



# IFC & Goldman Sachs 10,000 Women: Investing in Women's Business Growth

## THE WOMEN ENTREPRENEURS OPPORTUNITY FACILITY

Progress Report 2019 — WEOF at the five-year mark



## ACKNOWLEDGEMENTS

This report was prepared by a joint IFC-Goldman Sachs 10,000 Women team. The IFC team is led by Anushe Khan and Angela Lumanau. The WEOF report team included: Vanya Candia, Roshin Mathai Joseph, Tanya Kynadi, Alvaro Tarazona Soria, and Hui Min Toh. Ann Moline was the editor and Tanaquil Baker of Groff Creative LLC designed the report. The team thanks Henry Pulizzi and Rob Wright for their assistance during the preparation of this report. We also thank our reviewers: Sharmila Hardi and Jessica Schnabel.

## About IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In fiscal year 2018, we delivered more than \$23 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit [www.ifc.org](http://www.ifc.org).

## About Goldman Sachs 10,000 Women

Goldman Sachs 10,000 Women is an initiative to foster economic growth by providing women entrepreneurs around the world with a business and management education and access to capital and networks. In addition to partnering with the International Finance Corporation to establish the Women Entrepreneurs Opportunity Facility, over the last decade, Goldman Sachs 10,000 Women has helped over 10,000 women reach their full potential through a rigorous business education program. And now, by leveraging technology the 10,000 Women curriculum is available online, creating access to a business education in more corners of the world. For more information on Goldman Sachs' investment in female entrepreneurs, visit [www.gs.com/citizenship/10000women](http://www.gs.com/citizenship/10000women).

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2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

[www.ifc.org](http://www.ifc.org)

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## ACRONYMS

AMC	Asset Management Company
FI	Financial Institution
FIG	Financial Institutions Group
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (The Netherlands Development Finance Company)
IFC	International Finance Corporation
MSME	Micro, Small, and Medium Enterprise
OPIC	Overseas Private Investment Corporation
SME	Small and Medium Enterprise
WEDF	Women Entrepreneurs Debt Fund
WEOF	Women Entrepreneurs Opportunity Facility
WSME	Woman-Owned/Led Small and Medium-sized Enterprise



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# Message from the CEO of IFC



Women entrepreneurs are a powerful force for prosperity. They generate economic growth and create jobs, particularly in developing countries, where nearly one-third of small businesses are owned by women.<sup>1</sup> But their economic potential

remains largely untapped. Too many women don't have access to the funding that their businesses need to thrive. And too many banks lack the expertise and strategy needed to meet the needs of female entrepreneurs.

The cost of solving the world's greatest problems, from poverty and inequality to climate change and fragility, is steep. To achieve the Sustainable Development Goals, the world must close a \$2.5 trillion annual investment gap in developing countries alone, according to the United Nations.<sup>2</sup> A strong and engaged private sector is indispensable if we are to succeed. We must be creative in mobilizing private capital and partnerships that will unleash the forces of sustainable and inclusive economic development. And the solutions must include women entrepreneurs.

That's why IFC *Banking on Women* and Goldman Sachs *10,000 Women* joined forces in 2014 to create the Women Entrepreneurs Opportunity Facility. WEOF is built on the fundamental business case that providing financial services to women creates jobs, improves lives, and generates bottom-line value for banks. The partnership brings investment and expertise to local financial institutions so that they can expand financial solutions for women.

Halfway into the life of the facility, the effort is bearing fruit. IFC's investments through WEOF in developing-country financial institutions are strengthening businesses and creating jobs in challenging markets around the world. Already, the facility has outperformed on its initial goal by investing more than \$1.4 billion in financial

institutions for lending to women entrepreneurs. These banks are reporting healthy growth and strong asset quality in their women-owned small-business portfolios.

In July 2019, IFC and Goldman Sachs *10,000 Women* launched the world's first gender-focused trade finance initiative. The new *Banking on Women*-Global Trade Finance Program is helping women entrepreneurs in developing countries access markets and is generating needed data on women's participation in trade. The new program for trade finance is the latest innovation in our suite of WEOF resources to finance the growth and success of women entrepreneurs through local financial institutions. This complements IFC's well-established tools for working capital, medium-term investment finance, insurance, and digital and face-to-face support services for women entrepreneurs.

WEOF is a pioneer that has been followed by other initiatives supporting women entrepreneurs, including the Women Entrepreneurs Finance Initiative (We-Fi), launched in 2017, funded by G20 countries, and managed by the World Bank.

Enormous funding gaps for women-owned businesses around the world remain. WEOF is part of the solution, but only a part. It will take a concerted effort—collaboration and commitment between governments, the private sector, and multilateral institutions—to help close these gaps and truly tap into the vast potential that the world's women represent.

This work is a priority for IFC and partners like Goldman Sachs. We are proud of what WEOF has achieved in its first five years and look forward to deepening this work in the years ahead. It is precisely this type of innovation that can bring about lasting change.

A handwritten signature in black ink, appearing to read 'P. Le Houérou', written over a white background.

**Philippe Le Houérou**

Chief Executive Officer  
International Finance Corporation

# Message from the President of the Goldman Sachs Foundation



Women business owners play a critical role in developing economies. They create jobs, stabilize communities, and strengthen society overall. Yet, these women face many barriers in accessing finance, resulting in a

\$1.5 trillion credit gap for women small and medium enterprises.

Goldman Sachs *10,000 Women* was informed by research which showed that investing in education for women could help to close a range of gender gaps and contribute to higher global economic growth. We launched our world-class global business education initiative in 2008 and surpassed our goal of reaching 10,000 women in 2014. Today, the program continues to enable female entrepreneurs to reach their full potential.

Listening to the early graduates from our program, we realized that growth-oriented women entrepreneurs also needed greater access to external capital. In 2014, we partnered with IFC to establish the Women Entrepreneurs Opportunity Facility (WEOF), the first-of-its-kind venture to support women-led businesses around the world.

Our goal was simple—to expand and deepen financing available to women-owned businesses. In its first five years, the facility has invested \$1.4 billion—more than double our initial mandate—in financial institutions around the world. Loans have already been deployed to 53,000 female entrepreneurs across 33 countries.

I am confident that readers of this report will find value and be inspired by both the stories of the entrepreneurs and by the financial institutions doing the hard work of growing real businesses. We are committed to innovating and further democratizing resources for women entrepreneurs globally. Join us as we continue to unlock the potential of women in business around the world.

A handwritten signature in black ink that reads "Asahi Pompey".

**Asahi Pompey**  
President  
Goldman Sachs Foundation

# 1. Executive Summary: WEOF at a Glance

In 2014, IFC *Banking on Women* and Goldman Sachs *10,000 Women* founded the Women Entrepreneurs Opportunity Facility (WEOF), a first-of-its-kind global finance facility for women-owned enterprises. With a finance gap for women small and medium enterprises (SMEs) in emerging markets estimated at \$1.5 trillion,<sup>3</sup> the facility helps address the vast unmet financing needs of women-owned businesses in developing countries.

Leveraging the resources, reach, and expertise of IFC and Goldman Sachs *10,000 Women*, WEOF was created to **expand and deepen** financing for women SMEs in developing countries, **empower** women entrepreneurs through access to capital and expertise, and **demonstrate** the commercial viability of investing in women by attracting external investors.

Halfway into the life of the facility, WEOF has already exceeded its investment and mobilization goals, and has made strong progress towards achieving its objectives, helping to close the global credit gap for women SMEs.

