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*Addis Ababa, Ethiopia*

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**THE AFRICAN FEDERATION OF WOMEN ENTREPRENEURS (AFWE)  
AND THE CREATION OF AN AFRICAN BANK FOR WOMEN:  
PROGRESS REPORT**

### EXECUTIVE SUMMARY

The ECA Conference of Ministers will review progress made towards the implementation of its resolution 736 (XXVII) on "Women and access to resources in the 1990s" which invited member States to promote the setting up of national associations of women entrepreneurs and ECA to facilitate the establishment of a federation of African women entrepreneurs. Additionally, the same resolution requested ECA, in collaboration with the Organization of African Unity (OAU) and the African Development Bank (ADB), to study the feasibility of creating an African bank for women in an attempt to facilitate accessibility of resources to women.

In this connection, the Conference will be apprised of the establishment of the African Federation of Women Entrepreneurs (AFWE) in June 1993 at an inaugural meeting held in Accra, Ghana. Since its establishment, the Executive Committee has met twice in Addis Ababa to elaborate a programme of work for the period 1994-1997 and its implementation plan, to review the status of its membership and to suggest mechanisms for collaboration with the national and subregional associations of women entrepreneurs. Its priorities are in the area of capacity building and resource mobilization. At the international level, the Federation has become a member of the International Federation of Women Entrepreneurs (IFWE) to which it was elected Vice-President. AFWE is also exploring the possibilities of obtaining observer status with OAU and the United Nations.

With regard to the findings of the pre-feasibility study on an African bank for women, it concluded that a comprehensive feasibility study is required to spell out clearly the operational modalities of the bank and to address concrete details in connection with specific issues such as resource mobilization, target groups, administrative arrangements and individual application procedures within individual countries, subregions and regions. It then recommended the creation of non-demand deposit taking financial intermediaries for women which would also provide support services. The study finally recommended that ECA, in collaboration with ADB, UNDP, AFWE and other relevant organizations should constitute a committee that would sponsor the feasibility study.

The Conference is requested to endorse the recommendations of the pre-feasibility study and urge ECA and all the concerned organizations to continue to explore the feasibility of an African bank for women to its final conclusion including its implementation, if indicated. It is also requested to urge ECA, African Governments and donor agencies to spare no efforts to strengthen AFWE.

## I. INTRODUCTION

1. ECA Conference of Ministers resolution 736 (XXVII) on "Women and access to resources in the 1990s" invited member States to promote the setting up of national associations of women entrepreneurs and ECA to facilitate the establishment of a federation of African women entrepreneurs. Additionally, the same resolution acknowledged the role that an African bank could play in facilitating accessibility of resources to women and thereby requested ECA in collaboration with the Organization of African Unity (OAU) and the African Development Bank (ADB) to study the feasibility of creating such a bank.
2. In this regard, the ECA Conference of Ministers of Economic and Social Development and Planning in its twenty-eighth session in May 1993 reviewed progress made in the two areas and urged ECA to continue with the implementation of the resolution. This report therefore summarizes the activities that have been carried out towards this end as well as what remains to be done before full completion of the tasks.

## II. ESTABLISHMENT OF THE AFRICAN FEDERATION OF WOMEN ENTREPRENEURS (AFWE)

3. In conformity with resolution 736 (XXVII), the ECA Conference of Ministers, at its eighteenth meeting reviewed the activities that had been carried out towards the establishment of AFWE.<sup>1</sup> The Ministers were appraised of the creation of 25 national associations of women entrepreneurs which were to be preparatory to the launching of the Federation. The primary objective of the national associations is to bring together women with common economic interests and open up possibilities for growth through cooperation and collaboration. With regard to activities at the subregional level, the Ministers were appraised of the existence of the Dakar-based Organization of Women Traders and Entrepreneurs (OFECAO), a West African organization that was very active in mobilizing women in the subregion towards the establishment of AFWE. The Conference was also informed of a round-table that had been organized by the secretariat of the Preferential Trade Area (PTA) in Lusaka to consider adopting a draft charter on a federation of associations of women in business in the subregion. The round-table had recommended the strengthening of the existing national associations as well as the establishment of a US\$360 million revolving fund for loans which would be managed by the PTA Trade and Development Bank. The signing of the charter had been set for 1993 during the next round-table and took place accordingly in July. Activities reviewed by the Conference at the regional level included the creation and distribution of a directory of African associations of women entrepreneurs. A draft plan of action and strategies for the future operations of the Federation had also been proposed for consideration by the national associations of women entrepreneurs at the meeting launching AFWE.
4. After the meeting of the ECA Conference of Ministers in May 1993, the Federation of African Women Entrepreneurs held its inaugural meeting in Accra, Ghana from 1 to 3 June 1993. Thirteen delegations from national associations of women entrepreneurs attended the meeting and actually launched AFWE. They also adopted the constitution of the Federation as well as its rules and regulations.
5. The objectives of the Federation as stipulated in its constitution are to:
  - (a) Increase the capacity of women entrepreneurs with a view to enhancing their contribution to the overall economic development of the region;

When initially launched, the federation was called Federation of African Women Entrepreneurs (FAWE) which was later changed to the African Federation of Women Entrepreneurs (AFWE) after it was learned that the name coincided with that of another already registered organization.

