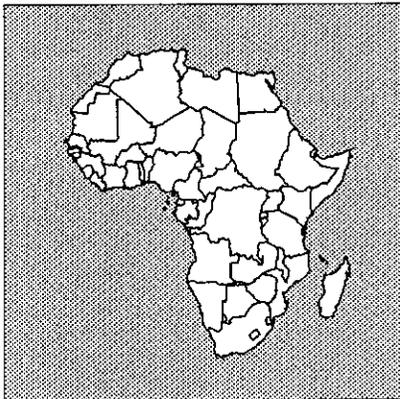


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The African Women Entrepreneur: An Agenda for Enhancing Capacity and Empowerment

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Introduction

The current crisis in the World economic order and its harsh reflection in the African economies in the form of diminished resources overall clearly calls for a greater contribution of African entrepreneurship to the continents development. In this context, African women entrepreneurs are in an especially critical position taking into account the multitude of their responsibilities and the formidable constraints they face given the widening gap between those responsibilities and the resources available to them.

In relation to the above, the principal aims of this presentation are to:

- i) review the role of entrepreneurship in Africa's development, with special emphasis on the role of female entrepreneurs;
- 2) analyse the situation of the African women entrepreneurs and the primary constraints they face
- 3) present some of the current actions undertaken by various institutions in their favour;
- 4) make recommendations for different levels of intervention and action.

Part I. The Role of Entrepreneurship in Africa:

Entrepreneurship has a long history in Africa. The informal sector comprised of micro enterprises in farming, trading and manufacturing has offered a fertile seedbed for the development of indigenous African entrepreneurship. Today, traders and artisans continue to organize profitable enterprises according to long established rules and customs.

The colonial system in Africa had transferred to African societies the western system of economy whereby the latter was divided into public and private sectors. At independence, the role of the state as entrepreneur was reinforced and rationalized by the argument that the indigenous private sector possessed neither the management and technical expertise nor the capital to compete with foreign companies and hence could not bring about rapid industrialization and development. Attention was concentrated on increasing the exportation of raw materials and on moving toward industrialization. The high economic returns on raw materials and/or oil accounted in great part for the economic growth registered by some African countries during the first decade after independence.

Such an attitude, and policies on which it was based, altered long term investment by both private local and foreign entrepreneurs. Thus, despite the existence of local entrepreneurship the macro situation has not been conducive to private sector and entrepreneurial development.

During the 1980's, however, spurred by large and continuing losses, evidence of public sector inefficiency and market distortions caused by excessive government interference, the situation led to reappraisal throughout much of Africa of the role of entrepreneurs in the continents development.

Specifically the worsening socio-economic situation in Africa by the late 1970's and early 1980's called for various remedial measures, the best known being structural adjustment loans and programmes. The impact of these initiatives on certain segments of the economy and population (especially women and children) has placed a new emphasis on enterprise development. African populations outside the formal economic system have always relied on traditional enterprise for survival and economic growth. The past two decades have witnessed a rapid increase in the shares of employment and income generated by small and micro enterprise in Africa's informal sector. Galloping population growth, rural-urban migration decreasing agricultural output and contraction of the public sector have all been major contributing factors.

As this trend continues African countries and the donor community have come to recognize the priority need to support African entrepreneurship development as a key to

Africa's long term growth and productivity, employment creation and poverty alleviation.

Despite the above trend, however, numerous constraints face the viable development of entrepreneurship and the private sector in Africa. These include the segmentation of the private sector and Africans share in it. The large scale enterprises are mostly foreign owned and controlled, the medium/small scale enterprises are male dominated. The micro enterprises and income generating activities are dominated by the uneducated and poor populations and this is where women are prevalent. The large-scale and medium scale enterprises fall into the formal sector and are the traditional targets of government support and most donor assistance. The micro enterprises and income-generating activities tend to be in the informal sector and are therefore considered extra legal. As a result, a lot of business policies and regulations tend to suppress or at least discourage activities in this sector.