## WEOF Achievements\*



33 countries

- 5 fragile
- 14 poor
- 14 middle-income



53 financial institutions



65 projects

- 51 investments
- 14 advisory



\$1.45 billion invested in financial institutions

Of which \$471 million mobilized from external lenders; the rest from IFC's own account

## WEOF Impact\*\*

\$1.2 billion

73% growth

Increase in **volume** of WSME loans outstanding, on-lent by financial institutions to women SMEs

61,767

86% growth

Increase in **number** of WSME loans outstanding, on-lent by financial institutions to women SMEs

52,902

Women entrepreneurs **reached to date**

100,000

women entrepreneurs **expected to be reached** by end of facility life

\$24,776

**average loan size** to a women entrepreneur

Reaching women-owned **small** businesses

\*Data as of June 2019

\*\*Data as of December 2017.<sup>4</sup>

## WEOF VALUE

### *The WEOF Value Proposition*

- ⚙️ **Provide capital:** IFC provides anchor investments in client financial institutions. Goldman Sachs 10,000 Women seeds WEOF with \$43 million in funding, of which \$32 million is for blended finance<sup>5</sup> that mobilizes additional capital from investors and encourages financial institutions to lend to women SMEs.
- ⚙️ **Offer financing to banks:** Using these resources, IFC makes loans to and shares risks with client banks in developing countries to increase lending to women-owned small businesses.
- ⚙️ **Help banks serve women entrepreneurs:** Supported by Goldman Sachs 10,000 Women's \$11 million in funding, IFC advises banks on ways to meet the needs of women-owned businesses and tap into opportunities in the local women's market.
- ⚙️ **Enable women entrepreneurs to grow their businesses:** WEOF banks offer value-adding financial and non-financial services targeted at women-owned businesses to foster growth.
- ⚙️ **Establish banks as "Bankers of Choice for Women" in their markets:** WEOF banks strengthen their competitive position through products and services that appeal to the growing women's market.
- ⚙️ **Provide platform for external investors to invest in women entrepreneurs:** Through IFC's fund management subsidiary and syndications platform, WEOF provides opportunity for external investors to finance women entrepreneurs at-scale for the first time.

As outlined in this report, WEOF is showing its value:

- **for women-owned businesses:** through increased access to finance and expertise for growth and entrepreneurial empowerment
- **for financial institutions:** through strengthened asset quality, enhanced brand, and competitive differentiation
- **for developing countries:** through job creation, expanded economic base, and stronger communities

WEOF is also contributing to the **global knowledge base**, providing key insights on boosting lending to women SMEs. The analysis of the WEOF portfolio shows that the facility is working and that it is on track to achieve its goals. WEOF helps demonstrate that investing in women makes good business sense—and that a targeted banking approach that treats women-owned businesses as a specific market sector can help close the credit gaps faced by female entrepreneurs around the world. Among the findings in this report:

- Lending to women SMEs is growing and WEOF participating financial institutions are growing their loan portfolios to women SMEs at a higher rate than IFC financial institution clients without a specific gender initiative.
- Differences in the sizes of loans given to male and female SMEs need to be considered when designing financial products for women SMEs.
- Women SME loans demonstrated better asset quality than the overall SME portfolio.
- There is a need for more gender-disaggregated data and in-depth research to further build the case for investing in women SMEs.

## WEOF INNOVATIONS

WEOF has evolved since its inception—mobilizing additional funding, developing and launching innovative instruments and initiatives, and expanding its footprint into more countries—to further incentivize more lending to women entrepreneurs. Most recently, WEOF launched the world's first gender trade finance initiative designed to increase trade finance for women importers and exporters.

Going forward, WEOF will continue to pursue its core mission of increasing lending to women SMEs and strengthening the business case for investing in the women's market. WEOF will also maintain its focus on innovation as it looks to finance groundbreaking approaches that will provide a more comprehensive set of financial solutions to serve the needs of women entrepreneurs around the world.





## 2. The WEOF Story: Bridging the Divide between Women SMEs & Banks

In 2014, IFC and Goldman Sachs 10,000 Women founded the Women Entrepreneurs Opportunity Facility—the world’s first global finance facility to help address the vast unmet financing needs of women-owned businesses in developing economies.

It leverages IFC’s *Banking on Women* program, which provides financing and advice to emerging-market financial institutions seeking to increase their business with female customers. It also leverages the success of Goldman Sachs 10,000 Women, which fosters economic growth by providing women entrepreneurs around the world with business education and access to networks.

### THE WHY: MASSIVE GLOBAL CREDIT GAP FOR WOMEN SMES

Women entrepreneurs are the backbone of developing economies—owning about 28 percent of all micro, small and medium enterprises, creating jobs, stabilizing communities, and strengthening society overall. Yet more than 30 percent of the total gap in access to financial services is attributed to these female-owned firms.<sup>6</sup>

This massive global credit gap for women-owned SMEs is estimated at \$1.5 trillion.<sup>7</sup> It translates into significant lost opportunities to create jobs, reduce poverty, and strengthen economies. Goldman Sachs research shows that closing the credit gap for women-owned SMEs in emerging markets could push annual incomes an average of 12 percent higher by 2030.<sup>8</sup>

#### ◀ **Ciiru Waweru, Goldman Sachs 10,000 Women graduate and recipient of a loan from WEOF participating financial institution**

Ciiru Waweru saw a gap in the market and an opportunity to create children’s furniture and education tools inspired by African stories. As a graduate of the Goldman Sachs 10,000 Women education program, and after WEOF facilitated a loan to renovate her factory, she now trains and employs other women throughout her community. Ciiru is featured as a Goldman Sachs 10,000 Women CEO portrait, an initiative to elevate unsung leaders and reflect the diversity of those who lead.



**Women-owned businesses in developing countries face many barriers in accessing financing, resulting in a \$1.5 trillion credit gap for women SMEs. Among the barriers:**

-  Lack of collateral
-  Unfavorable banking policies and procedures
-  Mismatch in bank product mix
-  Limited knowledge, skills, and expertise
-  Absence of enabling business environment

## THE WHAT: JOINING FORCES TO INCREASE WOMEN SMES' ACCESS TO FINANCE

To seed the program, Goldman Sachs *10,000 Women* provided a total of \$43 million: \$32 million to support financial institutions' development of women's banking programs and \$11 million to support IFC advisory efforts aimed at building the capacity of local financial institutions so they could meet the needs of women-owned businesses. IFC provided direct anchor investments for participating financial institutions to support the expansion of their lending to women SME borrowers. WEOF also mobilized additional funding from external investors, such as the Overseas Private Investment Corporation (OPIC), Netherlands development finance institution FMO, and SwedFund.

At its launch, the facility set a goal of investing \$600 million in women entrepreneurs in emerging markets, through the provision of investment and advisory services to partner banks over a ten-year implementation timeframe, 2014–2024, and reaching 100,000 women by the facility's close.

### Through a shared and scalable platform, IFC and Goldman Sachs *10,000 Women* designed WEOF to achieve three goals:

- 1 Expand and deepen financing for women SMEs in developing countries
- 2 Empower women entrepreneurs through access to capital and expertise
- 3 Demonstrate the commercial viability of investing in women by attracting external investors

## THE HOW: HOW WEOF WORKS

WEOF provides targeted financing and advice to select banks in developing countries that commit to increased lending to women-owned businesses. Through these resources, along with opportunities for shared learning, WEOF is helping to close the divide between financial institutions and women-owned businesses. WEOF specifically works through financial institutions as a way to create commercial scale and sustainability.

The efforts are designed to bring about a change in attitude and approach toward lending to women, with the goal of mainstreaming lending to women-owned businesses. The idea is that as these financial institutions increase their focus on this distinct market segment, they will see that lending to women creates tangible business benefits, such as:

- Expanded customer base
- Strengthened and diversified portfolios
- Competitive differentiation by building a brand on the vast and growing women's market
- Increased integration into the communities they serve

WEOF provides local financial institutions with the key tools needed to scale up their services to the women-owned SME segment. These tools include investment, blended finance, and advisory services.