(b) Develop mechanisms whereby interactions among African women entrepreneurs can be promoted, existing business consolidated and new avenues developed;

(c) Play an active role in the formulation of forward-looking strategies for women entrepreneurs and to take up economic issues of vital national and international importance;

(d) Upgrade the subsistence level of rural and urban poor women entrepreneurs, thus forging linkages between the urban and rural economic sectors;

(e) Create a favourable environment for the creation and development of enterprises and units of viable production and in particular promote access to resources and technologies that are likely to reinforce women enterprises;

(f) Increase women's access to bank credits by creating funds that would provide their guarantee.

6. Once AFWE was launched, it elected its first Executive Committee as follows:

Chairperson	Nigeria
First Vice-Chairperson	Guinea
Second Vice-Chairperson	Uganda
Secretary-General	Ghana
Deputy Secretary-General	Ethiopia
Treasurer	Benin

7. Representatives of the subregional groupings were also elected, with Kenya representing East Africa and a second country to be selected by the subregion; Malawi and Mozambique representing Southern Africa; Senegal and Guinea-Bissau representing West Africa; and the Congo and Burundi representing Central Africa. The North African subregion was unfortunately not represented. ECA has therefore written to the countries of the North African subregion inviting them to join the Federation and to nominate their representatives to the Executive Committee.

8. Following the successful launching of AFWE and the election of its Executive Committee, the latter proceeded to schedule its first meeting for August 1993 in Lagos but rescheduled it at ECA, Addis Ababa between 1 and 3 February 1994 due to political constraints in Nigeria. Its first task was to elaborate a plan of action and strategies for its implementation. It was also to review the status of the membership for AFWE, modalities for its registration as well as where its secretariat should be located. The Executive Committee elaborated a four-year plan of action, 1994-1997, and established a programme implementation plan. In the immediate future, AFWE intends to concentrate on strengthening itself through launching a membership drive; organizing training workshops on entrepreneurship for its members at the national and regional levels; organizing study tours and trade fairs; and establishing a directory of products that are available in its member countries so as to facilitate ideas for potential trade and exchange of ideas. In addition, special attention was focused on the functioning modalities of the Federation with regard to the national and subregional associations for women entrepreneurs. Formulation of strategies for generating funds not only for its administrative maintenance but also for the implementation of its plan of action were equally spelt out.

9. With regard to AFWE's relationship with regional and international organizations, AFWE intends to apply for observer status with OAU and the United Nations. Already, it has subscribed its membership to the newly autonomous International Federation of Women Entrepreneurs (IFWE) which, until 29 January 1994, existed under the auspices of the World Small and Medium Enterprises (WASME). IFWE, to which AFWE was

elected Vice-President, opens its membership to countries of the South and its first executive committee meeting was hosted by AFWE in Addis Ababa on 8 March 1994.

10. While ECA will continue to provide technical assistance to this tool of economic empowerment for women, and indeed while interest to support some of its activities has been expressed by organizations such as the World Bank, there is great anticipation that AFWE will grow to be a self-sustaining organization that can be looked up to by women who need a concrete example of how their business potential can be harnessed and exploited to the maximum. Besides, its capacity for growth need not be confined to the region as already exemplified by its recent membership to IFWE. The challenge now is whether or not the Federation will rise to the occasion.

### III. AFRICAN BANK FOR WOMEN

11. In the 1993 meeting of the ECA Conference of Ministers, a preliminary study on the establishment of an African Bank for Women was reviewed. The study had been carried out on the basis of the consensus that accessing women to credit through the creation of appropriate regional structures would be a significant step towards the chronic problem of unavailability of capital for women businesses and other productive activities. Their continued reliance on traditional savings schemes had proven to be expensive, limited in their capacity for growth and at times unreliable.

12. The study reviewed by the Conference of Ministers had included an analysis of previous studies undertaken by ECA, ADB and the United Nations Development Programme (UNDP) with regard to women's access to credit. It had also documented the experience of Women World Banking, the only international financial institution specific to women's credit needs which operates in the African region. African women's economic activities as well as their financial opportunities had also been examined and suggestions made as to how greater resources could be generated in order to facilitate movement from small- to medium- and large-scale ventures. The study had incorporated ADB's views on the creation of a bank for African women and had also suggested what its relationship with the newly created Federation for African Women Entrepreneurs (FAWE) could be.

