In Yemen, armed conflict and financial insecurity dominate many women’s lives. Even before the war broke out in 2015, social convention made it difficult for women to find work, and the situation has now worsened, with many unable to travel at all, even to the nearest town. GIZ and Yemen’s Small and Micro-Enterprises Promotion Agency (SMEPS) currently provide various digital business advice services accessible by female entrepreneurs regardless of their location. Coaching via WhatsApp, for instance, is helping more than 600 female entrepreneurs, including 200 internally displaced persons, to make a success of their businesses despite the current challenges. The pilot BRAVE project in Yemen diagnosed that the women-owned businesses have been the most affected as a result of the conflict with almost half of all firms closed (42%), including those operating in the vital health sector. The project, currently ongoing, will allocate matching grant to 25% of the roster of selected firms to women led companies. BRAVE WOMEN Program will expand the ongoing interventions.

Nigeria

Like elsewhere, inadequate access to relevant information, skills in the line of business and lack of start-up capital constitute the challenges women entrepreneurs face in Nigeria. According to the Enterprise Development Centre (EDC), not only few women ventures are registered (30%), just 2 women in five attend entrepreneurship training and a striking 90% obtains capital merely from family sources.

Characteristics	Gender	
	Male	Female
Business Registration	68% registered	34% registered
Business Location status	10% operate from home	90% operate from home
Number of worker employed	Average of 2 person per entrepreneur	Average of 1 person per entrepreneur
Capacity building	64% attend entrepreneurship training	36% attend entrepreneurship training
Source of Capital	70%(personal)   30%(Family)	10%(personal)   90%(family)

Source: Entrepreneurship Development Centre (EDC) Lagos, 2011

Lack of capital is acknowledged to be the major obstacle. In a study by Kagbu and Joyce from Ahmadou Bello University (The Constraints to Women Farmers’ Entrepreneurial Development in Nasarawa State), 95% of women identify scarcity of funding as the most important impediment to entrepreneurship. In the meantime, the CBN declares almost half of the 42% financially excluded population in Nigeria to be women.

Considerable efforts to empower women are exerted by the Government and international partners through a series of interventions that combine training and access to finance. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), partnered with UNDP in 2014 to train women on business development skills. The National Women Empowerment Fund (NAWEF)—a collaboration between the Government, Nigeria Bank of Industry (BOI), World Bank, African Development Bank, UNIDO and UN Women, set aside \$4 million micro-finance program that provided loans to 1 million women entrepreneurs in 2017. As part of NAWEF, UN Women contributes directly to business training for 600 women in the North East.

It is to be noted the North East is one of the most fragile region in Africa. And so, constraints to women entrepreneurship are more severely felt. Rightfully, DFID conceived the Links program, specifically designed and executed in the North East to identify competitive value chains with potential for financing, job creation and income generation. The program entails a hard-wired women's economic empowerment (WEE) focus, which BRAVE WOMEN intends to strongly complement.

BRAVE WOMEN will also coordinate its implementation by using all the networks active in the different projects and leverage from lessons learnt from all these initiatives.

## 2. Development Impact and Alignment with We-Fi Objectives:

BRAVE WOMEN Program is focusing on developing and increasing the economic opportunities for female entrepreneurs in Yemen, Nigeria and Mali through skills training aimed at business viability (i.e. profitability) in targeted country-specific value chains. It will enhance the bankability, entrepreneurial and market development skills of female owned/led Micro, Small and Medium Enterprises (**MSMEs**) which are critical to sustainable local growth and job creation. Furthermore, it will promote pro-poor growth by targeting the value chain in the market segments and sectors where the majority of the poor earn their living, and tackle gender disparities in economic opportunities by targeting women entrepreneurs.

**The proposed BRAVE WOMEN Program fully aligns to We-Fi strategic objectives.** The Program will promote female owned/ led Micro, Small and Medium Enterprises (**MSMEs**) to increase their opportunities for business growth through facilitation of direct and indirect investments, as well as improve their entrepreneurial ecosystem and business formation and growth through business resiliency capacity building, support to market development, a matching grant facility and business coaching support.

The Program will specifically help to address the drivers of fragility through inclusive and equitable access to employment and improve financing institutional capacity to create sustainable and profitable economic opportunities.

The Program will specifically improve the MSMEs capacity to develop economically viable and financially sustainable business proposals through competitive and demand driven approaches to business financing. Last but not least, the Program will fill an existing gap currently experienced by the Yemeni, Malian and Nigeria population in access to food security, health services, basic education, and job opportunities for youth. The latter will further contribute to improving security and reduce the youth migration crisis.

### 3. Alignment of Public and Private Sector Activities:

Mali's economic growth strategy focuses on supporting national institutions and priority sectors through improved private sector development linkages. The state has gradually withdrawn from productive activities to fulfil a facilitating role, making the private sector the engine of socio-economic development. In the 1990s, following the adoption of the Constitution (Fundamental Law of 25 February 1992), a series of legislative and regulatory initiatives were implemented to improve the legal and institutional environment, simplify procedures for setting up private businesses.

In Nigeria, the 2016 National Economic Empowerment and Development Strategy (NEEDS) fully considers women capacity to participate as a success factor of the country's economic strategy. In addition, concrete public sector funded programs designed to lift women constraints to entrepreneurship include the Government Enterprise and Empowerment Programme (GEEP), NAWEF and the 500 million \$ CBN's MSME fund.

Although endorsed before the conflict situation escalated towards a full-scale war, the Yemeni government's "Transitional Program for Stabilization and Development" (TPSD) describes plans to rebuild the economy, advance the political transition, enhance security and the rule of law, and significantly improve the welfare of the Yemeni population.

Since the war erupted, the Government of Yemen (GoY), working through its technical line ministries and in partnership with the World Bank (WB), the United Nations (UN), the European Union (EU) and the Islamic Development Bank (ISDB), has carried out a dynamic in-crisis preliminary Damage and Needs Assessment (DNA). The DNA quantified the impacts of the ongoing crisis on business including MSMEs, critical (social) infrastructure, physical assets and service delivery across key sectors in Yemen. The findings of the DNA were an input for the blue print prepared by the World Bank for Recovery and Reconstruction Program. Government of Yemen and its partners realize the immediate need for in-conflict interventions that support business and community resilience at humanitarian, social and economic levels. The majority of the donors' focus in the past period was related to relief and emergency response. There is, however, a gradual shift towards early recovery and resilience agenda. The MSME business resilience support, which was the prime focus of BRAVE implementation supported by IsDB, is currently under expansion with more focus on value chains resilience.

#### 4. Implementing Partner Track Record:

The IsDB has a proven track-record in the development and promotion of women's entrepreneurship and innovative sustainable solutions to increase women's access to economic opportunities. The IsDB has a long history of engagement with diverse stakeholders, including governments, private sector, civil society, the banking sector, regional economic institutions and most of all the program clients themselves. The following few examples highlight IsDB's most recent support.

IsDB/ICD<sup>2</sup> have designed and are currently implementing a USD 6 million Program which includes matching grant and capacity building activities for 500 firms in selected value chains in Yemen over the period 2016-2019. The grant was financed through the MENA Transition Fund and is executed through a tri-partite structure between the ICD, SMEPS (SFD Private Sector arm) and 4 local partner Banks<sup>3</sup> (TIIB, SIB, KMIB and NBY) with support from the advisory committee composed from related Ministries and private sector leaders. Five hundred firms are participating in the scheme, including 65 women owned/led firms. To date, the project disbursed 20% and is progressing according to plan despite the difficult security situation and persistent lack of electric power. Additional funding for national scaling is underway.

In Senegal, the IsDB has designed the Women Entrepreneurship Development and Youth Employment Support (WEDYES) Project for a total amount of USD 14.5 million. The Project aims to improve the women's entrepreneurship potential in key economic sectors. The Project has provided capacity building and training services to both the female entrepreneurs, the financial intermediaries as well as additional business financing through partner financial intermediaries. It further supported business opportunities and networking with Senegalese private sector as well as providing basic services, small infrastructure development and procuring appropriate technologies.

In addition, the IsDB/ICD has contributed to several technical assistance initiatives supporting private sector development and promoting female business owners as well as youth employment. The support ranges from industrial policy, Industrial zones development and capacity building programs with engagements in Djibouti, Mauritania, Mozambique, Sierra Leone and Yemen among others, IsDB/ ICD has mobilized about USD 10 million of funding from various bilateral (Turkish Cooperation and Development Agency) and multilateral sources (Caribbean Development Bank) to address private sector development issues in its member countries.

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<sup>2</sup> The Islamic Corporation for the Development of the Private Sector (ICD) is the IDBG Private Sector arm

<sup>3</sup> ALKURAIMI Islamic Microfinance Bank (KIMB), National Bank of Yemen (NBY), Tadhamon Islamic Investment Bank (TIIB), Saba Islamic Bank (SIB)

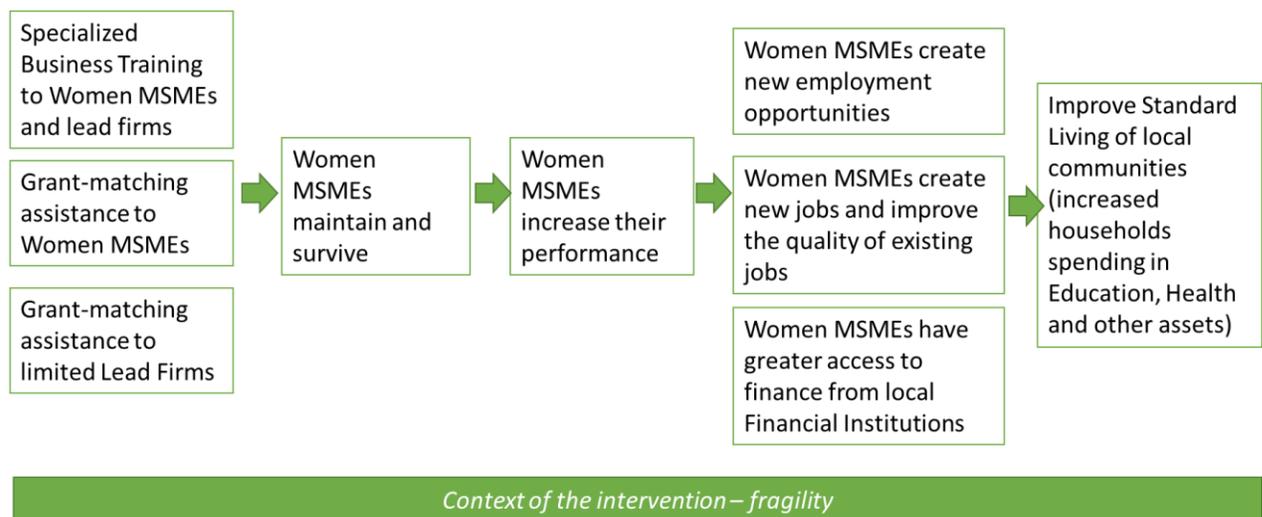
## Part III: Program Description

### 1. Program Development Objectives:

**The Program Development Objective is to enhance the resilience of MSMEs owned/managed by women in fragile context as potential engines for innovation, employment, and improved quality of life.**

The design of the BRAVE WOMEN Program is based on the following **theory of change**: providing specialized business training and grant-matching assistance will help women businesses maintain and continue operating in fragile context. Ultimately, it will lead to improve the operational and financial performance of their MSMEs, create new employment opportunities, improve the quality of existing jobs, increase their access to finance and, improve the quality of life for the local communities.