### Investment and Blended Finance

Direct investments to financial institutions for lending to women-owned SMEs on commercial terms or, if needed, with blended finance, which combines financing with performance incentives or risk guarantees

### Advisory Services

Solutions to help financial institutions design and roll out new products and services specifically tailored to women SMEs, including market research, business strategies, new product development, and change management plans

## Investment and blended finance

IFC provides direct investments for partner financial institutions to on-lend to women-owned SMEs through an array of financial products: senior debt, sub-debt, bonds, guarantees and risk-sharing instruments.

Goldman Sachs 10,000 Women provides donor funding for investments to cover performance incentives for loans and risk-sharing facilities (IFC's guarantee product).<sup>9</sup> The goal of these blended-finance arrangements is to encourage client financial institutions to develop a specific and credible strategy for the women SME segment and strive for ambitious growth in their women SME portfolios.

Blended finance can be used to:

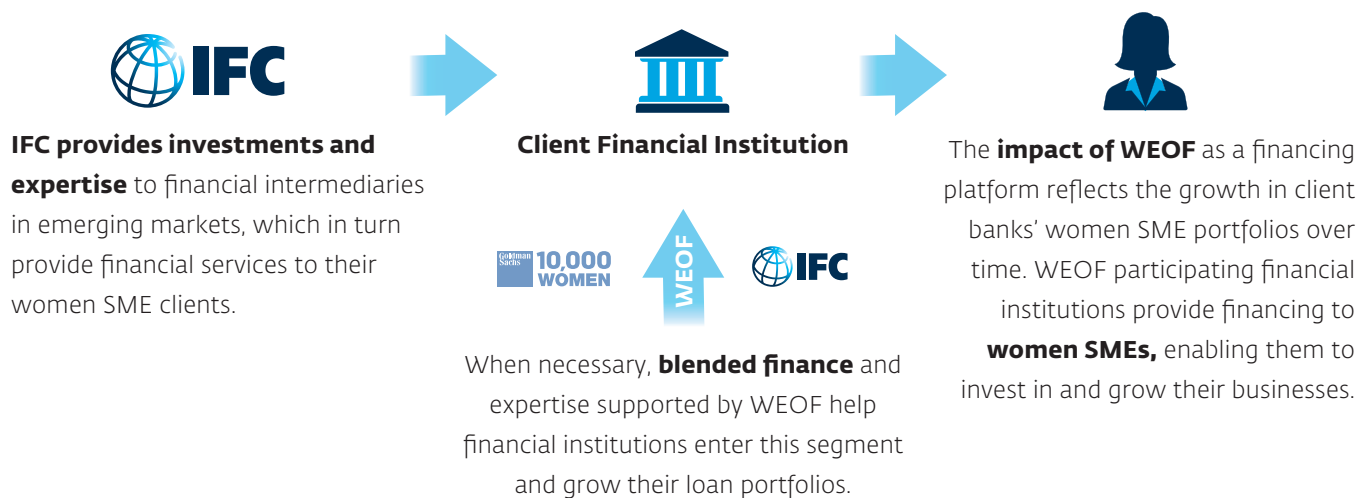
- Reduce funding costs for institutions that achieve pre-agreed reach and volume targets
- Mitigate risk by absorbing some of the initial risks of banks' lending to women entrepreneurs and the risks or costs related to local currency funding to eligible financial institutions
- Support financial institutions in their efforts to enter a new market segment or to provide more finance in a segment with which they have limited knowledge or experience

The incentives are time-bound, with the expectation that eventually they will not be needed. These efforts give financial institutions the impetus to make needed changes in approach and set a sustainable and focused strategy to mainstream product lines built around the women's segment.

### WEOF blended finance tools include:

- **WEOF provides incentives**, often in the form of rebates, to client banks, during the life of their loan from IFC, contingent upon reaching pre-agreed growth targets. The rebates are intended to support the development or roll-out of client banks' business proposition for women entrepreneurs.
- **WEOF covers the first loss** in facilities where IFC shares the risk to facilitate the growth of banks' women SME loan portfolio, thus lowering the bank's risk-sharing costs. Having first-loss coverage from WEOF enables IFC to partner with client banks to enter into new segments or invest in projects in which they have limited experience.

## How WEOF Works



## Advisory Services

A major challenge for women entrepreneurs in emerging markets is that banks in these countries may not be equipped to meet their unique needs. Female business owners face a number of constraints. They might not have the collateral required to secure a loan—typically a fixed asset in the form of a land title or property deed. In some national contexts, they might face gender-based restrictions in obtaining identification, accessing commercial credit or owning property.<sup>10</sup>

To truly increase lending to women-owned businesses in emerging markets, financial products specifically tailored to the reality of the female entrepreneur's operating environment are key. The problem, however, is that local financial institutions might not have such products and solutions. These financial institutions may not have an understanding of what women-owned businesses need or how to optimize the opportunities in this market segment. They may lack the tools to conduct financial analysis that would enable more flexible, cash-flow based, non-collateralized lending for more women SMEs. A lack of gender-disaggregated data is another key obstacle, because banks do not have sufficient information on the women's market as a distinct segment.

To address these issues, IFC, supported by WEOF, provides guidance, knowledge, expert advice, and implementation capacity. The goal is to help local financial institutions better serve women business customers—and to help them track data on the performance of their women SME portfolios for a greater understanding of this segment. Supported by \$11 million in funding from Goldman Sachs *10,000 Women*, WEOF's advisory projects draw on IFC's *Banking on Women* business line and its network of global experts, which brings best-in-class solutions to financial institutions in emerging markets.



### WEOF advisory services offerings include:

- Market research to define specific opportunities
- Business strategies for reaching the women's market
- Development of customer value propositions and financial modeling
- New product development support for new financial and non-financial services customized for women borrowers
- Design of implementation and change-management plans needed for the financial institutions to offer these solution-based products successfully

CASE STUDY

WEOF innovates

Turkey's Garanti BBVA issues world's first private sector gender bond in emerging markets for women entrepreneurs



Turkey's Garanti BBVA is breaking new ground in a country where nearly 30 percent fewer women than men have access to financial services. Only about 9 percent of small and medium enterprises are owned by women and these face a credit gap of \$5 billion, constraining their growth.

Garanti Turkey has been providing products and services specifically targeting women entrepreneurs since 2006. In 2018, supported by

IFC's \$75 million investment and WEOF's blended finance performance incentives, the bank became the first emerging market financial institution to issue a bond focused exclusively on the growing women's market.

Proceeds from the issuance—a senior, unsecured, medium-term note—are financing women-owned small businesses in Turkey, creating growth in the women entrepreneur business line for the bank. The

issuance is expected to triple the number of loans to these clients over the next five years, thereby reducing the credit gap for women-owned SMEs in that country.

The successful issuance has set the standard for social bonds in emerging markets. It is expected to stimulate domestic capital markets, opening the door for more such investments.



Women-owned small businesses in Turkey are benefiting from increased access to finance enabled through Garanti BBVA's groundbreaking gender bond.

## CASE STUDY

# WEOF IN ACTION

## A strategic approach in Vietnam leads to investment & advisory engagements and stronger bank focus on women SMEs

Vietnam is seeing robust economic growth and rising incomes, having become a middle-income developing country within 30 years of economic reforms that opened it up to the world.

Yet, problems remain, constraining additional economic growth. Among the problems: women-owned businesses lack access to finance. It is a serious issue for a nation in which women own about 21 percent of small and medium enterprises, a sector that forms the backbone of the economy, accounting for 98 percent of all businesses and about half of all jobs. IFC estimates the finance gap for women-owned businesses in Vietnam at about \$1.2 billion per year,<sup>11</sup> making growth difficult.