13. On reviewing the study, the Ministers recommended that a more in-depth study be undertaken on the feasibility of creating an African bank for women. Accordingly, a more detailed prefeasibility study was carried out. As a basis for the creation of a bank, it stressed the fact that women constitute the majority in agricultural production and informal sectors, and yet lacked a viable mechanism to finance their activities. The "on-the-ground financial organizations" on which women relied mostly were operated on a "not-for-profit" basis and suffered from lack of replenishment at times when resources ran out. On the other hand, credit unions which were operated under the cooperative act in most African countries were supervised by government ministries and often lacked adequate checks and balances against abuse, etc. Such sources also confined credit extended to women to working capital which was restricted from use in capital formation.

14. Other "on-the-ground organizations" included NGOs whose future depended on donor funds while local development banks required minimum amounts that were beyond the reach of the average business woman. With regard to commercial banks, the requirement for collateral support rendered them inaccessible to women, particularly because they insisted on cash. As for local loan schemes that were supported by international organizations who offer guarantee funds, they were constrained by the fact that when there was default, they cannot off-set it individually. Instead, according to regulations, off-setting mechanisms are applied only when the whole portfolio becomes non-performing. This weakens the entire portfolio. As for commercial banks, they experience difficulties in financing informal sector projects due to lack of essential documentation such as sales history and references on business activities. The problem is compounded by the fact that most banks in Africa are foreign and are therefore mostly interested in supporting activities in foreign rather than host countries. A

specialized financial intermediary, on the other hand, could develop records of the informal sector businesses gradually, which would eventually lead to the necessary credit information.

15. Of the existing financial institutions, the study views financial intermediaries as holding greater prospects than commercial banks for assisting the informal sector even though very few of them qualify for registration under the financial institutions act. The study sees the possibility of upgrading some of the NGOs that de facto perform the functions of financial institutions through training and supervision by the central banks. While such institutions may suffer the constraints created by the regulations that govern the flow of donations as well as resources for commercial investment from abroad, the problem could be circumvented if women's financial intermediaries were registered under the central bank's act which would facilitate them to raise money in the local market. Such a specialized institution could then be developed to meet the specific needs of women in the same way as other specialized banks have developed.

#### A. Key issues to be addressed

16. In examining the potential and viability of establishing a specialized financial intermediary for African women, the study insists on the need to address the following key issues:

##### 1. Funds needed

17. Determining the minimum required capital would have to be the first step to establishing the financial intermediary. The institutions under consideration would have to be licensed by the central banks and would conform to all rules and regulations like other commercial enterprises. Under certain regulations of African regional organizations such as OAU and subregional unions such as the Economic Community of West African States (ECOWAS), such an initiative could be classified as a "community project" which could attract certain kinds of support.

18. Start-up expenses should also be taken into consideration right from the start in order to ensure that operating costs are satisfactorily met. The type of intermediaries chosen will of course determine the size of the start-up cost, for example a deposit taking institution will require higher overheads because of the security arrangements while an intermediary that only accepts loan applications does not require a high security budget.

19. To raise on-lending funds, various institutions within the region and world-wide should be identified and rules governing the extension of credit well studied to facilitate negotiations for accessing the funds. ADB and the International Finance Corporation (IFC) are good examples of such institutions. Development banks at subregional and national levels could also be approached on the grounds that they may find it easier to reach women clients through specialized institutions rather than doing direct lending to them.

20. The study suggests that the initial funds for operations should come from the sale of shares. Thus, it should be obtained within the spreads between the purchase and sales price of money for sustainability purposes. Any donor assistance should therefore be handled to accumulate the necessary reserves for support services which in turn should be kept away from government tax authorities in favour of the growth of the organization.

21. Funds for loan losses must also be reserved at an early stage to off-set loan losses under conditions to be defined in the credit policy guidelines. Build-up of non-performing loans must be avoided. Alternatives to existing collateral requirements must be developed, e.g., by using the items being financed or the cash flow emanating from the items being financed. In this way, loans for capital items and inventories will have in-built collateral values. In addition, preventive measures need to be part of routine operations in the informal sector to avoid heavy losses, particularly in view of the fact that assets depreciate rapidly in default situations.

## 2. Women's access to funding institutions

22. Bearing in mind that the most important objective in initiating a financial intermediary for women is to ensure that most women in Africa have access to financial resources, in determining the type of mechanism and locations for the intermediary, certain issues must be considered. The length of time between the moment the application is deposited and the disbursement of funds must be minimized to avoid replicating one of the characteristics of formal banks. It is one of the arguments against the centralization of credit.