The following figure illustrates the Program’s **Theory of Change**:



### 2. Program Beneficiaries:

#### *Direct beneficiaries*

The direct target beneficiaries are women entrepreneurs in Nigeria (given the size of the country and in order to allow for more focused and efficient intervention, 3-4 four states identified as fragile

or conflict affected environment will be selected taking into consideration the perceptive of value chains to be targeted and the ongoing complementary initiatives in the country by IsDB and other DFIs/Donors), Mali and Yemen. In Mali, the Program will be demand driven nationally to further ensure inclusivity. The Program will specifically target women business owners and also those who are leading businesses but not necessarily owning them. The target women entrepreneurs will have at least one year of business experience in a legitimate running enterprise in the key priority sectors in each respective country, and these may include but not limited to the following sectors: health, food processing, agribusiness including livestock and fisheries, garmenting and handicraft. Other sectors may be considered upon full due diligence, local consultation and capacity assessment.

The Program is designed to take into consideration key lessons learnt from female entrepreneurship development program implementation in post conflict countries and situations of fragility. It also builds on the growing positive evidence from the BRAVE Yemen Program, which has seen increased number of women entrepreneurs expanding their businesses. Further consultations will be during the program appraisal stage with the key stakeholders. Women entrepreneurs in the target sectors will be engaged and informed about the financing and technical capacity building activities to be implemented through the awareness workshops that will precede call for proposals. The participating banks and financial intermediaries will also be consulted to ensure their shared understanding of the program concept, delivery and implementation mechanisms as well as monitoring and reporting thresholds.

#### Definition of Women-Owned/Women-Led Firms:

For the purpose of the program activities and implementation, the following IFC definition of woman-owned / women-led MSME business is adopted with a caveat noted below:

- $\geq 51\%$  owned by a woman/women; or
- $\geq 20\%$  owned by a woman/women; and have  $\geq 1$  woman as CEO/COO (President/Vice-President); and have  $\geq 30\%$  of the board of directors comprised of women, where a board exists; and
- The IFC definition only covers cases of minimum loan size of US\$5,000/-. However, the nature of targeted Women MSMEs and the challenge they face in obtaining bank loans in fragile environments under consideration, the grant matching contribution from BRAVE WOMEN and the matching amount from the firm owner will be a proxy for the size of Loan. Therefore, a supported business plan for each Women MSME is set at a range from minimum of US\$10,000 to a maximum of US\$30,000.

#### *Intermediary beneficiaries*

The BRAVE WOMEN Program will also benefit some key intermediary beneficiaries. It is envisaged that given the additional financial and entrepreneurial boost in the local business sector, other related businesses will also be revived, such as transportation, operations and maintenance, general maintenance services, fruit and vegetables gardening. The female entrepreneurs are likely to invest their profits back into the communities, which could further have a positive impact on community

members through better nutrition, better access to health and education, and improved community and local level security. Most importantly the partner financial intermediaries are most likely to adopt operational and management changes which continue to help women entrepreneurs. As a result of the Program's business advisory and coaching to the female entrepreneurs support, the female entrepreneurs will become second and third time borrowers, which create the confidence and trust among in the banking sector. Furthermore, the financial intermediaries are likely to further innovate and adopt a dynamic business model, which allows them to flexibly respond to the needs of female entrepreneurs, who are dependable and reliable.

### 3. Program Components:

BRAVE WOMEN Program will be a multi country program, with potential for scaling up and replication, to revive women owned/led micro- and small- enterprises across Yemen, Nigeria and Mali. The investments in local PMUs and IT components (see below) will provide the local implementation agencies with additional human, operational and technology capabilities towards that objective. Moreover, lessons learned and applied methods could provide donors with additional experience with possible applicability in similar conflict-affected environments. The BRAVE WOMEN Program shares and leverages on the design and lessons learned from the BRAVE Yemen Program which is currently under implementation.

The Program combines training and grant matching aimed at supporting women-led firms' investments for growth and resilience. The training will be financed by We-fi and the grant matching scheme will be a co-contribution between We-fi and the firm. The program is packaged around 3 components that are structured to serve 2 objectives: 1) collecting a large sample of firms who to provide training to and 2) further categorizing the firms based on size and importance in the economic sectors of the different countries to allow the grant and its matching counterpart to respond to the firms' specific needs. Sectors and number of beneficiaries are expected to have some variation from country to country to address the specific needs of women owned/led firms within the general approach adopted at the program level:

#### **Component 1: Business Resilience Capacity Building**

The component will finance the delivery of initial training to business advisors. In addition, Training of Trainers (ToT) sessions will be conducted to support local delivery of training to eligible women owned/led MSMEs. The training will help these businesses assess risks and determine their business priorities articulated in a Business Continuity Plan (BCP) developed through a three-month consulting service provided by the certified business advisors. A Business Resilience training and consulting package was developed by the SMEPS-Yemen in cooperation with the GIZ for this purpose. For the informal economy female, micro entrepreneurs with high growth potentials and transformation to the formal sector/banked the Program will seek complementary partnerships with ILO and/or other support programs for sourcing and qualification of their readiness and enrollment to the BRAVE WOMEN Program.

For each implementation cycle, there will be independent advisors recruited as Business Resilience advisors and trainers. For Nigeria and Mali, initial capacity assessment of the local agency will also check the availability of business advisory rosters in the country with former experience and qualifications on SME Advisory Services. BRAVE WOMEN Program will further develop the capacity of these advisors by inducting them into the GIZ Business Resilience Training and Consulting package. Advisors passing the TOT certification may be used by BRAVE WOMEN Program to deliver training to SMEs to complete viable BCPs required for eligibility to the matching grants offered in component 2. These advisors will be recruited in coordination with local training providers to allow sustainability of service delivery beyond the program and enable a national roll out of additional Women SMEs training support programs in the future.

The participating local banks will be supporting the screening process, led by the execution agency by means of providing a brief statement of Know Your Client (KYC) check on the eligibility of the applicant (beneficiary firm) in terms of its banking history and reputation.

### **Component 2: Business Recovery Support (BRS)**

A prerequisite for business participation in the BRS's matching grant scheme is the completion of training in Business Resilience. This component will finance an estimated 300-500 women led/owned MSMEs per country (on average: 400 firms for Yemen, 500 firms for Nigeria and 300 firms for Mali) in pre-selected value chains, on a cost-sharing basis (matching grant) after they complete successfully the training and BCP preparation (the modalities of matching grant is explained in Annex 2). Briefly, the following grant matching arrangements maybe noted. The selected beneficiaries will need to demonstrate evidence of their matching contributions in a project-dedicated bank account (sub-account) which will then trigger disbursement of grant funds by the local partner bank. The PMU team will verify supplier quotations and clear the quotation for disbursements by the local partner bank against the supplier's invoice. In other words, all payments are made from the sub-account directly to the supplier(s).

Depending on the country and sector specific assessment, matching ratio might be reduced to 30% for the women owned firms based on a pre-set criterion to be defined in the Operating Manual (OM). The grant will be used primarily for the procurement of capital assets, and business services to support business recovery and growth. Businesses operating in the vital sectors of health, agro-processing such as fisheries, horticulture, food-processing, handicrafts and garments are expected to be prominent industries as reflected in the composition of the economy. The grant ceiling is \$15,000. The minimum size of the matching grant will be calibrated in country by country basis and outlined in the OM. Initially roll out plans per country will focus on easily accessible locations with critical mass of potentially eligible women led/owned MSMEs to establish robust platform and stabilize the implementation structure among local partners. The process of selection and qualification of each firm and modality of grant deployment and utilization will be clearly outlined in the OM which was developed initially under BRAVE-Yemen implementation and will be adjusted/enhanced tuned for the new phase of BRAVE WOMEN Program in Yemen as well as the new projects in Nigeria and Mali.

Therefore, the local partner banks in BRAVE will be tasked with the following key roles: The participating local banks will provide three critical roles in this component (against services fees estimated at 1.5% - 2% of processed grants):

- Participate in the judging panel meeting with a nominated credit officer for BCPs reviews and additional checks on the cost estimates for any approved application;
- Grants Custodianship: All grant-matching schemes of the Program will be deployed by the IP in coordination with execution agency through dedicated project accounts per eligible women led/owned MSME. For each approved application, a separate account will be created under close supervision from the bank to carry the approved funding which will be utilized for the agreed BCP procurement plan; and

After, the grant allocation to eligible projects by women led/owned firms, the executing agency will be following up with the firm through BCP Advisors to provide technical support, mentoring and undertake quarterly visits to the firm premises to ensure proper implementation of the BCP plan (for 12 months), continuous compliance of the firm with the grant terms and report on results. BCP advisor will also be account managers to the firm for any issue resolution during the support cycle.

### **Component 3: Value Chain Resilience**

Conflict affects the way information and technology are available and used in value chains. Conflict and fragility may drive the introduction of new technologies and innovation. Conversely, previously accessible sources of information and technology may have been lost during the conflict.

Enterprise growth/resilience interventions should design an exit strategy. The value chain development approach in BRAVE WOMEN Program targets enhancing the lead firms, Women Business Associations and sector specific cooperatives, and aims to ensure sustainability of impact in target sectors. Collective action organizations such as Business Associations/ Cooperatives can play a key role in helping enterprises and producers to address value chain requirements irrespective of their exact legal form. They can facilitate and leverage market linkages for small -scale entrepreneurs and producers, improve their bargaining power and access to market information. A Value Chain Development approach can help in providing crucial information about end-markets and about key underlying constraints that hinder further development. This in turn can inform and enhance the work of business associations and cooperatives or help small entrepreneurs in the decision of why and how to form a collective action organization.

#### **Component 3.1: Lead Firms Resilience Support**

BRAVE WOMEN Program seeks to support in protecting vital value chains in the targeted sectors of component 2 and upgrading the chain performance, impacting on many more women led/owned SMEs both formal and informal. The Program will be working with a limited number of around 20-30 lead firms for Nigeria and Mali. For Yemen, this component is already covered under the current implementation supported by IsDB. Each lead firm will be supported with a We-fi grant of up to US \$50,000 of which a portion will be directly utilized to supporting other women chain actors as set out in the project OM. The selected lead firms will need to demonstrate evidence of their matching

contributions in a project-dedicated bank account (sub-account) which will then trigger disbursement of grant funds by the local partner bank.