WEOF's advisory and investment work in Vietnam is designed to make it easier for banks to lend to women-owned SMEs. It is a coordinated effort that has led to a notable increase in lending to women SMEs and a growing number of banks that are investing in women. Together, the direct work with banks and the broader sector work in the country represent a strong model that could be replicated in other countries.

### DEMAND-DRIVEN WEOF CO-FUNDED RESEARCH

In 2015, IFC convened a high-level roundtable to learn more about the financing constraints faced by women SMEs in Vietnam. During the session, the CEOs of Vietnam's top commercial banks indicated a need to understand better the specific requirements of women entrepreneurs. They said they would welcome information on how to better serve this growing market. This triggered a comprehensive market analysis, co-funded by WEOF, which validated the strength of women-owned businesses in the country and uncovered key opportunities in the women's market.<sup>12</sup> Of note, the research revealed that women-owned SMEs in Vietnam typically post stronger annual revenue figures than their male counterparts. These insights helped develop the business case for the women's market in Vietnam and led to IFC engagements with multiple Vietnamese banks, supported by WEOF.

### WEOF AND VPBANK

Among the first to indicate an interest in expanding lending to women was VPBank. The bank earmarked 25 percent of an IFC

\$158 million loan for lending to women SMEs, supported by a WEOF performance rebate. In tandem, a WEOF advisory engagement enhanced the bank's understanding of the women's market and the unique needs of women business owners. The engagement—including gender intelligence training and guidance on issues such as customer value proposition, branding, and communications strategies—built on the insights from the WEOF Vietnam market research.

Backed by this support, VPBank launched its Women Entrepreneurs program, offering financial and non-financial services for Vietnam's women-owned businesses. Among the products introduced was a simple but effective cash management solution that allowed local small businesses to use their historical transaction data to improve their track record in loan applications. Within a year of the program's launch, VPBank had loaned \$600 million to about 2,000 women entrepreneurs, accounting for 25 percent of its total SME client portfolio.

### *VPBank financing helps entrepreneur turn failure to success*

Serial entrepreneur Ho Thi Hai Ngan benefited from VPBank's targeted women's offerings. In 2016, she partnered with others to open a new electronic appliances shop in Ho Chi Minh City called Tu Minh Quang, after two earlier efforts had failed. She and her partners drew lessons from the prior experiences and soon built a flourishing business. But limited capital prevented it from expanding.

The breakthrough came in mid-2017, when Ngan received a Vietnamese dong-equivalent loan of \$25,000 from VPBank, pledging her shop's future receivables as security through the bank's specialized product line. By the end of 2017, Ngan's 20-employee



**Ho Thi Hai Ngan runs a thriving electronics shop in Ho Chi Minh City, thanks in part to a \$25,000 loan from VPBank.**

company's revenues had reached \$600,000—a fourfold increase from the time she first applied for her loan from VPBank.

### **WEOF AND AN BINH BANK**

Following on VPBank's success in the women's market, An Binh Bank (ABBank) also saw opportunity. IFC provided a \$150 million syndicated loan package to the bank, with \$45 million targeted towards increased lending to women SMEs, backed by a WEOF performance rebate.

According to Nguyen Thanh Phong, ABBank's Deputy Head of SME, "Women-owned SMEs are one of the priority segments at ABBank, given the growth potential and high credit quality, which has been observed both in the market as well as at our bank."

The focus on women SMEs has made a difference for the bank and for women entrepreneurs. ABBank reported that as of December 2018, it has provided about 3,500 loans to women SMEs, representing 36 percent year-on-year growth in lending to this segment. The bank has committed to 30 percent annual growth in women's lending over the next five years. To reach the target, plans include ramping up branding as "The Bank for Women Enterprises," additional market research to determine customers' needs, and new products and services.



**A loan from ABBank helped Nguyen Thi Thuong expand her wood company and move into higher-value furniture production.**

### *With ABBank loan, wood supplier builds furniture business, hires workers*

Seven years after starting a company that bought and sold raw wood, Nguyen Thi Thuong saw potential in expanding into furniture production, a higher value-added business, to supply Vietnam's growing home furnishings market. She turned to ABBank, which proved a 2 billion VND (\$90,000 equivalent) loan. With the loan proceeds she purchased a wood molding machine, added workshop space, and hired 10 new workers.

A swift and efficient loan process enabled a rapid ramp up of the new line. "The disbursement was very quick, allowing me to put up a new production line just in time to catch the high seasonal market demand," Mrs. Nguyen said. "This was a positive start to the new business."





### 3. WEOF at the Midpoint: Achievements to Date

Halfway into the life of the facility, WEOF is making a strong contribution to expanding and deepening financing available to women-owned businesses, which is critical to closing the global women's credit gap.

It is strengthening local financial institutions in some of the world's most challenging places by helping them diversify their portfolios and establish a foothold in the fast-growing women's market.

Importantly, WEOF is enabling more local women to build their businesses as they access financial products and services tailored to their needs. The benefits extend beyond increasing access to finance for women's businesses.

Research shows that women entrepreneurs are more likely than men to reinvest their savings in health and education for families, job creation and new products and services for communities, resulting in growth for local economies.<sup>13</sup>

WEOF's strength lies in the diversity of its portfolio, with 51 investment projects and 14 advisory projects in 33 countries. At WEOF's inception, the goal was to invest \$600 million in financial institutions for lending to women SMEs. As of June 2019, the facility has invested \$1.45 billion in financial institutions for lending to women SMEs—exceeding the initial goal by more than double.

#### WEOF Goals at Inception and Results to Date

##### WEOF's Goals at Inception



**\$600 million**  
of investments in financial institutions  
for lending to WSMEs



to reach  
**100,000 women  
entrepreneurs**  
with access to financial services



Crowd in  
**other investors**  
to demonstrate commercial viability  
of investing in women

##### Results to Date



**\$1.45 billion**  
of IFC and mobilized investments in financial  
institutions for lending to WSMEs



**52,902 women  
entrepreneurs**  
reached, and on track to reach 100,000  
by the end of facility life



**\$471 million mobilized**  
from external investors, including:

- **OPIC** — \$100 million commitment in 2015
- **Women Entrepreneurs Debt Fund (WEDF)** — \$115 million raised by IFC AMC-managed WEDF from FMO, SwedFund, AP2, and Spanish investors

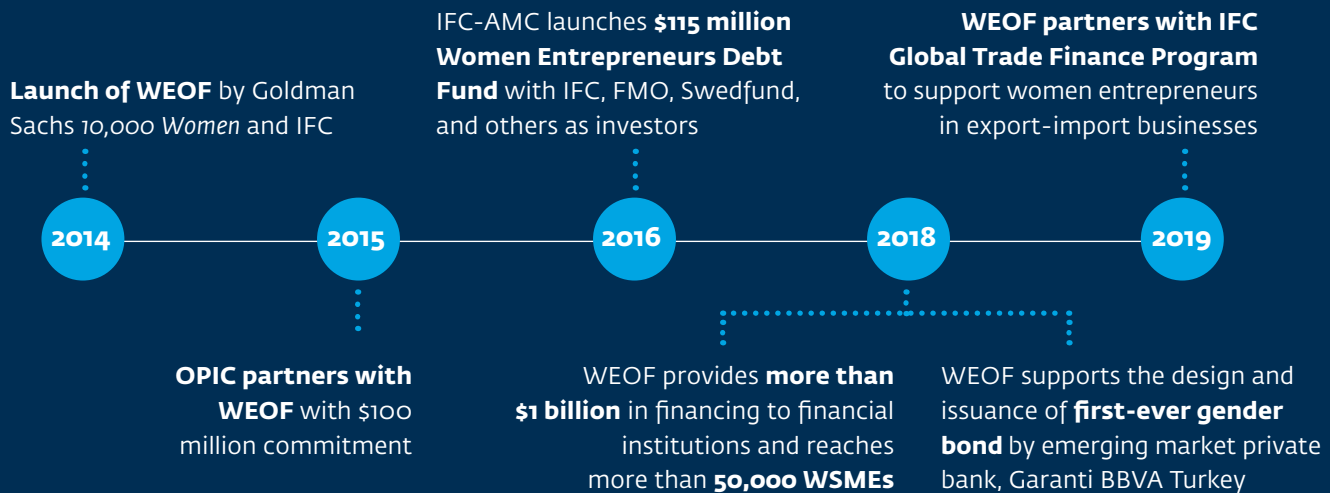
## WEOF ACHIEVEMENTS

- \$1.45 billion invested in emerging market financial institutions for lending to women SMEs, more than double the initial \$600 million goal
- Of this, \$979 million invested from IFC's own balance sheet and \$471 million mobilized from external investors
- 53 emerging market financial institutions that are increasing their lending to women SMEs
- 33 countries including middle-income, poor, and fragile nations