23. In this regard, the location of the financial intermediary becomes of crucial importance. Thus, while a mechanism established at the regional level would have the advantage of better coordination in mobilizing resources, it would face geographical, logistical and communications constraints if it dealt with women on an individual basis. It would therefore need local boards to take decisions, which has implications on the decentralization of decision making, local facilities to reach out to women as well as foreign exchange and exchange rate considerations. A mechanism at the subregional level poses similar problems except in zones with a common currency such as the CFA subregion or the Preferential Trade Area which has developed a programme on women in business. A national level strategy, on the other hand, has the advantage of a local focus whereby women are likely to see it as their own, and therefore invest in it and make use of it all in local currencies.

## 3. Sustainability and viability

24. In order for a specialized financial intermediary to be sustainable, most of the funding should be from within Africa. Sources should include investors who have confidence in the future of women in business, including women themselves. Other sources might include both the internally and externally generated funds. Policy matters in relation to the regulations governing banking institutions in Africa must also be addressed to ensure an enabling environment with regard to promoting access to financial resources by women. Additionally, rediscount facilities must be made available to a specialized financial intermediary within easy access in the event of default in order to facilitate take-over by others who are better able to do so to generate income.

## 4. Infrastructure

25. The proposed working mechanism must take into consideration the constraints that women face such as lack of assets, inadequate skills, illiteracy, multiple roles, inaccessible rural environment and the nature of business and productive activities that they engage in. Financial institutions involved in providing credit must therefore remain flexible in considering credit approval under decentralized conditions. The intermediary servicing the special needs of women should concentrate on long-term lending but have a working relationship with short-term lending institutions, preferably commercial banks. For the clients who do not qualify for short-term loans from commercial banks, arrangements would need to be made for "suppliers credit" to be made available to them under the guarantee of the specialized intermediary.

26. To protect projects from inadequate funding from early stages, it is important that the loan granted takes into consideration fixed and operating costs for at least two business cycles. Legal provisions to discourage abuse and default should also be built into the whole arrangement.

## 5. Support services

27. The financial intermediary must be provided with managerial support at all levels including audit and inspectorate services in order to ensure that operations are up to acceptable standards and to curb abuse. To maintain neutrality, it is advisable that such support services should not be provided by any of the funding

commercial financial intermediary. On the other hand, developing agencies that ordinarily provide revolving loan schemes are perhaps well placed, among others, to offer such services.

28. Borrowers should also be provided with special technical services in view of the generally low level of business skills among women. Women World Banking has in-built training programmes for women, and Kenya has a management assistance programme (MAP) whereby business executives of bigger and more established enterprises volunteer expertise as trainers and business advisors of small-scale entrepreneurs. Such models could be borrowed to provide women with the necessary tools for successful business ventures.

#### B. Recommendation

29. The findings of the prefeasibility study lead to the conclusion that a comprehensive study is required to spell out clearly the operational modalities of the African bank for women and to address concrete details with regard to specific issues such as resource mobilization, target groups, administrative arrangements, and individual application procedures within individual countries, subregions and regions.

30. The study then recommends the creation of non-demand deposit taking financial intermediaries for women which would be coordinated by a specialized African bank which would provide support services.

31. To implement the above, the study recommends that ECA constitutes a collaborative committee that would sponsor the feasibility study which would look into the various alternatives for accessing women to credit and propose an appropriate mechanism. The proposed members of the committee are ADB, UNDP, the United Nations Fund for Women (UNIFEM), Women World Banking (WWB), the various associations of African central banks, the Institute for Monetary Studies and FAWE.

32. Other aspects that the feasibility study would focus on include the appropriate structure for all the necessary functions of a financial intermediary.

#### IV. CONCLUSION

33. In an attempt to build an economic infrastructure that will foster the economic empowerment of African women, two important actions have been launched. While one has been accomplished, the second one is well on its way to the end. In the course of their implementation, women, once again, have demonstrated their enthusiasm and determination to up-lift themselves to the highest heights possible in the economic sector. To them, the implementation of the Nairobi Forward-looking Strategies (NFLS) and the Abuja Declaration by which resolution 736 (XXVII) was inspired is a condition sine qua non for their advancement. That determination must now be equally manifest in the struggle to maintain these institutions, and more importantly, in ensuring that they benefit all those for whom they were intended.

34. In this connection, the Conference is requested to endorse the recommendations of the prefeasibility study on an African bank for women and to urge ECA, in collaboration with such organizations as ADB, the Association of African Central Banks (AACB), the Institute of Monetary Studies, UNDP, UNIFEM, Women's World Banking, etc., to continue to explore the feasibility of the bank to its final conclusion including its implementation when indicated. The Conference is further requested to urge African Governments, ECA and donor agencies to spare no efforts in assisting AFWE to build a firm foundation and to facilitate its take-off.