Lead firms will be well established formal businesses that in a non-war context would be potential clients for private sector financial services. They have the possibility to impact on a large number of MSMEs including producers and other lead firms by setting industry trends. They will have strong demand for the products/services and good competitors in their end markets. Below is a summary of the criteria for qualification of value chain lead firms:

- The Lead Firms have commercial linkages with large number of MSMEs including women led/owned as either a buyer or supplier of products and services,
- The Lead Firms have sufficient financial strength to make investments or dedicate resources to business operations that will result in improved and/or expanded relations with MSMEs including women led/owned,
- The Lead Firms are willing to make investments in improved or expanded relations with MSMEs including women led/owned that may only show results over a longer period of time, and
- The Lead Firms have potential to influence other lead firms and actors in the value chain.

The grant will be used for:

- **Functional upgrading** - helping the lead firm(s) support actors in the chain identify which activities to focus on; and assist on outsourcing activities. Functional upgrading may also support chain actors acquire new functions.
- **Product upgrading** – the introduction of new products or improvements of existing products which may be through the introduction of technologies that improves the quality of products and product differentiation.
- **Process upgrading** - improving the efficiency of existing production processes, for example through reducing costs or increasing speed of production or delivery.

### **Component 3.2: Business Associations (BA) Resilience**

In each country implementation (Yemen already covered), the Program will work with a limited number of 10-15 business associations/cooperatives in each country selected nationally based on their significant role within the value chains they support and in consultation with other development partners. Each BA will be supported with a matching grant of up to US \$50,000 of which a portion of it will be directly utilized to supporting other chain actors as set out in the Operations Manual. The selected BA association will need to demonstrate evidence of their matching contributions in a project-dedicated bank account (sub-account) which will then trigger disbursement of grant funds by the local partner bank. A flexible matching ratio by the BA could range from 50% down to 20%. Depending on the income generation capabilities of the BA, the matching contribution might be expressed in cash or in kind. Business Associations resilience support may cover:

- **Vertical activities:** Cooperatives and business associations can have an important role in providing information about market requirements and supporting their members in complying with them. The organizations can help for example by providing training and improving skills in modern production and management techniques.
- **Horizontal activities:** Cooperatives and BAs have a strong potential to reduce transaction costs and create economies of scale through horizontal activities. Horizontal activities include grouping together to increase small producers' bargaining power and therefore, strengthening their position in the value chain. Joining forces can result both in a more stable and profitable relationship with intermediary buyers as well as help producers getting access to cheaper inputs by pooling their purchasing power and buying in bulk.

Business associations support members to develop their production and business activities, protect their interest and represent them. The cooperatives on the other hand have a dual nature of being both associations and enterprises at the same time. *For the purpose of this program, the cooperative could be qualified as a lead firm if it has a solid profitable business model and commercial license by being engaged regularly in roles of buying/selling activities in the value chain.*

**Specific note on the program:**

- *All firms, including VC lead firms and BA associations will contribute a matching grant to the WE-fi grant.*
- *All firms that qualify to the We-fi grant and have the opportunity to match it will be identified according to the following process:*
  - ***1st level criteria and 1st random selection.*** *Firms will apply to join the Business Continuity Management (BCM) based on eligibility criteria defined by the operations manual. In case the number of qualified candidates exceeds the budgeted amount, a random selection shall be done. Eligibility criteria will include among others certificate of incorporation, number of years of registration, ownership of bank account. Firms selected as a result of the 1st random selection will join the BCM training. BCM training will be financed by the We-fi grant.*
  - ***2nd level criteria and 2nd random selection:*** *To qualify to the matching grant scheme, firms should pass a second level of eligibility, which consists in:*
    - *Completion of the BCM*
    - *Preparation and submission of Business Continuity Response Plans and commitment letter;*
    - *In case the number of qualified candidates exceeds the budgeted amount, a random selection shall be done.*

*The eligibility criteria will help determine the category each firm is belonging to (SME, VC Lead or BA), and therefore, the matching grant it ought to contribute.*

- *The matching grant will focus on the procurement of capital goods and business services to support business recovery and growth. The non-exhaustive list of financeable item will include:*
  - *Construction,*

- *acquisition of machineries and associated technical assistance,*
- *quality assurance and control systems, quality certification,*
- *packaging and labelling design and production machine,*
- *introduction of information systems and telecommunication technology,*
- *storage facilities (finance renting new storages for firms' products).*
- *Other goods that are consumed in production process and other services and work assets (taxes, office rent expenses, operational expenses) are not supported by the grant.*

#### **Component 4: BRAVE IT Platform**

During the BRAVE Yemen implementation, a well-used Client Relations Management system (CRM) based on open source was developed under oversight of IsDB. The CRM massively supports tracking of grants to clients and overall reporting as well as capturing of 'live' project stories. Building on this success, BRAVE WOMEN Program will be building on the previous experience and develop in each country implementation, a nationally scalable open source IT Platform to track all aspects of women led/owned beneficiary firms interactions with the Project Management Unit of the executing agency and banks from the initial application and training to the allocation and utilization of the grants as well as the supervision and monitoring activities. This will also support partner banks' processes and allow donors to track project performance through a web portal, which greatly enhances transparency during situations of conflict. The system will be based on the Operational Manual to be developed part of the design process as a blue print for its business rules and process flows. The activities tracked through this platform will enable data analysis and extraction of lessons learned in terms of the impact of BRAVE WOMEN Program for future replication and/or scalability. For each country, a website will be also developed for public awareness, mass communication online application with social media extension.

#### **Component 5: Impact Evaluation/Randomized Control Trial**

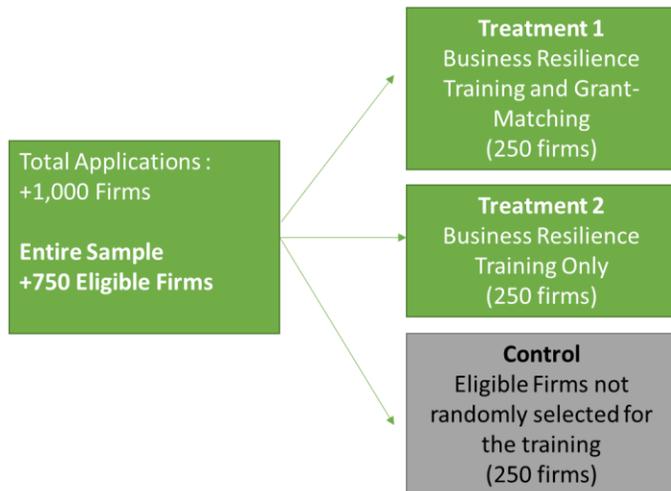
A rigorous impact evaluation will be undertaken in Yemen and Nigeria and a Randomized Control Trial (RCT) in Mali through a methodology compatible to the nature of the BRAVE WOMEN Program. This would help assess what works and what does not work for women MSMEs in fragility context.

The impact evaluation will address the following indicative questions, which could be refined after proper due-diligence:

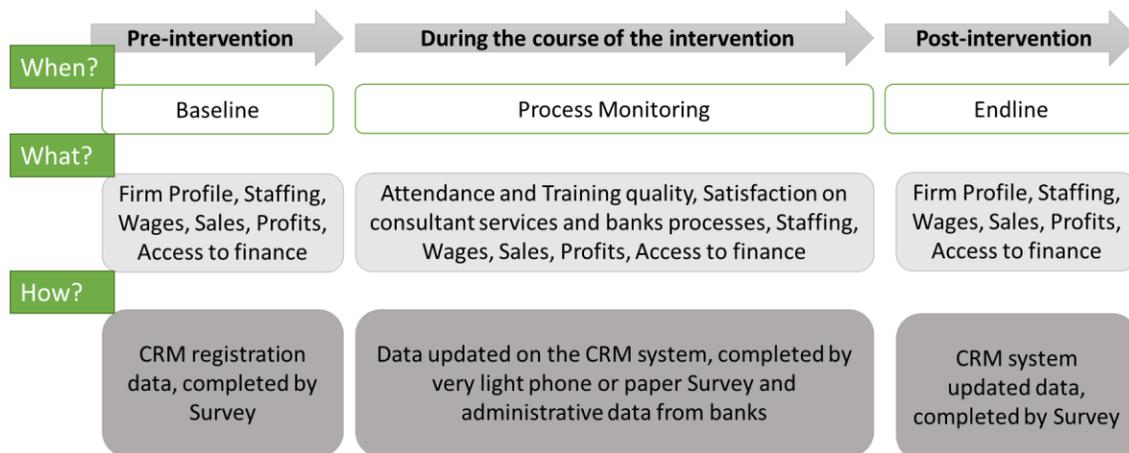
- In fragility context, which types of women entrepreneurs and businesses benefit the most from business resilience training alone?
- In fragility context, which types of women entrepreneurs and businesses benefit the most from business resilience training combined with grant-matching?
- Does grant-matching intervention combined with business resilience training make local financial institutions more willing to extend financing to women led/managed MSMEs?

- What can we learn from the linkages between Lead value-chain firms and women MSMEs in fragility context?

To design the evaluation in each country, we need one control group and two treatment arms divided as follows:



The three groups will be monitored throughout the Program implementation using the below methodology:



Moreover, the evaluation team will address the common threats faced in similar contexts:

- Attrition: some firms from the control group may leave the study.
- Social desirability: the respondents may provide favorable responses to expect more benefits from the intervention.
- Spillover: control firms may talk to treated firms and change their behaviors.

- Ethical concerns: denying treatment to eligible firms may be seen as an ethical concern. With limited resources, random selection is usually seen by final beneficiaries as one of the fairest selection method.

Moreover, the Phase-in Design where the control groups become treatment groups in year 2 or year 3 is a good way to address other ethical concerns. Finally, throughout the programs, the impact evaluation study is governed by the three(3) Ethical Principles and Guidelines for the Protection of Human Subjects of Research:

1. Respect for persons : respect individual autonomy, protect individuals with reduced autonomy
2. Beneficence : Maximize benefits and minimize harms
3. Justice : Equitable distribution of research burdens and benefits

#### **Component 6: Project Management Unit (PMU)**

The PMU will be composed of dedicated fulltime professionals from the executing agency (EA) and market recruits. The Program will be implemented by leveraging the in-house skills of the EA where needed. This unit is already in operation for BRAVE Yemen and it can be expanded to support a more focused BRAVE WOMEN Program affiliate with additional man power. In this regard, the experience in BRAVE Yemen and experience of the local agency could be tapped on by the PMUs to be set up in Nigeria and Mali through cross learning and technical exchanges facilitated by IsDB under its south-south cooperation programs. The ability and experience of selected agency to operate in conflict areas is a major input for the Program.