## WEOF IMPACT

- WEOF participating client banks are seeing growth in lending to women SMEs
- 86 percent increase in number of loans to women SMEs
- 61,767 loans to women SMEs
- \$24,776 average loan size
- 52,902 women SMEs reached and on track to reach 100,000 women SMEs by facility close

### WEOF Key Milestones, 2014–2019



## MOBILIZATION: CROWDING EXTERNAL INVESTORS INTO THE WOMEN SME SEGMENT

At WEOF's inception, the facility set out to attract other institutional investors to demonstrate the commercial viability of investing in women. To achieve this goal, IFC established a structured investment fund as part of WEOF, into which IFC and its fund manager subsidiary, IFC Asset Management Company (AMC), raised funding from external investors. This fund, called the Women Entrepreneurs Debt Fund (WEDF), was launched in 2016 and focused on a dual bottom line: investments that create impact for women entrepreneurs and generate commercial returns. It successfully raised \$115 million in funding from a new set of investors that previously had not had access to investing in women entrepreneurs at scale. These investors included development finance institutions and pension funds. The creation of the fund marked a key milestone in establishing the women's

market as a commercially viable and attractive asset class for the mainstream market.

In addition to WEDF, WEOF also mobilized funding from co-financiers through IFC's syndications and parallel lending platform. One such co-financier is OPIC, the U.S. government's development finance institution. OPIC became a WEOF partner in 2015 with a commitment of up to \$100 million in co-investments. To date, OPIC has invested \$79 million under WEOF.

As of June 2019, WEOF has mobilized \$471 million from external investors, including from OPIC and through WEDF. This represents 32 percent of the total \$1.45 billion committed in projects under the WEOF facility as of June 2019—an indication of WEOF's success in building the business case for investing in women SMEs. It also highlights the strength and importance of public-private partnerships in addressing finance gaps for women SMEs.

### About the Women Entrepreneurs Debt Fund: WEOF's external investment mobilization vehicle

- **Amount raised:** \$115 million
- **Fund manager:** IFC Asset Management Company, a wholly-owned subsidiary of IFC
- **Purpose:**
  - Provide external investors an opportunity for the first time to finance women entrepreneurs at scale
  - Establish the women's debt market as a commercially viable and attractive asset class for the mainstream market
- **Investment strategy:** a unique investment proposition, allowing investors to co-invest senior loans in commercial banks alongside IFC to improve access to finance for WSMES
- **Investors:** IFC, FMO (the Dutch development bank), Swedfund (Sweden's development finance institution), AP2 (a Swedish pension fund), a Spanish pension fund, and a Spanish private foundation
- **Portfolio:** senior loans to 10 banks in seven developing countries (included in the WEOF portfolio results)

## REGIONAL DISTRIBUTION: WHERE HAS WEOF INVESTED?

By design, WEOF goes where women-owned businesses are most underserved, in some of the world's most challenging markets. Its reach extends to women entrepreneurs in low-income and conflict-affected countries, as well as to those in middle-income countries.

Each year, WEOF adds projects and clients in the regions where IFC works. In 2018 and 2019, 22 new projects were added, of which 13 were in Sub-Saharan Africa, five in South Asia, two in Latin America and the Caribbean, and two in Europe and Central Asia.

### Making a difference in poor and fragile countries

Women entrepreneurs in low-income nations and fragile countries impacted by war and conflict often face even more hurdles than female business owners in other countries. Addressing the financing gaps in such nations yields powerful and immediate dividends in improved quality of life. It's a key reason that WEOF prioritizes investments in countries like Lebanon, which continues to face significant economic and social impacts from the Syrian crisis, now in its eighth year.

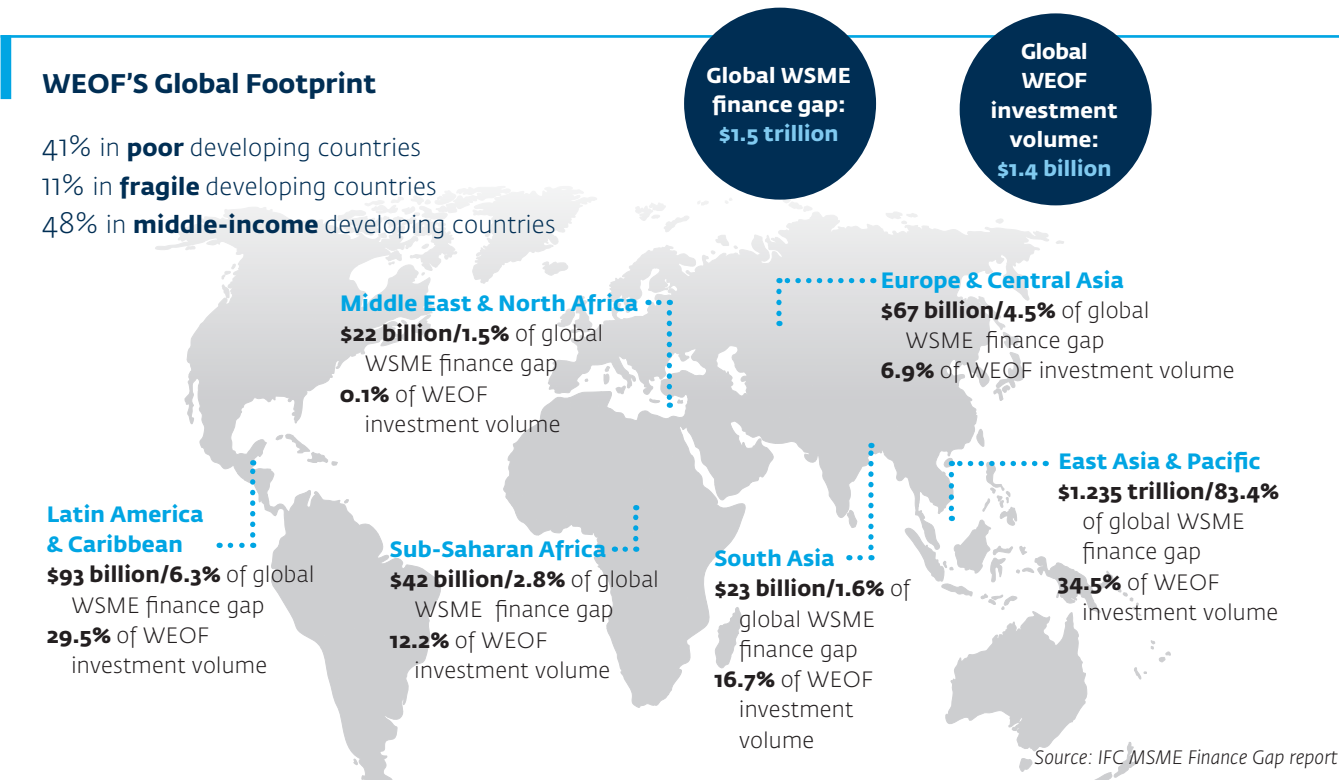
Of the total, about 41 percent of all WEOF projects are in the world's poorest countries,<sup>14</sup> while 48 percent are in middle-income developing countries. Projects in fragile nations account for about 11 percent of the total, representing 20 percent of the projects in poor countries. Note that some countries affected by war and conflict are among the world's poorest, but not all, according to the World Bank's framework.<sup>15</sup>

### Investing in middle-income developing countries

While WEOF reaches women SMEs in poor and fragile countries, the facility is also accomplishing the goal of reaching underserved women's businesses by investing in middle-income developing countries such as the Dominican Republic and Vietnam.