Besides the above segmentation, other constraints facing the viable development of entrepreneurship in Africa include, the range of negative macro economic factors which have affected savings rates and investments in Africa in recent years. These include chronic fiscal and external imbalances, painful transitional, structural changes and above all uncertain political and economic climates. Added to the above is the lack of entrepreneurial capital and credit, also springing from inadequate investment policies, and from institutional weaknesses which have hampered resource mobilization and are restricting the private sectors access to available finance.

Specifically, given the various constraints mentioned above, no viable entrepreneurial development can occur without a serious review of existing financial systems, prevailing bank practices and attitudes financial and investment regulations. The official cultures in many African countries discouraging entrepreneurship also require review.

It is pertinent at this point to pose the question: How do African women entrepreneurs figure in all the above developments, what roles do they play and what constraints do they face.

Part II Female entrepreneurs in Africa:

For many centuries African women have nurtured a long-standing tradition of entrepreneurship. They have predominated as traders in local markets and have held a prominent place in international and intercontinental trade for specific items. Trading continues to be second only to agriculture among women's major activities.

Most African states have been independent for at least thirty years. In order to analyze the factors influencing the role of African women entrepreneurs in the social and economic development of Africa during the last three decades it will be necessary to review, rapidly the historical record of women's economic activities in traditional societies as well as social and economic modifications brought about by the colonial system.

An analysis of the complex and varied economic systems throughout the continent show that African women were, and still are, expected to be economically independent; to control their own economic resources which were often invested in their natal families' and to legate their resources to a different set of heirs than those of their spouses.

The colonial law imposed changes in the legal status of women especially within the nuclear family to which it gave particular importance. Women's customary privileges were at best ignored and at worst denied by the new legal systems. For many women colonization meant a serious loss of status vis-à-vis men. Women's status as independent economic agents was seriously questioned by colonial authorities who imported 19th century European legal systems in which women were considered economically legal minors. In England and France, married women were not allowed to have finances in their own names or to participate in economic ventures without their husband's consent. This contrasted with the situation in many of the societies in Africa.

Aside from the legal and economic discrimination, African women were also impeded in the realm of training and education. Women's education consisted primarily of home economics i.e family nutrition, sewing, etc. Until recently many development projects for women were based on the same activities. Very few women had access to higher

education opportunities in any field.

Despite these constraints women continued to contribute greatly to production and to use their products as the basis for trading and micro commercial activities. Unfortunately, independence brought few changes in women's legal status. To this day the major impediments faced by women entrepreneurs originate from colonial discrimination.

Classifying Female Entrepreneurs and the constraints they face:

The importance of differentiating between different categories of female entrepreneurs lies in the fact that it will facilitate the identification of different groups of constraints/needs and therefore help in the streamlining of intervention measures.

It is possible to distinguish between the following categories :

i) survival activities of the poorest :

women engaged in survival activities can only rarely keep themselves and their families alive. They are the subsistence farmers, the street vendors and very often the women whose activities are on the borderline of household and economic activities;

ii) micro enterprises :

These employ less than ten full-time workers, are usually located in the home, use traditional technology, typically serve local markets and are usually found in the informal sector;

iii) small scale enterprises :

these employ between ten and fifty workers, are usually located away from the owners home, use some modern technology as well as more complex procurement and marketing systems.

Both categories (i) and (ii) are actually situated in the informal sector. The latter possesses several factors which facilitate the participation of women at least at the lowest level. Its loose structure and flexibility enable women to respond to responsibilities at home and at the same

time engage in income generating activities. Informal entrepreneurs however face stiff competition because easy entry into the sector means that many people compete for the same market.

Furthermore, Africa's economic crisis and decline in purchasing power have a more serious impact on the very small and marginal entrepreneur. Women-owned businesses are especially hard hit. The SAP's, with their resultant contraction of the public sector and emphasis on entrepreneurship development have increased the number of entrepreneurs in the informal sector. As a consequence the more skilled and educated mostly male population is squeezing the poor, uneducated women entrepreneurs out of their traditional businesses.