As such, it is expected that EA valuable in-kind contribution will lead to overall national capacity building through the eventual spin-off of the project management unit (PMU) into a dedicated program for managing women entrepreneurship support projects. The EA internal structure will be adopted to support the PMU. In this way, the PMU will be supported by EA finance, audit, procurement, and IT functions with dedicated staff from each function working in the PMU. It is envisaged that within the 2-year period of this project in each country the PMU will have gained strong capacity support from its parent EA to go on to multiply manifolds its project management and processing capacity which importantly is highlighted as one of main development bottlenecks in targeted countries. IsDB will also ensure that the PMU capacity development is measured in the results matrix in terms of its ability to respond effectively and efficiently to beneficiary firms' needs.

#### **4. Results Framework:**

Progress towards achieving the project's development objectives will be measured by a series of quantitative and qualitative indicators at the PDO level and at the component level.

***At PDO level, two indicators are aligned with the We-Fi specific indicators***

1. Number of women-owned/led SMEs in entrepreneurship support programs in We-Fi served institutions that report increased sales or profits, disaggregated by IDA/FCS. (We-Fi Results Framework Indicator 11).
2. Number of direct jobs, disaggregated by sex, created by women-owned/led SMEs. (We-Fi Results Framework Indicator 12).

Additional PDO Indicators of BRAVE WOMEN Program are:

3. 40 Number of the supported lead firms that have introduced new products and/or new markets channels.
4. 50% Percentage of supported firms that have access to finance from Financial Institutions at the end of the Program.
5. 30% Growth rate of membership for Women owned/led MSMEs in Business Associations.
6. 30% Growth rate of Women led/owned MSMEs value of Purchases by Lead firms/Business Association supported by BRAVE WOMEN Program.

**Detailed PDO and intermediary level indicators are in the attached results matrix at the Annex.**

## 5. Innovation and evidence:

In conflict-affected environments (CAEs), a combination of restoring macro stability; building infrastructure to create employment and address a possible binding constraint to growth; promoting entrepreneurship; and improving the functioning of value chains that matter for the poor, is proven to be effective.<sup>4</sup> This is more relevant for the Women as entrepreneurs and employees who tend to be more fragile and exposed to the risks of fragility in terms of market survival and livelihood sustainability.

Matching grants are one of the most common types of private sector development programs used in developing countries and conflict affected settings. According to the World Bank Policy Research Working Paper “The Additionally Impact of a Matching Grant Program for Small Firms”, they have been included in more than 60 World Bank projects totaling over US\$1.2 billion, funding over 100,000 micro, small and medium enterprises. Matching grants consist of partial subsidies (typically 50 percent) provided by government programs to try to spur firms to undertake innovative solutions and more broadly, firm expansion. The World Bank used a randomized controlled trial of a matching grant program for firms in the Republic of Yemen to demonstrate the feasibility of conducting experiments with well-designed programs, and to measure the additionally impact. In 2013-2014 period, the matching grant project (EREP) implemented through Small and Micro Enterprise Promotion Service (SMEPS), is found to have led to more product innovation, firms upgrading their accounting systems, marketing more, making more capital investments, and being more likely to report sales growth<sup>5</sup>

<sup>4</sup> What works for market development: A review of the evidence. UTV Working Paper, SIDA 2013:1

<sup>5</sup> World Bank Policy Research Working Paper “The Additionally Impact of a Matching Grant Program for Small Firms, October 2015

Taking the above into consideration, and the successful results of value chain projects implemented by SMEPS under several donor-funded programs, The BRAVE-Yemen project was designed and funded under IsDB support (through Islamic Cooperation for Private Sector Development (ICD), the private sector arm of IsDB) to combine value chain design principles, grant-matching schemes concepts and banking practices within an integrated framework that response to the in-conflict challenges of the private sector with key focus on pro-poor sectors (Fisheries, Agribusiness, food Processing, Healthcare and Garmenting). These sectors (excluding fisheries) tend to have direct impact on women as employees, produces or owners.

The Brave-Yemen Phase 1 (ongoing 2017-2018) and phase 2 (planned 2018-2019) target women business owners as one of its target beneficiaries within an ecosystem support program that tackles the resilience of vital value chains and their members, actors by blending financing, business development services (BDS) and capacity development modalities. The focus of BRAVE WOMEN Program is on protecting value-adding, formalized and mature MSMEs, including women owned firms, in vital value chains from closing as a result of the conflict and market fragility.

**Innovation:**

As an integrated resilience support program, BRAVE WOMEN Program design responds to the following guiding principles, which are equally relevant to women led/owned firms in vital value chains:

- Sustain innovation and entrepreneurship in sectors proved to harness community resilience during conflict;
- Sustain quality jobs provided by SMEs for the fragile groups of women and youth;
- Compliment financial aid targeting rehabilitation, capital goods and business development of firms with practical advice and capacity building to deal with resilience conditions;
- Sustain demand and investment through focusing on value-chain lead firms in targeted sectors. The ability of these firms to adjust their business model with the conflict situation will have a wider spin off effect through its linkages with the SMEs clusters;
- Encouraging financial sector involvement with firms during conflict to pave the way for future improvement access to finance through more commercially viable arrangements;
- Ensure unbiased and transparent implementation process that is neutral to regional divides.

Furthermore, the BRAVE WOMEN implementation arrangements reflect several innovations/adoptions of good practices advocated by the literature of DCED and ILO for private sector development programming in conflict affected settings calling for: (i) flexibility; (ii) practical support; (iii) trade-off between the short- and long-term; (iv) innovation; (v) prioritization; (vi) risk acceptance and (vii) coherence and coordination of international response.

Flexibility is reflected in the modular nature of the support schemes targeting MSMEs in general (providing jobs and livelihood of women), women MSMEs, value chain lead firms, and sector specific business associations/cooperatives. While sharing the same implementation infrastructure and resilience sensitive conceptual framework, the Program scalability allows for additional funding and

more tailored support packages under the current or future scale up implementations of the BRAVE/ BRAVE WOMEN Programs.

In high alert conflict affected setting, firms need to focus on managing risk while investing in growth. BRAVE-Women Program focuses primarily on planning for and co-funding (by matching grants) capital expenditure on productive assets for women led MSMEs. This allows for easier tractability of donor funding, better leverage potentials with the local financiers keen to offer short term working capital and prioritization of investment options by the entrepreneurs while observing short term market risks and long term opportunities. These assets are procured via the local custodian banks participating the Program, thus ensuring mutual commitment, actual delivery and subsequent monitoring of asset performance, which improves attraction of the firms to the banks. In conflict-affected contexts where banks tend to be even more conservative lenders, such engagement allows gradual shift from collateral based finance to viability lending.

Prioritization of vital value chains for BRAVE support maximizes benefits of the ecosystem. Moreover, peer pressure within linked firms creates an overall spirit of challenging the current risky market conditions and stimulates growth planning. This was clearly demonstrated in the diversification plans presented in BRAVE-Yemen by value chain lead firms. The support of the lead firms was not for co-funding and basic training only, but additional flexibility was given in grant uses to include acquisition of consultancy services from market providers for functional, product or process upgrades.

The grants were modeled legally as *qard-hassan* (which is a form of interest free loan with no repayments over a specified period of time) that is converted to a grant after one year of regular monitoring by the local agency (through field visits of advisors) to ensure proper implementation of the funded business plan and continuous use of the acquired assets by the matching grants. Should the beneficiary firm fails to comply with grant use terms, by for example selling the asset, the bank and the Program will simply mark the firm as a defaulter on grants which puts the formal firm under pressure and trust damage from the local banks and other support programs in the future. Implementing the grants disbursements through the banks and linking the procurement process to the IT platform, enables close monitoring at project level and provides for good data analysis and collection for future evaluation or learning by the program's implementers and sponsors.

Focusing on coherence between the BRAVE Program and other support programs by other partners or by IsDB itself allowed the BRAVE design to craft its impact space that is both complimentary and enhancing to ongoing initiatives. Thanks to the value chain perspective of the Program. For, example IsDB, WB and USAID in Yemen targeted small producers of Agri-products with emergency assistance of technical and financial support not demanding formality, matching or banking record. BRAVE Program focused its support to SMES, lead firms, cooperative and business associations who often link to these producers (many of them are families, women or women employers) vertically or horizontally therefore improving overall viability of the value chain/regional clusters during conflict.

***Evidence: Early Lessons Learned from BRAVE Program – Yemen***

Based on the baseline study and the feedback of the PMU, SMEPS and the participating banks, the following are worth noting feedback:

- The supported firms continue to sustain more than 15,600 full time and temporarily jobs although almost half the firms stated that they had to lay off some of their staff as a result of the conflict.
- Around 75% of the supported firms were micro and small enterprises (less than 20 employees).
- Around 22% of the supported jobs are for females
- 62 of the supported firms were owned by women entrepreneurs.
- More than 70% of business owners had bachelor degree or higher qualifications.
- Participating banks expressed high interest to resume or extend lending activities to supported firms after evaluating their BCPs. The intervention of BRAVE has de-risked the firms profile as noticed by the banks.
- Several BCPs of firms, illustrated higher investment appetite even beyond the 50% matching amount reflected increasing confidence in growth prospect.
- Several firms who were supported with resilience training but were excluded (by random selection given funds available in phase 1) from the Grant competition, managed to secure financing from local financiers.

By adopting the value chain (VC) support to lead firms, BRAVE VC workshops helped orient the firms about the lead firm concepts and how to adopt Action for Enterprise (AFE) standards toward greater impact. After completing the continuity training and planning, the project VC experts and business advisories worked together extensively with the lead firms to design their business plans. The outcome of such joint work was:

- Supported firms have clear business plans to diversify their business and have new business lines
- Supported firms started to work with other players to reach the maximum benefit in the sector
- Supported firms plans reflect positive shift towards the more needed services in the sector
- Firms' plans could enhance the whole sectors' chain specially the health sector with new technologies filling the huge gap that resulted because of the crises
- Supported firms are taking practical plans in their BCPs to strengthen the business linkages
- The lead firm approach encouraged the firms to invest more than the 50% of the grant towards new businesses taking the risk with the project even during the current crises
- Firms has a greater trust in the BRAVE mechanisms and expertise of advisors
- The numbers of new jobs expected out of their BCPs are significant beyond the level of the firm itself to wider value chains and its linkages.

**Impact on BRAVE WOMEN Program Design:**

The BRAVE Program is ready for scaling, mainstreaming in Yemen and other fragile states with stronger focus on women under the BRAVE WOMEN Program. Subject to capacity assessment and enhancements of local partners in Nigeria and Mali (where needed), BRAVE design, support

platforms, operational systems and partnership structures of BRAVE are replicable to such comparable contexts.

Under the BRAVE WOMEN Program, and in addition to the initially targeted women owned / led among established firms, IsDB will be working in the three countries to further customize the Technical Assistance and Grant Matching support schemes for women-owned Micro-Entrepreneurs with high potentials for growth. The objectives will be to differentiate between the support scheme of formally established and banked women owned/led SMEs from the women owned/led Micro firms, who need to be graduated into formality, bankability/financial inclusion and have better links to their value chains. For example, In Yemen, SMEPS have provided Entrepreneurship training and mentoring under ILO supported project named “Women Business Owners Training (WBOT)” which helped supported over 3,000 women entrepreneurs in the target value chains. In this regard, BRAVE WOMEN will target, through careful selection, high potential women to enroll them under Program support.