This is an important aspect of the WEOF mission, since women face disproportionately large challenges in accessing finance, growing businesses, and building wealth throughout the world, including in middle-income countries. WEOF investments can have game-changing significance in such economies.

Financial institutions in these more developed markets are often more willing to take the lead on groundbreaking



initiatives that can trigger major new investment in women SMEs. Such catalytic projects offer the opportunity to build on success by applying the learnings and innovations to other markets—as with the WEOF-supported gender bond issued by **Garanti BBVA Turkey**, highlighted on page 11.

## REACH AND MULTIPLIER EFFECT OF WEOF INVESTMENTS

As envisioned from the outset, WEOF investments into financial institutions are resulting in the integration of women's business financing into their financial product portfolios, leading to increased investment in women-owned businesses. WEOF is playing a catalytic role in changing the financing approach and mindsets of emerging markets financial institutions, as they see that women-owned businesses are a profitable and sustainable market segment.

These financial institutions are building product and service solutions aimed at harnessing the vast potential of

the women's market. In turn, these solutions are helping women SME entrepreneurs achieve their growth goals.

### Reach numbers

As of December 2017, the actual reach from WEOF's existing projects is 52,902 women entrepreneurs, based on 19 financial institutions that have reported results.<sup>16</sup> By 2023, the projected reach from existing projects (as of December 2017) is about 91,000 women entrepreneurs, depending on market conditions, political stability and other external factors. Since the last results monitoring and reporting exercise was completed, WEOF has continued to add client banks and engagements, meaning that WEOF remains on track to reach the goal of 100,000 women entrepreneurs by the facility's close.

**Through local financial institutions, WEOF has reached 52,902 women entrepreneurs. The facility is on track to reach 100,000 women by 2023.**

### CASE STUDY

## WEOF in Bangladesh

### BRAC Bank Creates Opportunity for Women Entrepreneurs

Akhter Anar Begum's company AR Plastics Industries manufactures pharmaceutical bottles. With demand growing from pharmaceutical companies, she turned to BRAC Bank, a WEOF participating financial institution, for a loan so she could increase production capacity. In addition to more factory space, the financing enabled her to hire more employees, mostly women, giving them an income and a means to improve their lives and the lives of

their families. "As a woman entrepreneur in Bangladesh, I am doing something totally new," she said. The thriving business has given her the means to pay for her children's education, giving them greater opportunity as well.

BRAC Bank's strategic approach to women's lending started in 2017, when it received a \$50 million IFC loan to increase its financing to women SMEs. A WEOF performance rebate is built into the financing structure.

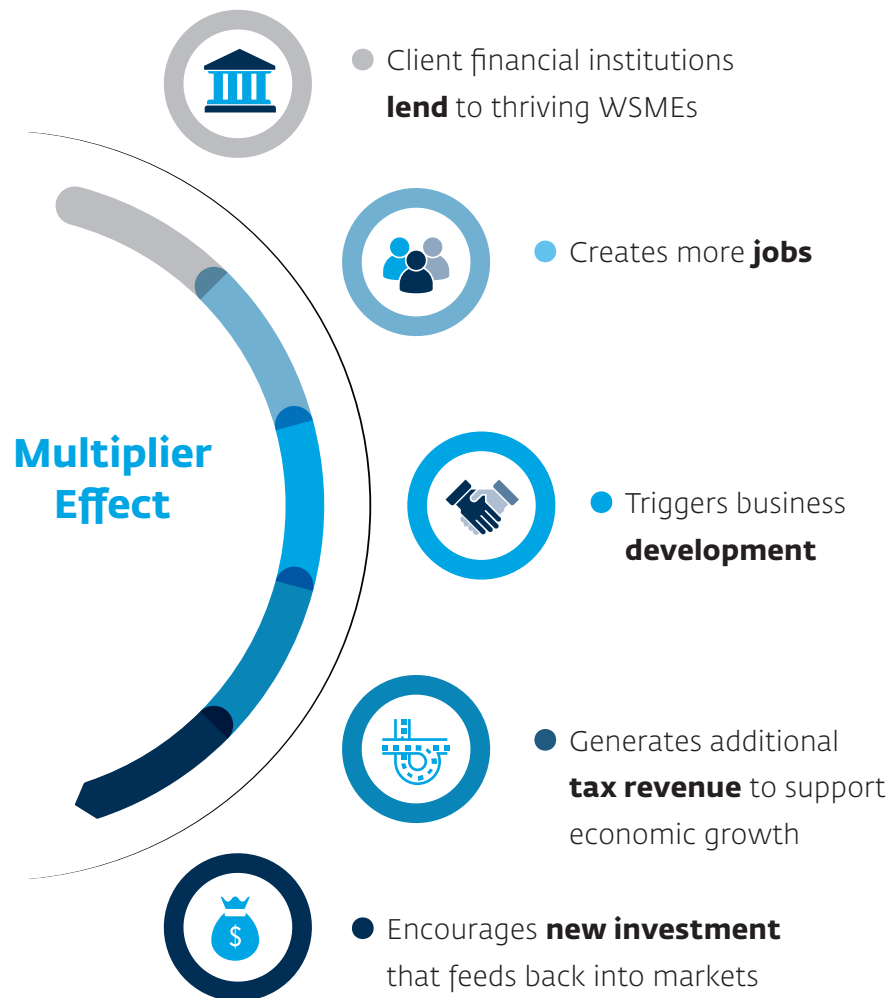


**With financing from BRAC Bank, Akhter Anar Begum was able to increase the capacity of her pharmaceutical bottle factory, enabling her to hire more workers and meet growing demand for her company's products.**

## Multiplier effect

WEOF investments are expected to have a multiplier effect. For banks, the WEOF investments are creating a competitive advantage by enabling them to distinguish themselves as a bank of choice in this important market segment and expand their footprint in the growing women's market. Other banks are expected to take notice. In turn, they will look at ways to capture a portion of the market share by building their own financial product and service offerings aimed at women-owned businesses.

For women SMEs, the WEOF multiplier effect comes with the potential for significant positive economic and social impact. It is expected that increased access to finance will enable companies to grow, creating more jobs, strengthening communities, and triggering business development. In turn, a robust private sector generates additional tax revenue to enable economies to grow and encourage new investments in poor, fragile and middle-income developing countries.



## CASE STUDY

# WEOF in India

## Enabling Business Expansion and Increased Access to Health Care

Dr. Seema Garg is no stranger to success. After decades working in real estate and health care, Seema had risen to become CEO of a 350-bed hospital and vice president of a petrochemical company. However, she longed to be her own boss. She quit her well-paying job and used her life savings to launch SB Hospital and Healthcare Private Limited, a company that designs, builds and renovates hospitals.

At first, she faced discrimination as a female contractor: "I was being disqualified in some or the other manner despite being qualified," she said. In 2014, she won a large contract for a 150-bed hospital in Delhi. In order to secure the funds needed to get the project off the ground, Seema approached several banks only to hear that they were wary of extending credit to a single woman. Finally, IFC client YES Bank stepped forward with the financing.