More specific constraints faced by female entrepreneurs include the following:

i) education and training:

Female entrepreneurs in the informal sector very often learn their skills from other women, very often within their own households. However, as traditional production and marketing techniques decrease in importance as compared to modern business techniques and management, women tend to lag more and more behind male entrepreneurs. More specifically the low literacy rate among women entrepreneurs hinders their ability to do the paper work and comply with the administrative procedures associated with loan application, necessary for obtaining credit.

ii) credit :

This have been widely documented and needs no further review at this juncture. The significant points to emphasize however relate to issues of collateral, cost of administering small loans, lack of outreach of formal banks in rural areas, lack of gender sensitivity among bank staff etc. Specifically, in areas in which the government provides loans to producers, it is often the head of household, defined de jure as

male, who is eligible for a loan. Despite the fact that more than 22 % of households in Africa are headed by women, many countries' legal systems do not recognize women as household heads. Contrary to the reality of the household economic management strategy, it is assumed that all the economic resources are in the husband's control. This is despite the fact that in a large number of African households men and women keep separate accounts.

iii) Low productivity :

The profitability of women's business is lowered by factors such as high unit prices for raw material and low levels of technology. These factors result in low levels of production, high production costs and as a result many women entrepreneurs earn incomes that are far below even the minimum wage. Also, lack of services and facilities which help women's management of pregnancy and childcare further lower entrepreneurs labour productivity.

iv) National Ec. Policy Environment :

The hostile administrative environment which adds costly charges to the establishment and maintenance of small businesses and protects no portion of the market for the small retailer, making it very difficult for women entrepreneurs at present.

The informal sector in general lacks institutional support because informal sector entrepreneurs are wary of interference and becoming involved with the government, and because the informal sector has traditionally been less visible and deemed unimportant in the development process. Support to the informal sector due to its very nature has also been more complex than that to the formal sector.

Even in the formal sector, women suffer from the weak business support infrastructure. Furthermore, they are usually not active members of the local Chambers of Commerce nor among the bank's major borrowers, also they remain practically unknown to

investment promotion boards and/or export associations and consequently lose valuable business opportunities.

The above section of the paper has attempted to give a brief overview of some of the characteristics of African female entrepreneurs highlighting their principal needs and constraints. It is clear from this analysis that in Africa disturbing economic and demographic trends together with generally weak institutional capacity of governments, NGO's and the financial sector are making efforts at improving the lot of poor entrepreneur women especially difficult. In fact, no large scale successful programmes comparable to those found in Asia and Latin America currently exist in Africa. Laying the elements for such a programme in support of African female entrepreneurs constitutes the principal task of the remainder of this presentation.

Part III : Current Actions in Favour of Women Entrepreneurs:

Several institutions in Africa are currently engaged in lending various forms of assistance to female entrepreneurs. The task of this section of the paper shall be to expose the main type of assistance being extended. The institutions covered in this section by no means constitute a representative sample but simply provide examples of the types of actions currently being undertaken by different institutions in Africa. This will be in addition to identifying the most appropriate ways and means enabling these institutions given their different mandates to coordinate their actions in favour of female entrepreneurs.

i) Prefential Trade Area (PTA) :

The PTA's strategy on WID aims at attaining the following objectives:

- improving economic conditions of women in PTA countries;
- increasing awareness of WID issues at the policy level;
- integrating women into the PTA trade and development programmes.

More specifically a Women in Business (WIB) programme is being developed whose primary activities include establishment of a Revolving Fund intended to offer credit

to women on concessionary terms provision of assistance in identification of investment opportunities, provision of assistance in market research etc.

The first Roundtable for Women in Business in Southern and East African States was held in July 1992. It called for the establishment of National Associations for Women in Business. A draft charter for the establishment of the Federation of Associations of Women in Business in PTA countries was also developed. A second Roundtable is planned for March 1993.

ii) African Project Development Facility (APDF):

Realizing the role of the private sector and the potential for entrepreneurial development, the African Development Bank, International Finance Corporation and the UNDP joined in an effort to assist African entrepreneurs to promote their viable small and medium sized businesses. This joint effort resulted in the establishment in 1986 of the APDF with the overall objectives of:

- 1) accelerating the development of productive private enterprises sponsored by African entrepreneurs;
- 2) developing a strong local consulting capacity.

Since its inception in 1986 APDF has helped prepare and raise financing for 101 projects in SubSaharan Africa. Of these 101 projects only 15 were women-owned, women-managed and/or in one way or another women were the principal contributors and beneficiaries.