The BRAVE WOMEN Program plans to undertake an impact evaluation through an experienced firm. The Impact Evaluation will establish the baseline and collect timely data on the Program impact. The findings and lessons learnt of the Program will be published on a report “supporting women SMEs in conflict and fragility context” using BRAVE WOMEN Program countries as case studies.

The BRAVE WOMEN Program will also use the M&E IT Platform to ensure that there is careful data collection and analysis to share evidence based lessons learnt and further identify future scaling-up potential. The Program will therefore disseminate the information through a communication plan using the IsDB communication channels, including social media. Furthermore, important conference forums, business meetings and high level political dialogue opportunities will also be an opportunity to disseminate the findings of the Program implementation and results.

## 6. Partnerships:

The BRAVE project was designed to learn from, complement and extend several active and planned interventions led by various development partners of Yemen including Islamic Development Bank, World Bank, DFID and GIZ. The collective outcome and lessons learned from BRAVE Program and BRAVE WOMEN Program will be useful to inform the formulation of pro-women private sector development strategies among all stakeholders and partners in fragile states and conflict affected settings.

The Program design involves strong partnership development framework with local stakeholders in including the local banks through their role in implementation support. The program also includes high level exchange with policy makers (the Government) and leaders of regional chambers of commerce/industry through their representation in the Senior Advisory Panel per country. Such platform allows for closer alignment with the respective public/private support institutions to assure a proactive policy dialogue to encourage reforms for an improved business environment for female

entrepreneurs. Furthermore, IsDB works with the local agencies to compliment the support programs of other development agencies.

For example, In Yemen, the general BRAVE Program was implemented through a tri-partite structure between the ICD, SMEPS (SFD Private Sector arm) and Local Partners Banks (TIIB, SIB, KMIB and NBY) with support from the advisory committee composed from related Ministries (Ministry of Planning and International Cooperation (MoPIC) and Ministry of Industry and Trade (MoIT) and private sector leaders. Furthermore, the open IT enabled reporting and communication platform envisages under component 4 of the project will allow wider coordination avenues between the program and other partners. This aspect combined with the residual capacity that will be instilled in the PMU team will enable scalability of the program and the possible spinoff effect to other related or planned interventions by various partners. The initial BRAVE ToT training on Business Continuity was delivered via GIZ designed, funded curriculum. Similarly, the ILO designed and funded WBOT training will be leveraged as outlined above to target its women graduates with subsequent support from BRAVE WOMEN Program.

The Program will also work at country level, with the UN agencies, especially UNWOMEN and UNDP to build complementarities amongst existing programs and strengthen the focus on public sector alignment at advocacy and policy dialogue levels. Local platforms will help expanding program awareness among local women associations and connect to the wider range of partners, networks and members from international organizations, private sector, governments, academia and civil society for cross learning and results sharing. The Program will also work closely with financial intermediaries experienced in supporting female owned/ led businesses to provide innovative financial products and services. The Program will also involve representatives of women's entrepreneurial associations and cooperatives to help further leverage efficiencies in the value chain. The Program will build on existing partnerships in Yemen as well as collaborate with GIZ, ILO and other new partners in Mali and Nigeria. Given its leadership and specialization in Islamic Finance, the IsDB Group enjoy a wide network of partnerships with local banks in target countries. Such network will be also explored during the implementation of Mali and Nigeria Projects.

## PART IV: IMPLEMENTATION ARRANGEMENTS

### 1. Describe the arrangements for program implementation.

The BRAVE WOMEN Program is a direct extension of the collective outcome and lessons learned of the BRAVE Program currently being implemented in Yemen. The latter project is a Deauville funded project that employs a tri-partite structure between the ICD, SMEPS (SFD Private Sector arm) and Local Partners Banks (TIIB, SIB, KMIB and NBY) with support from the advisory committee composed from related Ministries (MoPIC and MoIT) and private sector leaders. Furthermore, the project's open IT enabled reporting and communication platform allows for wide coordination between the program and other partners.

The above aspects are repeated under the current BRAVE WOMEN initiative once again as the implementation shall be demarcated along the following two structures: a) a local partner organization assuming the role of the Executing Agency (EA) for the Program's Capacity Building component and b) partner banks to act as custodians under the Grant Matching component.

In each country, the BRAVE WOMEN implementation will adopt the following high-level structure:

- Internal project task force led by ICD (private sector arm of IsDB) providing overall management, oversight and technical assistance to the local partners.
- A dedicated PMU under the local agency's technical oversight and support infrastructure.
- A Senior Advisory Panel for steering and high-level public-private dialogue/alignment.
- A Grant Judging Panel composed of experts from the execution agency and banks.

In the particular case of Yemen both the EA and partner banks are already known and have been identified (and described) under the current BRAVE Program. In the case of Nigeria and Mali a process of partner identification, selection and contracting will be undertaken in line with the IsDB approved rules and procedures.

In order to aid the program in achieving the above and identifying the most suitable partners in Mali and Nigeria, a list of pre-defined set of criteria, validated by a broad consortium of project stakeholders (including the local government, the Islamic Development Bank and ICD), shall be employed during the program's set-up phase. The latter shall include the drawing of a long list of potential program partners in both countries and subsequently, a due diligence of the short-listed organizations.

The criteria shall set-out to gauge the partner's suitability and assess its ability to implement the program activities with a particular focus on the subject of procurement. Its purpose is to yield a capacity assessment report and risk inventory with a set of recommendations including, amongst others, a capacity action development plan and assistance strategy. All in all, the identified partners shall have to meet certain preconditions in order to be eligible for the assessment in the first place. Without

meeting such eligibility criteria no partner shall be selected and an alternative selection shall be sought. In case of one or more partners being identified the assessment shall be conducted.

The following (non-exhaustive) list of features are to be considered during the capacity assessment phase, per partner:

### **Local Execution Agency**

*a) Track Record*

Proved track record in areas of developing and managing donor funded enterprise growth programs of comparable scale and regional coverage in areas related to MSME development, value chain development, market for poor development, Women and Youth development, and business development services. Attention will be given to the firms' ability to set up and develop the capacities of local PMUs and instill effective feedback system on the performance of such PMUs including their effective customer relationship management and complaint resolution systems.

*b) Legal Aspects and Procurement Practices*

Specific items to look into include the legal corporate status of the agency (government department, government autonomous agency, commercial enterprise, etc. - ownership); laws and regulations applicable to the agency and any exceptions to the law that need to be included in the Agreement and existing internal procurement procedures, regulations or procurement.

*c) Procurement Cycle Management*

This item includes a review of the general quality and timeliness with which the agency or institution handles each phase of the procurement cycle including procurement planning; preparation of bidding documents, management of bidding process from advertisement to bid opening, bid evaluation, contract award, preparation and signing of contract.

*d) Organization and Functions*

This is a review of the organizational structure of the procurement unit, how responsibilities are allocated, its reporting relationships, its decision-making authority and whether it has the capacity to handle the proposed procurement plan for the program in addition to its other routine duties if any.

*e) Support and Control Systems*

This item deals with services and control mechanisms that provide checks and balances in the system. The independence and credibility of procurement audits and the quality of internal controls are critical to the reliability of the system. It includes Procurement oversight, Auditing, Internal technical and administrative controls, Code of professional behavior and ethics, Special anticorruption initiatives and Record-keeping.

f) *Staffing*

The quality and quantity of the staff of the unit are essential to good procurement administration. The assessment should determine in general whether sufficient qualified staff are available to carry out the normal procurement tasks assigned to them. There should be a determination whether the existing staff have relevant knowledge of the disciplines and the capacity required for carrying out the proposed procurement plan under the program. Otherwise, the assessment should define the assistance required in the form of training additional staff or consultants or procurement agents, and include an estimate of the scope, duration and cost of these services and additional resources etc.

g) *Private Sector Viewpoint*

An important part of assessment is the views of private firms dealing with the agency on how the written regulations and procedures are applied in practice. This also includes the facilitation of business development services to businesses and entrepreneurs, including services tailored to women entrepreneurs.

**Partner Local Financial Institutions**

- a) *Organizational and administrative capacity and governance*, ensuring transparency and compliance with the relevant legal acts of the country.
- b) *Risk management capacity* including policy for loan issuance and creditworthiness appraisal process, credit risk assessment and management procedures and loan monitoring and work-out procedures that will be applied for overdue loans.
- c) Experience in supervising and controlling similar types of projects including line of finance agreements for SMEs and preferably, an established portfolio of female business clients.
- d) *Ongoing financial management system* including accounting and book-keeping systems, ICT//data processing systems, and an internal control environment and systems to support the project. Sub-elements that shall be necessary to support the program include: Planning and budgeting records, Payroll including HR records, Accounts payable, Accounts receivable, Taxes and duties; Inventories, Project accounting records, Ledgers and journal systems, Bank accounts and reconciliations, Equity records, Subsidies received, Grants/Donations records, Loans received and repayments, Loans advanced; Cash management, Asset records, Internal controls and internal audit, Periodic and annual financial statements, External auditors' reports and opinions, Anti-Corruption, Fraud and Public Disclosure Policy.

- e) *Financial Performance and key indicators* of Financial Health including the FI's Tier 1 Capital Ratio, loan and deposit growth, loan/deposit ratio, bad debts, cost to income ratio, pricing and financial strategy, total number of customers and geographic reach.

## 2. Risk Mitigation and Management:

During the detailed due diligence phase, closer assessment of country specific risks will further enhance the risk management framework of this program. At this stage, the BRAVE WOMEN Program has identified the following list of potential risks and their respective mitigation measures:

### Risk 1:

#### Sustainability and Projectization

In a situation where matching grants are used only to fund operating costs for (sub) projects lasting not more than 2 or 3 years, there exists a significant risk of compromising the institutional and financial sustainability of the entire program after donor funding reaches its end.

In similar fashion to the above: the risk of projectization and the accompanying failure to build capacity are believed to be acute in grant schemes especially in those instances where matching grants are used as a 'stopgap measure' to gain resources that otherwise could not be obtained via a more conventional financial channel. This inappropriate use of matching grants yields a set of ad hoc projects that contribute to no overriding (national) strategy.

### Mitigant 1:

In order to maximize the long-term sustainability of the BRAVE WOMEN Program and extend its lifetime beyond the program's defined lifecycle the funding shall prioritize investments that target long term capital rather than funding for operating costs. Furthermore, grant recipients shall be expected to make their own contribution of approximately 50%. This insures buy-in from the beneficiary as well as a high degree of commitment to the effective use of the funding for its intended purpose for the long term.

The inclusion of a broad representative set of stakeholders (VC leads, Business Associations, BDS providers, banks and policy makers) and regular monitoring on the ground is also meant to ensure that funding shall not assume an ad hoc nature but rather, seek a long-term impact and self-financial sustainability of the recipients. By the same token, a broad stakeholder representation shall also serve in preventing any misalignment between the program and national strategy.