Seema's struggles are not unique. Experts estimate that just one-fourth of the financial needs of women-led MSMEs in India are being met. India ranks 70th out of 77 countries in terms of favorable environments for female entrepreneurship.

Despite these conditions, some 3 million women owners of micro, small and medium enterprises (MSMEs) in India remain undaunted in building businesses, boosting local economies and employing more than 8 million people.

In 2016, IFC, with blended finance from WEOF, provided YES Bank with \$50 million to boost its efforts to lend to women such as Seema and unleash the potential of women entrepreneurs. Like other



**Dr. Seema Garg consults with staff engineer on plans for a new hospital.**

clients in IFC's *Banking on Women* Program, YES Bank also plans to provide much-needed business management education, and mentoring and networking to women entrepreneurs.

Today, just four years after striking off on her own, Seema has 50 employees and has successfully helmed several construction projects. "My aim is that 3 years down the line, if someone is looking to build a hospital, they should call us."





## 4. WEOF Portfolio Findings and Insights

An analysis of WEOF projects has yielded findings to support the fundamental case that investing in women makes good business sense—and that a targeted banking approach that treats women-owned businesses as a specific market segment can help close the credit gaps faced by female entrepreneurs around the world. Methodology and considerations in developing the report can be found on page 32.

The learnings gleaned from the analysis provided here will inform WEOF's efforts going forward. It will also contribute more broadly to the global knowledge base on the business case for investing in women entrepreneurs and effective ways to ease the constraints on women's access to credit.

### WEOF IMPACT: GROWTH IN LENDING TO WOMEN SMES

*WEOF is working: lending to women SMEs is growing and WEOF participating financial institutions are lending more to women SMEs*

Between 2015 and 2017, the most recent years for which impact data is available, WEOF client financial institutions increased their women SME loan portfolios by 61,767 loans outstanding.<sup>17</sup> This represents an 86 percent increase from the baseline.<sup>18</sup> The increase in the value of loans outstanding to women SMEs by WEOF participating financial institutions during the same period was \$1.2 billion, representing a 73 percent increase from the baseline.<sup>19</sup>

Also of note is that financial institutions in the WEOF portfolio lent more to women SMEs compared with financial institutions without a specific gender focus in IFC's overall portfolio during the 2015–2017 time frame. In this period, IFC's overall financial institutions portfolio saw a 41 percent increase in the number of loans outstanding to women SMEs.<sup>20</sup>

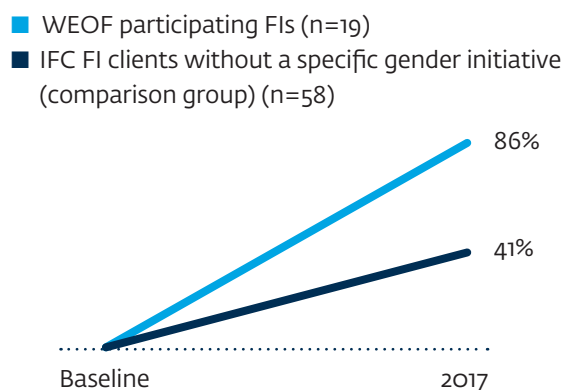
### *Regions with the greatest credit gap saw a major jump in women SME lending*

The increase in loans outstanding to women SMEs in the WEOF portfolio was highest in the East Asia and Pacific region. This region accounts for 90 percent of the increase in the number of loans between 2015 and 2017, and 76 percent of the increase based on dollar value.

The analysis revealed that WEOF participating financial institutions in East Asia and the Pacific also had the largest share of women SMEs, in line with a broader trend in IFC's overall financial client portfolio. There are two key projects in East Asia which led to the larger growth in women's lending in this region.

The global women SME finance gap is highest in Asia, driven by China. By supporting projects like Ant Financial—a digital banking platform affiliated with Chinese e-commerce giant Alibaba Group that targets unserved small-business owners with a focus on women-owned businesses—WEOF is working to address the gaps where the needs are greatest, easing a significant credit crunch for women SMEs in East Asia.

#### Percent growth from baseline in number of loans outstanding to WSMEs



Note: 19 is the number of participating FIs, out of 53 WEOF participating FIs, that have reported results as of December 2017, which is the reporting period under analysis. For most of the remaining 34 FIs, reporting was not due at that time as the investment occurred after 2017.

In 2014, IFC provided **Ant Financial** subsidiary Ant Credit with a 500 million yuan (\$80 million) loan through WEOF. Designed to help the financial intermediary specifically target women entrepreneurs, this represented IFC's first gender loan in China.

Ant Financial's innovative digital branchless banking system has gone from zero to 5 million micro- and small-business borrowers in China in just the last six years, providing \$130 billion in unsecured electronic loans to support entrepreneurial growth. More than half of the borrowers are women entrepreneurs operating on Alibaba's electronic marketplaces. In 2015 alone, Ant Credit provided about 30,000 loans to women SMEs, with an average loan size of \$15,000.

Such a financial model could serve as a template for financial institutions in other countries, which could adopt it as a way to increase lending to smaller companies, including women-owned businesses.

### **Insight: Need for strategic and deliberate focus on women SMEs**

A look at WEOF's successful participating financial institutions demonstrates that a targeted strategy linked

to Key Performance Indicators makes a difference in the growth of this segment.

The analysis of the portfolio revealed that while many SME-focused financial institutions already bank women entrepreneurs as part of their regular SME business, a lack of targets and deliberate strategy can result in missed opportunities to differentiate based on this business and expand market share.

By contrast, implementing a deliberate strategy yields results. Bangladesh's **BRAC Bank** developed an entirely new line of women's banking solutions, after receiving a \$50 million IFC loan in 2017 to expand its financing to women SMEs. A WEOF performance rebate is built into the financing structure to incentivize the bank to meet its targets. In launching BRAC's women's business line, called TARA, the bank redesigned its sales approach and value proposition to meet the needs of women customers. To create a support ecosystem of like-minded women SMEs, the bank hosts a women's networking group for its customers that now numbers more than 1,100 members—the largest private sector female customers network in Bangladesh. For more on BRAC Bank, please see page 19.

## **CASE STUDY**

### **Ant Financial**

#### **Serving Women SMEs at Scale**



Chinese entrepreneur Chen Yuanyuan and her husband started a textile company that had been taking orders mainly from foreign clients on electronic commerce platform Alibaba.com. Chen tried various ways to fund her business, including applying for bank loans and asking for help from clients. Her requests were all rejected

because she had nothing to offer as security to guarantee her loan.

A friend introduced her to Ant Credit, a WEOF participating financial institution. "It was so easy to borrow online. I submitted the loan application within five minutes. The next day, Ant Credit's staff called me for a

video interview," Chen recalled. Shortly thereafter, a text message alerted her that Ant Credit had approved her \$67,000 loan.

Since then, Chen's business has grown rapidly, with turnover now exceeding \$8 million a year.

### Insight: Need to consider loan size differential when designing financial products for women SMEs

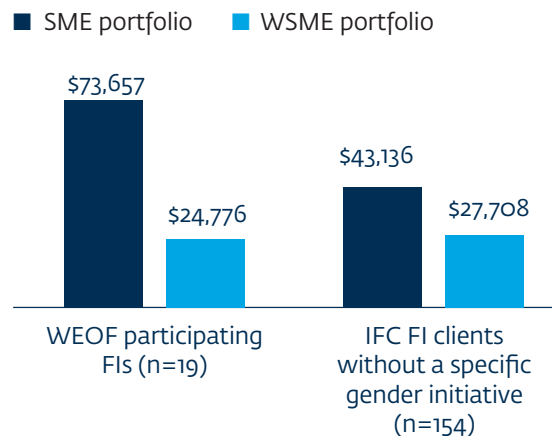
The average size of loans to women SMEs in the WEOF portfolio was smaller than the average size of loans to SMEs overall. In 2017, the average loan size to women SMEs by WEOF participating financial institutions was \$24,776, while overall SME loans averaged \$73,657.