The ceiling currently placed for projects is beyond the reach of female entrepreneurs. In addition the institutional and structural impediments they encounter makes it difficult for them to take advantage of APDF services. In this regard, APDF is attempting to overcome this constraint through the following:

- increasing the number of local women consultants;
- developing and putting in place mechanisms for cooperation between

- the various multilateral and bilateral sponsors to provide various kinds of support, specifically to female entrepreneurs;
- encourage greater flexibility in the acceptance of projects, sensitizing local banks and financial institutions to the situation of women entrepreneurs and their needs, etc.

African Development Bank (ADB)

The Bank group realizes that sustainable development of the continent critically depends among other things on fostering the dynamic but hitherto latent African entrepreneurship. As investments from public sources are unlikely to be sufficient in generating sustainable growth rates, the latter will be much influenced by the ability of the private sector to mobilize resources for productive investments.

In relation to the above strategy, there are specific ways in which ADB lends support to female entrepreneurs in Africa. These are:

- a) Lines of credit extended to a number of Development Finance Corporations throughout the continent. The objective of such support is to finance Small and Medium Scale Enterprises that the ADB is unable to reach effectively by direct intervention. However, loans made by DFC's still tend to be fairly large and are consequently beyond the reach of the majority of women in small and medium scale enterprises. The WID Unit of ADB has developed guidelines for influencing these loans in favour of increasing the number of female beneficiaries;
- b) Private Sector Development Unit of ADB was established to target the Private Sector directly without having to go through government channels. Currently, the PSDU is mainly engaged in direct financial assistance to medium and large-scale industry, though it envisages indirect assistance to smaller economic units through lines of credit. As yet however, no female owned or managed businesses have received funding through the PSDU,

- c) The WID Unit of ADB has selected providing Credit for female entrepreneurs as a priority. In this context, a report containing specific recommendations for easing women's access to credit has been submitted for approval by the Boards of Directors.
- d) Several WID-specific projects funded by ADB and currently under implementation have credit components specifically for female entrepreneurs.

In relation to the activities of the above institutions, the following remarks are pertinent:

- 1) Most activities described tend to miss the majority of female entrepreneurs, specifically in those sectors we have described as survival or micro enterprises, reaching rather the categories of large and medium scale enterprises.
- 2) A lot of overlap is noticed concerning actions supporting female entrepreneurs (e.g between ECA initiative on Federation of African women entrepreneurs and PTA Federation of Associations of women in Business, etc).
- 3) One of the major bottlenecks hampering both (1) and (2) above is the lack of systematic and comprehensive data on female entrepreneurs in Africa. Aspects of all of the above will be dealt with in the final section of this presentation.

Conclusion and Recommendations:

The preceding analyses have pointed out several major areas where actions can be taken and recommendations made bearing in mind the situation of female entrepreneurs in Africa.

These recommendations are based on the following assumptions:

- a) female entrepreneurs are not a uniform group, their divergent needs cannot consequently be addressed in a uniform fashion;
- b) what appears to be beneficial from the point of view of the donor cannot automatically be assumed to be beneficial from the perspective of the recipient. Specifically, the opinions, needs etc of female entrepreneurs cannot be assumed, they have to participate in any action being undertaken in their favour;
- c) related to the above assumptions the goal of "empowerment" should be borne in mind. The empowerment of female entrepreneurs through increased self-sufficiency should remain a central goal of all interventions. In this the positive relationship between improving women's livelihoods and bringing about more fundamental changes in their minds should not be forgotten.

In relation to the above, the range of interventions to be undertaken must be broad encompassing not only the micro project level and the national policy level, but the regional level as well.

The Policy level :

Here, the objective should be to create and sustain policy dialogues at different levels with the aim of supporting efforts at analyzing options for gender-sensitive policy reform, remedying the disproportionate impacts of current policies on poor women entrepreneurs, identifying compensatory policies, programmes and design appropriate government interventions in the economy to promote gender-equitable growth. The above is based on the assumption that the best conceived micro-interventions can be completely counteracted by policy changes that have a negative effect on the micro level (e.g laws against street vending etc).