### Risk 2:

#### Financial Control, Fraud and Misuse of Funds

When operating in a context of high fragility and conflict, the degree of government oversight and control is relatively limited thus rendering the potential for fraud and the misuse of funds substantial.

Mitigant 2:

The project shall deploy funds on a granular basis whereby each beneficiary project has a dedicated sub-account that captures all fund flows into the approved budget and out to supplier payments. Using bank account movements collected in each Bank, ICD is able to consolidate on monthly or quarterly basis, all the: Program level, Country Level, Agency Level, Bank Level or Beneficiary Level financial data. The latter shall be reconciled against the online platform data to provide a 360 degrees view of all financial and operational data for effective supervision, monitoring and evaluation.

Other Financial Control measures shall include:

- a. Distributed fund flows and allocation of fund management risks between various parties in line with their capabilities and focus.
- b. Rigorous selection and qualification of eligible firms with closer geographical reach.
- c. Open and transparent review of approval of business plans, budgets and grants.
- d. Multi-level cross check during the allocation of grants, procurement and disbursements.
- e. Supplementing the developmental skills of the EA with the financial/credit skills of banks
- f. There shall be no cash transfer to the Beneficiary but rather a direct acquisition of the asset that shall subsequently be transferred to the Beneficiary
- g. A one-year supervision on each supported project including random visits by the Business Advisors / Project Officers to ensure proper use of assets

Risk 3:

Equity Challenges

Applicants may have inequitable access to a particular grant scheme due to various reasons. If so then a grant scheme has the potential to accentuate socio-economic differences within a specific country or region. Equity differentiation amongst applicants might arise due to various factors some of them inherent to the grant scheme itself whilst others might pertain to the socio-economic profile of the applicant. Regarding the former administrative reasons might apply (e.g. the paying of a fee or being in possession of a license). For the latter participants may lack the capacity to participate.

Mitigant 3:

With the purpose of 'levelling the playing field' amongst grant applicants and thereby reducing the risk of acting inequitable, all shortlisted firms shall be eligible to participate in a capacity training activity under the program's first component on Business Resilience as well as receive assisted support in preparing their grant proposals. Such trainings shall be uniform and not vary per applicant profile.

Furthermore, in order to lower the administrative barriers, applicants shall be able to apply freely using the IT platform (i.e. there is no imposed registration fee).

The scheme in itself shall also limit the number of applicants to one per SME and impose a limit on the total amount that can be requested. If awarded, the same grant conditions shall apply to all participants such as the proper use of funds, co-matching requirements, banking requirements etc....

*Risk 4:*

Participation, Political Buy-in and Coordination

Engagement of stakeholders can contribute to building awareness of the grant program, its objectives and opportunities, and generating political buy-in, but also to improving decision-making, responsiveness, openness, accountability, and the impact of the program. It is thus vital that communications programs, consultative processes, and governance mechanisms associated with a grant scheme allow the intended beneficiaries and other stakeholders to participate. Engagement also makes it more likely that a grant program will identify appropriate funding targets and adopt appropriate selection criteria.

*Mitigant 4:*

With the purpose of minimizing political risk thus guaranteeing broad (political) support for the BRAVE WOMEN Program and maximizing efficient coordination at all concerned levels, the Program has incorporated various steering and managerial instruments of governance.

Firstly, the project shall include a senior advisory committee, composed of senior public and private members. Although this body shall have no executive power, it will provide additional oversight over the performance of the program and executing agency.

Furthermore, the presence of a Grant Judging Panel which itself shall have a representative composition from the partner banks and the executing agency to be approved by the Advisory Committee, shall be tasked with final evaluation and approval of the eligible applications.

Thirdly the introduction of partner banks in the implementation setup enables a tri-partite arrangement that ensures fair selection, cross checking and effective financial control. (See the role of the banks under implementation institutions sub-section above).

*Risk 5:*

Implementation Capacity of local EA, Procurement and delay in Program start-up

Although local capacity is readily available for BRAVE WOMEN in Yemen via the BRAVE's Phase 1 project (i.e. local partner SMEPS and partner FIs), viable partners, as off yet, have not been identified for Nigeria and Mali.

Furthermore, and in relation to the above point, procurement in situations of fragility and conflict is likely to be challenging and could potentially lead to a delay in the roll out of the program. This is compounded by the fact that while the IsDB policies and procedures are well aligned for speedy implementation; they are also geared towards mitigating fiduciary risks, which can sometimes be prolonged for necessary due diligence procedures.

*Mitigant 5:*

In order to mitigate the risks associated with limited local capacity in the countries of Nigeria and Yemen, a due diligence and partner-selection approach shall be employed in establishing the partner's capacity gaps in terms of its ability to implement and draw up an action plan to build the required capacity in line with the project's objectives. Furthermore, IsDB will explore the possibility of recruiting where possible locally present and capable service providers which have been procured for comparable assignments through a transparent and competitive process by sister agencies.

*Risk 6:*

Poor Project Staffing

To achieve timely and transparent program implementation, it will be necessary to ensure that the PMU has experienced staff.

*Mitigant 6:*

This risk shall be mitigated by the PMU receiving support from the local partner, who shall receive the required capacity support and development. ToT's shall be the first step to build the capabilities of the advisors to match project needs.

The project itself shall recruit an experienced PMU, which will work closely with the local partners and FIs in Yemen, Nigeria and Mali to identify the female entrepreneurs for training and capacity building as well as reviewing the existing pipeline of projects which could be ready for financing. In Yemen, such a PMU with an established track record in delivering business support services and affinity with the BRAVE concept (i.e. via BRAVE Phase 1) is already in place.

Furthermore, a significant amount of 'knowledge borrowing' from the BRAVE Phase 1 to BRAVE WOMEN in terms of institutional documentation and administration can take place thus facilitating the process and mitigating the overall risk.

The project shall benefit from wide sources of recruitment under its partnership arrangements namely the EA, BDS providers and local banks. Priority shall be given to local staffing.

*Risk 7:*

Implementation delays and cost over-run

Projects of such nature in a context of high fragility can suffer from delays in implementation as a result of incomplete operational infrastructure. This can lead to time and cost over-runs.

Mitigant 7:

BRAVE WOMEN shall benefit from pre-existing infrastructure developed under the BRAVE Phase 1 project in Yemen from the IDB. Capacity enhancements of the EA shall be considered by the IP as a pre-requisite for the implementation in Mali and Nigeria. A semi-sequential approach, starting from Yemen, shall allow for sufficient preparation for Nigeria and Mali while learning from the Yemen implementation.

Finally, a contingency budget has been allocated to absorb any unforeseen cost-overruns across the program / country implementation.

Risk 8:

Limited take-up up by firms

In case the grant matching scheme is not considered attractive enough by potential beneficiaries or is not marketed well enough the program might suffer from a low degree of take-up whereby not all grants shall be deployed.

Mitigant 8:

In case take-up needs to be increased the program might relax eligibility criteria, make the scheme more attractive, simplify application procedures, or provide more technical support to prepare applications. A marketing and communication campaign with a clear and accessible messaging geared toward SMEs shall also help increase take-up. Also, a two-phased approach shall be adopted to increase uptake.

Risk 9:

Disbursement delays

The program might experience time-overrun and stalled implementation if the disbursement of the grants are not made in a timely manner. In extreme cases delayed disbursements might even lead to the withdrawal of some beneficiaries and lead to complaints.

Mitigant 9:

ICD shall open a Master Account at each partner bank in each country to allow for the upfront replenishment of funds in line with the Grant Judging Panel approvals and signed beneficiary agreements. Also, Bank KPIs shall be linked to the speed of processing disbursements cleared by the PMU. Furthermore, the program's IT platform will provide some level of automation-based processing.

The program shall adopt a set of simplified and transparent mechanisms in order to avoid any delays. The local implementing parties through which the disbursements are set to take place shall be selected, in part, because of their proven ability to guarantee such an efficient and timely process. The program's CRM shall also allow all stakeholders to monitor, in live fashion, the current state of disbursements and determine whether some disbursements are delayed (and if then by whom).

### 3. Describe how the principles for We-Fi funds will be applied

#### **Additionality.**

This Additionality aspects of BRAVE WOMEN is highlighted in line with the framework set by the draft report (MDBs Harmonized Framework for Additionality in Private Sector Operations: Principles, Definitions and Guidelines) by the MDB's Task Force on Additionality. In view the small size of supported projects under the BRAVE WOMEN support under component 2 and component 3 involves the deployment of matching grants to eligible Women led/owned firms, the additionality is assessed at program level per country rather than project level.

The financial additionality is further highlighted under the "mobilization" below in this section.

#### Non-financial Additionality:

- Non-commercial risk mitigation: This is derived from the following risks:
  - o Political and Country Risk: In fragility contexts international financiers are more reluctant to deploy lines of finance/credits or investment funds in view of the macro political risks of the country. The BRAVE WOMEN has a targeted focus on a critical mass of women led owned firms in limited sectors, value chains/networks in fragile geographies that are supported through an integrated package of financing and advisory with the help of local banks while enabling a detailed information gathering and traceability of funds uses. This echo system approach contributes to lowering perceived political risk associated national environment in fragile states.
  - o Project Risk: the integrated training and mentoring services into the process of initial qualification (first year) to the final implementation of supported business continuity plans of beneficiary firms improves overall project viability for each firms for additional support by partners in the value chain (suppliers, and aggregators) and by local banks/investors especially those participating in the Program implementation.
- Knowledge, Innovation, capacity building:
  - o The training program which leads to development of a complete of business continuity plans (BCPs) supported by accredited business advisors is a pre-requisite to competing for the matching grants. This activity that is conducted under component 1 of the Program, helps SME firms refocus their planning towards long term growth/coping with fragility risks and market conditions. This is highly relevant to women led/owned MSMEs in fragile contexts which tend to prioritize short term needs against long term business survival.
  - o During the implementation of component 3 by lead firms and business associations of targeted value chains, supported firms will go through value chain training that will influence their supported plans aiming at improving their support to the value chain

activities by functional, process or product upgrades. Existing implementation of BRAVE in Yemen has revealed good signs of diversification, innovation and upgrade of standards by lead firms in this regard.

- The Program which its echo-system development approach allows for improving access to market by lead firms, business associations and small firms which are brought under the same support Program in which trusts links and information flow is improved as a bi-product of the implementation. This paves the way for strengthening the value chains interaction/links and create direct and indirect employment opportunities alongside. Trusted partnerships forged under this implementation, under the fragility conditions, between various stakeholders provide comfort to beneficiary firms to take more risk and thus enable outcomes such as innovation, new market expansion and product development.
- Promoting higher standards:
  - During the implementation of component 2 for women led/owned firms close mentoring and technical support improves the capacity of supported firm in implementing its BCP and improves the standards of some of its operational practices in terms of observing environmental safeguards, working conditions for labor and adopting good practices for procurement which are emphasized during projects implementation under the Program.
  - The involvement of influential players in the value chains (lead firms, business associations) who are supported in this Program improves overall diversity and awareness of women empowerment and gender equality within the firms and the value chains at large. At the national level, the senior advisory panel and partnership dialogue forged through project communication strategy shall contribute to improving overall awareness of the importance of gender diversity and women empowerment challenges.