The above is by no means a simple process, each donor, organisation, etc has to find its appropriate niche in this policy dialogue depending on its particular mandate but also depending on the ensuing economic and political culture in the specific country.

Information and Data gathering

This has already been identified as a gap hindering the targeting of appropriate intervention measures. In particular besides gathering of basic data, this signifies broadening the type of research that is both useful to and can be used by both policy makers and practitioners. Two specific project ideas can be suggested in this context:

- (i) that a data bank on female entrepreneurs be created at the regional level to include all existent data but also to be systematically fed through survey and studies on different categories of female entrepreneurs.
- (ii) that at the national level all projects assisting female entrepreneurs be documented in order to be aware of possible duplication, but also in order to be informed of potential stories of success in addition to those of failure.

Organization and networking:

Organizing women and networking among them no doubt constitutes a crucial strategy for empowerment. Various levels of organizing are possible, ranging all the way from the minimal organizing necessary for implementing a project among women entrepreneurs all the way to organizing groups of entrepreneurs at the national level as advocacy groups. The strategy also involves facilitating the entry of entrepreneur women into mainstream organizations such as Chambers of Commerce, Commercial Banks, etc.

In relation to the above, therefore, donors and governments in order to respond to the challenge and opportunity of building organisations among female entrepreneurs must

examine their willingness and ability to support not only micro level projects but to provide longer term and large scale support to more expanded organisations which have a broader commitment to changing the position of poor women in society. The latter might include larger women's organisations or trade unions.

In this particular context the following project ideas are worth considering:

- a) that ongoing regional attempts at organising entrepreneur women (e.g by PTA, ECA, etc) be supported but that furthermore;
- b) attempts be made at national level to create such organisations especially for the poorest and most marginalized among the entrepreneurs. Already existing informal groups can be used to build on, for this purpose;
- c) part of this process entails encouraging those female entrepreneurs who are eligible, to join formal business organisations and groups, such as Chambers of Commerce, etc. This can be done through a media campaign but also through gender sensitization of the management of such bodies.

Access to Credit:

This is an area which has received a lot attention and has been repeatedly identified as an area in which women entrepreneurs require urgent assistance. The issues raised regarding facilitating women's access to credit are numerous and include the role of training and technical assistance in credit projects, the issue of project sustainability, the graduation of borrowers to formal sources, the role of policy, and the evaluation of the impact of credit on women, given the particular nature of their enterprises. Any credit programme for women entrepreneurs must examine the above issues closely.

To date numerous small scale credit schemes have been set up by a multitude

of donors all over Africa, more global initiatives attempting to address the structural aspects of the problem however, do not yet exist.

An African Development Bank Report on Mechanisms for easing African women's access to credit is currently under approval. The report proposes the setting up of four credit mechanisms in four African countries, which will be evaluated and possibly more widely replicated.

The main project idea to be recommended here is the following:

- a) the creation of a regional fund supported by several donors whose mandate is to provide credit to female entrepreneurs. This fund can have subregional and national branches whose more specific modes of operation will depend on the situation in the particular, subregion or country thus, whereas in one country a commercial bank might be designated to handle the fund, it might be an NGO in another, etc.

Training:

Lack of management/business skills on the part of female entrepreneurs is a major constraint, which like lack of credit has been continuously singled out. Various donors have already developed training modules/materials for dealing with this problem. A primary task should therefore consist of collating such materials and evaluating their methodologies and potential for replication. In order to have a far reaching effect, the project idea recommended here is to support national educational curricula training policies both quantitatively in terms of reaching more women, but also qualitatively in terms of appropriate inclusion of management/business skills training.

Finally, it needs to be emphasized that the recent economic crisis coupled with alarming demographic trends and the increased feminization of poverty in Africa have led women by the millions into entrepreneurial activities. Such trends are most likely to intensify rather than be reduced in the coming decade. This is therefore a challenge Africa's

men and women must face seriously, but creatively. The recommendations made above provide indications of the kinds of problems which can be dealt with, it is however the policy dialogue mentioned earlier which remains the crucial catalyst in facing the formidable challenges Africans face.

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