### **Minimizing Concessionality and Market Distortions.**

The BRAVE WOMEN Program as an affiliate of the BRAVE Program brings a strong thematic focus on the women MSME resilience support in fragility context. The strong value chain dimension allows and builds upon ongoing efforts by IsDB and other partners in promoting market development approaches for pro-poor inclusive growth models for MSMEs in high potential value chains such as agribusiness. The program implementation tackles simultaneously female led/owned businesses in the value chains along with lead firms and Business Associations/Cooperatives. This approach allows for trust building and maximize awareness of the value of linkages and collaboration among players. IsDB among other DFIs has been active in supporting small producers in agriculture sectors in these countries with technical assistance, extension services, Islamic microfinance, and other

infrastructure development. The Program brings an important addition to these efforts by extending the support to women owned value adding firms along the value chain.

The core financing instrument within the program is based on Matching Grants (MGs) model, which is widely used by Governments and international development agencies, to promote business innovation, demand driven services, productive partnerships and links to markets. These aspects are targeted in BRAVE WOMEN Program and implementation modalities. The market distortion and concessionality are minimized by blending the grant use with the provision or the enablement of the following services/activities:

- Skills training, value chain upgrades and partnerships.
- Facilitating private investments into growth/resilience business plans.
- Supporting lumpy capital investments.
- Stimulating collective action for mutual benefit with spillover effects.

In the context of fragile and/or conflict settings, market failures have higher effect on hampering investments channeled towards developing and growing women led/owned enterprises and value-adding enterprises among MSME sector in general. Therefore, introducing grants schemes should be considered in the context of addressing challenges facing women led owned/ MSMEs and their value chains in fragile states such as: lack of or deteriorating public infrastructure and business environment, lack of economy of scale at firm level, high risk arising from political instability, physical damages caused by conflicts, lack of transparent policy for commercialization and absence of private insurance services.

### **Mobilization**

Important note: The key principles set out by DFIs Workings on Blended Concessional Finance for Private Sector Projects, are highlighted as required in the IFC note “We-Fi Principles Guiding Leverage” received from the We-fi Secretariat on 28 February, 2018. The report defines the Blended Finance as “blended concessional finance, i.e. the mixing of concessional funds, often from the public sector, with non-concessional funds, often from the private sector, and the focus is on using these funds for private sector projects.

The BRAVE WOMEN is centered on the commonly used Matching Grants modalities combined with advisory, technical assistance and mentoring activities that are designed to work within Value chain/sector focus. It is to be implemented in coordination with local EA and a prequalified local partner banks. Therefore, the leverage table above is filled based on: (a) expected matching contribution from beneficiaries, (b) expected crowd-in financing (non-equity) to be mobilized as a result of the program from local banks, DFIs and suppliers during or after the 2-years implementation cycle in each target country.

- A starting assumption is that Women led/owned firms among MSME sector continue to suffer from lack of access to finance and limited bankability especially in fragile environments. Ongoing efforts to deploy international finance from IsDB and other DFIs via the local banks or investment funds is faced by trust barriers, information asymmetry, informality and high-risk perception of women led owned firms and MSMEs at large. The Program, which has a critical mass of firms in limited number of priority sectors, will contribute to de-risking the overall context around these MSMEs by engaging the banks, DFIs and value chain actors to participate or observe women led/owned MSMEs behavior.
- Based on the early indicators of the BRAVE project in Yemen, the BRAVE WOMEN Program is expected to stimulate, unlock or expand funding mobilization into women Led/owned firms and other actors in their value chains from the following sources (Reference is to found in the mobilization table in section 5):
  - Under the matching scheme, beneficiary firms are expected to contribute around 50% of matching funding from their own capital. In the current implementation of Yemen, despite severe conflict conditions, approved business plans have exceeded the 50% matching ratio from of the beneficiaries' own private funding. Equity investments represents matching equity contributions from the expected beneficiaries of the Program across three countries. It includes \$18 million matching equity contributions from (i) 1,200 targeted SME beneficiaries, (ii) \$3 million from lead firms, and (iii) additional \$9 million expected from crowding-in by non-supported peer firms as well as matching expected equity against more donor funds (non- We-Fi) to be mobilized by IDB under BRAVE project.
  - Local banks and suppliers targeting the MSME market including those participating in BRAVE program implementation and grant administrators, may also engage with qualified and supported women led/owned MSMEs to provide short term finance/facilities products that are backed by business plans viability and their effective implementation under BRAVE. The careful selection, intensive training and follow up in addition to the well-controlled and visible grant execution mechanisms within value chain centric approach collectively should improve the MSMEs credit worthiness. Early indicators in the current implementation in Yemen provides promising evidence in this regard. The table assumes that initial focus from local banks and suppliers will be towards working capital finance and/or input supply respectively. Assuming that working capital requirements will be as low as 20% of total equity injected under the Program per firm (including matching grants and firm's own equity), total of USD 6 million financing leverage is estimated as expected short term finance from local banks's loans starting from the second year of Program implementation (grant deployments phase). Worth noting that grant modality does not allow for subsidization of bank loans since the matching grants used to pay for suppliers of acquired assets directly with tight controls to ensure the assets are in productive use during the 12 months follow up period on each befeciciary the firm.

- Another potential source of leverage is expected from existing and planned Line of Finance for SMEs in Yemen, Nigeria and Mali by DFIs as possible early movers towards the targeted market/segments of women led SMEs on commercial basis. This potential crowd-in of DFI funding is estimated at USD 15 million in total. Active dialogue during the 5 years implementation of the Program will be pursued by ICD to sound the interest of the local partner banks and other DFIs. As an example, ICD has approved for Nigeria total of USD 70 million to three local banks (Sun Trust Bank, Jaiz Bank and Bol). Additional lines are also under consideration estimated at USD 95 million to four additional financial institutions (Union, Fidelity, Wema and Nirsal). For Mali, USD 15 million has been approved to BSIC and CORIS with additional USD 15 million under consideration BDM. These above banks will be considered for BRAVE WOMEN partnership and therefore some allocation of the lines shall become more feasible as the project implementation succeed in improving supported Women SMEs viability for lending from such lines.

### **Financial Sustainability**

As outlined in the mobilization section above, the Program is expected to gradually stimulate additional funding into the target firms and value chains in waves that will move from pure grants to commercial lending and/or private investing as the program impact and spillover effect expand on the ground. One key aspect and expected effect of BRAVE is the restoration of trust links within the value chain actors, the financial institutions and the international partners. Such trust building / rebuilding will be a pre-requisite for financing sustainability. The respective public sector is also expected to play future role in expanding or sustaining the support required beyond program implementation period as results materialize and dialogue/advocacy between project stakeholders expand.

### **Risk Management**

The Program will develop a detailed Operational Manual that will include guidelines to ensure full alignment of the project implementation to the IsDB policies and domestic legal frameworks, which promote strong labor standards and acceptable working conditions. The observance of social and environmental safeguards will be hard coded in all contractual arrangements between IsDB and local parties. Furthermore, by involving local representatives of other international agencies within the engagement model of BRAVE, more awareness and advocacy will be emphasized.

The Risk management framework (which was tested in the ongoing implementation of BRAVE Yemen) is based on the following pillars:

1. A solid multi-stakeholder governance structure which aligns the public and private parties with the standards of multi-lateral practices emphasizing good governance, transparency, non

biasedness and equity. Local partner banks must pass compliancy checks to attain eligibility status. Judging Panel members must obtain a non-objection from the senior advisory panel of the program before ICD approves their enrollment. Advisory Panel members are selected from leading positions of relevant public agencies and private sector groups (chambers or Business Associations).

2. A multi-partite implementation structure in which the local Execution Agency (EA) is supported by 3-4 local banks. Such structure shall come with clear definition of roles and responsibilities and an embedded checks and balance system that is based on the same version of financial and operational data.

This innovative system integrates the role of the local banks during the initial screening phase (including a KYC), judging panel approvals and grant administration (for processing disbursements). all under close alignment with execution agency. This brings many benefits to the implementation given the high risk associated with fragile contexts. This includes:

- a. Distributed fund flows and allocation of fund management risks between various parties in line with their capabilities and focus.
  - b. Rigorous selection and qualification of eligible firms with closer geographical reach.
  - c. Open and transparent review of approval of business plans, budgets and grants.
  - d. Multi-level cross check during the allocation of grants, procurement and disbursements.
  - e. Supplementing the developmental skills of the EA with the financial/credit skills of banks
3. A life-cycle, multi-stage integrated approach for qualifying the Beneficiary. This maximizes the chances of identifying the right amount of support to the right eligible budget item. Eligible firms shall have to successfully take part of a training and submit a business plan in order to receive a grant. An approved business plan by the judging panel shall be a pre-requisite for any grant agreement signed per beneficiary. An approved quotation in line with the budget and business plan is a pre-requisite for procurement. A confirmation of matching contribution is a pre-requisite for payments for procured assets (which is done directly to suppliers). A clear confirmation of fulfillment is a pre-requisite for final conversion of the matching scheme into non repayable grant.
4. A robust online platform (that was designed under supervision and technical support from ICD) shall provide full traceability with good degree of automation of various activities of the Program implementation starting from: initial application, KYC and screening to training activities, Business Plans submissions, Judging Panel minutes, Beneficiary agreements signed, bank account opening, approved quotations vs. budgets, invoicing and payments against each invoice to field reviews and progress reporting. The drill down is possible at firm level, budget level or even invoice/supplier level for each supported firm. A dashboard view tailored to the

needs of each of the project stakeholders (ICD, EA, Banks and Beneficiary firm) shall allow for a unified version of the truth.

5. A granular deployment of funds whereby each beneficiary project has a dedicated sub-account that captures all fund flows into the approved budget and out to supplier payments. Using bank account movements collected in each Bank, ICD is able to consolidate on monthly or quarterly basis, all the: Program level, Country Level, Agency Level, Bank Level or Beneficiary Level financial data. The latter shall be reconciled against the online platform data to provide a 360 degrees view of all financial and operational data for effective supervision, monitoring and evaluation.
6. A multi-level monitoring/supervision of the program level, country level and beneficiary level progress is delivered through the following:
  - a. Active bi-weekly video conference calls between the ICD project team and the EA/Banks for close supervision, technical oversight and issue resolution at implementation stage.
  - b. High level field follow up from IsDB/ICD field representatives in each country. (For Nigeria this is further enhanced with the presence of a regional hub).
  - c. Monthly reporting through the system and periodic progress reporting to donors.
  - d. Random field visits to the beneficiaries by the business advisors or project officers who are also providing mentoring and follow up support.
  - e. Regular multi-channel feedback from banks regarding any incidents or violations.
  - f. Set up of a formal beneficiary complaints handling system at EA level.

*For detailed elaboration of the various aspects of risk controls and implementation safeguards, please refer to the Annex (2) attached to this proposal.*

**4. Provide a plan and timeline for how the monitoring and evaluation will be carried out for all program activities.**

Evaluation timeline

<b>Milestones</b>	<b>Expected Dates</b>
Start of Program Implementation	31 July 2018
Mid-term Review (if planned)	31 Dec 2020
Program Closing	30 June 2023
End/Completion Evaluation	31 Dec 2023

The M&E Framework has three components: (i) the Results Matrix, (ii) the Monitoring System and (iii) the Evaluation System.

The results matrix, annexed to this proposal, captures the development objectives and intermediate results. It follows a classic results-based management (RBM) approach in identifying the causal chain from input to output to outcome and impact. For each result, the indicator is defined as well as its baseline, yearly target, frequency of data collection, responsibility for data collection and finally definition of the indicator.

The Monitoring System will be built into the IT platform in order to provide the key stakeholders a live access to enter the status of the indicators they are responsible for and to see the progress being made in the implementation of the program. On a quarterly basis, the PMU will publish a monitoring report to highlight the key results and issues. A dedicated M&E Officer for the project will be hired and will have the responsibility to develop a comprehensive Monitoring System with processes, responsibilities and tools to ensure regular data collection, analysis and dissemination. In addition, he will undertake trainings on the Project M&E System to ensure consistent data collection from the Banks, the SMEs and all relevant stakeholders. The key deliverables of the M&E System are presented in the table below.

The evaluation of the project will be undertaken in two phases: A mid-term review planned 12 months after the effective start date of the program and the final evaluation one month after the closing of the program activities. IsDB/ICD will recruit a consultant to undertake the evaluation in collaboration with PMUs and the M&E Officer to provide an independent assessment of the program performance. The evaluation will be more a qualitative assessment combining a reflexive approach (results before and after) and a participants' judgment to show how the project has contributed to the changes and how to improve it in the future.

The table below summarizes the key deliverables of the M&E system:

Report Type	Due Date	Who	Overall Focus	Dissemination
<b>Baseline Study</b>	1 month after the effective start date of the project	M&E Officer	Ensure that all indicators have Accurate Baselines and Targets	Electronic Hard Copy
<b>Quarterly Monitoring report</b>	Quarterly	M&E Officer	Indicators status Issues	Electronic Hard Copy
<b>Client Survey</b>	Annual	M&E Officer	Client Satisfaction	Electronic
<b>Mid-term review</b>	12 months after the beginning of the project	IDB/ICD M&E Officer SMEPS	OECD DAC Evaluation Criteria Lessons learned to improve phase 2	Electronic Hard Copy Workshop
<b>Final Independent evaluation</b>	1 month after the completion of the project activities	IsDB/ICD Evaluation Team with independent consultant	OECD DAC Evaluation Criteria Lessons learned for scaling up	Electronic Hard Copy Workshop

## 5. Budget:

Activities	We-Fi Funding (USD)	Total	% of total costs
<b>Component 1: Business Resilience Capacity Building</b>	2,250,000	2,250,000	7.0%
<b>Component 2 : Business Recovery Support</b>	18,360,000	18,360,000	56.9%
<b>Component 3 : Value Chain Resilience</b>	3,060,000	3,060,000	9.5%
<b>Component 4 : IT Platform</b>	288,000	288,000	0.9%
<b>Component 5: Impact Evaluation/Randomized Control Trial</b>	400,000	400,000	1.2%
<b>Component 6: Project Management Unit</b>	2,442,100	2,442,100	7.6%
<b>Total All Components</b>	26,800,100	26,800,100	83.1%
<b>Local Execution agency (5% of total components)</b>	1,340,005	1,340,005	4.2%
<b>Security allowance (2% of direct costs)</b>	536,002	536,002	1.7%
<b>Sub-total</b>	28,676,107	28,676,107	88.9%
<b>IsDB fees (7%) for admin overheads, implementation/ technical support</b>	2,007,327	2,007,327	6.2%
<b>External Auditor</b>	202,500	202,500	0.6%
<b>Contingency (4.7% of direct costs)</b>	1,354,066	1,354,066	4.2%
<b>Grand Total</b>	<b>32,240,000</b>	<b>32,240,000</b>	<b>100%</b>

Annex 1: Results Framework and Monitoring.

<b>BRAVE WOMEN Results Matrix</b>										
<b>The project development Objective is to enhance the resilience of MSMEs owned/managed by women in fragile context as potential engines for innovation, employment, and improved standard of living.</b>										
<i>(Contributing to SDG 5: Achieve gender equality and empower all women and girls.</i>										
PDO Level Results Indicators*	One	Unit Measure	of	Baseline (2018)	Cumulative Target Values**					SDG Linkages
					YR 1 (2019)	YR3 (2020)	YR3 (2021)	YR 4 (2022)	YR5 (2023)	PDO Level Only
<b>Indicator One:</b> Number of women-owned/led SMEs in entrepreneurship support programs that report increased sales or profits –  <b>(We-Fi Indicator 11)</b>	<input type="checkbox"/>	Number		TBD			480	720	960	SDG 1 Target 1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
<b>Indicator Two:</b> Number of direct jobs, disaggregated by sex, created by women-owned/led SMEs  <b>(We-Fi Indicator 12)</b>	<input type="checkbox"/>	Number		TBD		400	1000	1700	2400	SDG 8 Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
<b>Indicator Three:</b> # Number of the supported lead firms that have introduced new products and/or new markets channels	<input type="checkbox"/>	Number		0	0	0	0	20	40	SDG 9 Target 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

<p><b>Indicator Four:</b> Percentage of supported firms that have access to finance from Financial Institutions at the end of the program</p>	<input type="checkbox"/>	<p>Percentage</p>	<p>TBD</p>	<p>TBD</p>	<p>TBD</p>	<p>20%</p>	<p>40%</p>	<p>50%</p>	<p>SDG 5 Target 5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws</p>
<p><b>Indicator Five:</b> Growth rate of membership for Women owned/led MSMEs in Business Associations</p>	<input type="checkbox"/>	<p>Percent</p>	<p>0</p>	<p>0</p>	<p>0</p>	<p>10</p>	<p>20</p>	<p>30</p>	<p>SDG 9 Target 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
<p><b>Indicator Six:</b> Growth rate of Women led/owned MSMEs value of Purchases by Lead firms/Business Association supported by BRAVE</p>	<input type="checkbox"/>	<p>Percent</p>	<p>0</p>	<p>0</p>	<p>0</p>	<p>10</p>	<p>20</p>	<p>30</p>	<p>SDG 9 Target 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
<p><b>Indicator Seven:</b> Mobilization of at least \$57 million from commercial institutions and IFIs by 2024 <b>(We-Fi Indicator 1)</b></p>	<input type="checkbox"/>	<p>Number</p>	<p>0</p>	<p>0</p>	<p>0</p>	<p>0</p>	<p>0</p>	<p>\$57 million</p>	<p>SDG 17 Target: 17.3 Mobilize additional financial resources for developing countries from multiple sources</p>

INTERMEDIATE RESULTS								
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**				
				YR 1	YR 2	YR3	YR4	YR5
<b>Intermediate Results (Component One): Business Resilience Capacity Building</b>								
<b>Linked to (We-Fi Indicator 10):</b> Number of women-owned/led SMEs in entrepreneurship support programs in We-Fi supported institutions								
<i>Intermediate Result indicator One:</i> Number Women owned /led MSMEs that that have benefited from the Business Resilience Training	<input type="checkbox"/>	Number	0	500	1000	1500	1500	1500
<i>Intermediate Result Indicator Three:</i> Number of firms that have completed a viable BCP	<input type="checkbox"/>	Number	0	400	800	1200	1200	1200
<b>Intermediate Result (Component Two): Business Recovery Support</b>								
<i>Intermediate Result indicator One:</i> Number of Businesses (women led owned MSMEs) that have received financial investment in the form of Matching Grants	<input type="checkbox"/>	Number	0	0	400	800	1200	1200
<i>Intermediate Result Indicator Two:</i> Number of value chains reached by the Matching Grants	<input type="checkbox"/>	Number	0	0	5	10	15	15
<b>Intermediate Result (Component Three): Support Value Chain Resilience and Business Associations (BAs)</b>								
<i>Intermediate Result Indicator One:</i> Number of leading firms/BAs that have received training on value chains	<input type="checkbox"/>	Number	0	0	30	60	60	60
<i>Intermediate Result Indicator Two:</i> Total Number of Functions upgraded for value chains lead firms	<input type="checkbox"/>	Number	0	0	0	0	20	40
<i>Intermediate Result Indicator Three:</i> Total Number of Products upgraded for value chains actors	<input type="checkbox"/>	Number	0	0	0	0	20	40
<i>Intermediate Result Indicator Four:</i> Total Number of Production Processes upgraded for value chains	<input type="checkbox"/>	Number	0	0	0	0	20	40
<i>Intermediate Result Indicator Six:</i> Total Number of BAs that have upgraded one or more Vertical Activities (see Definition)		Number	0	0	0	0	10	20
<i>Intermediate Result Indicator Seven:</i> Total Number of BAs that have upgraded one or more Horizontal Activities (see Definition)		Number	0	0	0	0	10	20
<b>Intermediate Result (Component Four): Establish a Performant PMU</b>								
<i>Intermediate Result Indicator One:</i> Disbursement Ratio	<input type="checkbox"/>	Percent	0%	12%	43%	77%	100%	100%

<b>Intermediate Result Indicator Two:</b> Time from receiving Application to Disbursement	<input type="checkbox"/>	Number	N. A	6 months	6 months	6 months	NA	NA
<b>Intermediate Result Indicator Three:</b> Client Satisfaction	<input type="checkbox"/>	Percent	N. A	80%	80%	80%	80%	80%
<b>Intermediate Result Component 5: Impact Evaluation/Randomized Control Trial</b>								
<b>Intermediate Result Indicator One:</b> Number of rigorous impact evaluations (RCT) commissioned by We-Fi supported institutions (We-Fi Indicator 7)	<input type="checkbox"/>	Number						1
<b>Intermediate Result (Component Six): Functional IT Management System</b>								
<b>Intermediate Result Indicator One:</b> Number of firms using the IT system to apply for Business Resilience training	<input type="checkbox"/>	Number	0	1000	2000	3000	3000	3000
<b>Intermediate Result Indicator Two:</b> Number of type of reports generated by the system	<input type="checkbox"/>	Number	0	0	15	30	50	50
<b>Intermediate Result Indicator Three:</b> Number of Grants procurements processed via the CRM	<input type="checkbox"/>	Number	0	0	800	1600	2400	2400