This trend is consistent with observations that women SMEs typically receive less financing than their male counterparts. It is also consistent with what is happening across IFC's broader portfolio. Loans to women SMEs by IFC clients without a specific gender initiative averaged \$27,708, while overall loans to SMEs by these same client financial institutions averaged \$43,136.

One reason for this difference could be that women-owned SMEs tend to be smaller than similar companies owned by men.<sup>21</sup> In addition, few women SMEs are able to put up fixed assets as the kind of collateral typically required for larger business loans. This lack of collateral could factor into the lower overall loan sizes.

As IFC advises banks on ways to capitalize on opportunities in the women's market, this finding represents an important insight. It can help inform the

### Average size of loans to women SMEs and SMEs from WEOF and IFC clients, 2017



design of future financial products targeted at women SMEs to ensure that what's being offered meets customers' needs. For example, banks could consider altering their fixed-asset collateral requirements for certain types of loans. Instead, they could use cash flow-based lending backed by moveable asset collateral like equipment and materials.



## WEOF IMPACT: EFFECTIVENESS OF BLENDED FINANCE

*Based on the WEOF projects analyzed, blended finance can be an effective tool to increase lending to women.*

Use of blended finance encouraged participating financial institutions like China's **Bank of Luoyang** to take a closer look at the women's market and expand their offerings to meet the needs of women-owned businesses. The data reveals that WEOF investment projects with blended finance showed higher growth, as measured by the number of loans outstanding, in the years 2015–2017. These projects generated a 94 percent growth rate in lending to women SMEs, compared to projects without blended finance during the same period, which posted an 84 percent growth rate. Excluding one East Asian outlier from the investment portfolio without blended finance reveals an even greater differential: separate from the one project, WEOF investment projects without blended finance showed a 5 percent increase in the number of loans to women SMEs.

**Insight: Blended finance can be a powerful tool to spur more lending to women SMEs**

In addition to the data revealing greater growth in women SME lending in investment projects with a blended finance

component, many WEOF client banks said that the availability of rebates was a critical factor that attracted them to the women's banking business. It encouraged them to carve out a portion of an investment for women SMEs and to build a deliberate strategy targeted at the women's market. These findings indicate that blended finance—in the form of time-bound incentives and guarantees—could encourage other financial institutions to reach more women customers. Blended finance provides an incentive to banks to achieve specific growth targets, compared to deals without blended finance where there are no growth targets. It creates an impetus for expanding into this segment and a way to mitigate potential risks associated with such an expansion.

It is important to note here that IFC's investments with blended finance are intended to create a cultural and systemic change within financial institutions. While blended finance has enabled women SME portfolios to grow, WEOF's expectation is for the longer-term sustainability of women SME finance to the point where performance incentives are no longer needed.

### CASE STUDY

## Bank of Luoyang

### BOL Banks On Women

Benefiting from WEOF, in just three years' time, China's Bank of Luoyang has built an impressive portfolio of women SME clients: 45 percent of the bank's clients are women and an astonishing 2.1 million women-owned businesses bank at BOL as of 2018.

The results are due in part to a WEOF risk-sharing facility and advisory services that support the bank's \$140 million women SME lending portfolio. Women SME loan losses are covered by a WEOF first-loss guarantee, which allows the bank to partner with IFC in

growing this segment more than it would on its own.

BOL reports that its focus on SMEs in general and women SMEs in particular has helped it to consistently outperform its commercial bank competitors.





## WEOF IMPACT: RELIABILITY OF WOMEN SME BORROWERS; FEWER NON-PERFORMING LOANS

*Compared to their overall SME portfolios, WEOF participating financial institutions' portfolios of women SME loans demonstrated stronger asset quality.*

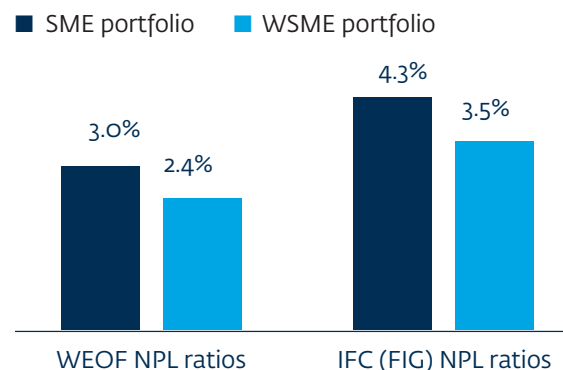
Based on 13 WEOF participating institutions that reported gender-disaggregated non-performing loan (NPL) data, women SME loans demonstrated better asset quality compared to these institutions' overall SME loan portfolios. The average NPL ratio for women SME loans in the WEOF portfolio was 2.4 percent during the years 2015–2017. This is lower than the 3.0 percent average NPL ratio for total SME loans at the same banks.

The WEOF results corroborate what has been found in the broader IFC dataset. Data from over 150 IFC financial institution group (FIG) clients over the same three-year period showed that, at 3.5 percent, the average NPL ratio for loans to women SMEs was lower than the 4.3 percent average NPL ratio for the overall SME loan portfolio. The WEOF findings contribute to the ever-strengthening business case for financing women-owned businesses. Women entrepreneurs make better borrowers and increasing lending to this segment is a way for financial

institutions to bolster the asset quality of their broader SME loan portfolios.

**The WEOF findings contribute to the ever-strengthening business case for financing women-owned businesses. Women entrepreneurs make better borrowers and increasing lending to this segment is a way for financial institutions to bolster the asset quality of their broader SME loan portfolios.**

**Average NPL ratios, women SME loans and SME loans. WEOF and IFC clients, 2015–2017**



## WEOF IMPACT: MORE GENDER-DISAGGREGATED DATA WILL BUILD THE CASE FOR INVESTING IN WOMEN SMES

*Collecting gender-disaggregated data remains a challenge for most WEOF participating financial institutions.*

For most WEOF participating financial institutions—and, indeed for many of IFC’s other financial institution clients—reporting on women SMEs remains a significant challenge, since they typically do not have the systems or the capacity to collect performance data broken out by gender. Wider availability of gender-disaggregated data will enable a more extensive analysis and the ability to affirm the assumptions made based on the information WEOF has gathered to date.

Building systems and a culture where collecting gender-disaggregated data is mainstreamed will take time and effort. IFC is exploring ways to help client financial institutions improve their reporting capabilities, through advisory services engagements to work on baseline calculations and reporting, as well as to enhance their management information systems.

## WEOF IMPACT: VALUE OF ADVISORY SUPPORT

*WEOF advisory projects are making a difference: significant increases in lending to women are evident.*

As of June 2019, WEOF has 14 committed advisory services projects that are direct advisory engagements with financial institutions. Five market research studies are completed or in progress. Based on the six advisory services projects that have reported results, the analysis has revealed that advisory services projects contributed to significant increases in lending to women SMEs. WEOF participating financial institutions receiving advisory support tended to grow their women SME portfolios at a higher rate than investment clients without blended finance. However, the growth was not as rapid as for those participating financial institutions receiving blended finance. Specifically, the data revealed a 35 percent increase in loans outstanding to women SMEs, totaling 9,223 loans, from the time of project commitment to December 2017.<sup>22, 23</sup>

### CASE STUDY

## WEOF Advisory in the Dominican Republic

### Expanding Access to Global Opportunity

A \$65,000 loan plus strategic guidance from WEOF’s advisory services client Banco BHD León gave Bertha Sourí the financing and confidence to capitalize on opportunities in the international garment industry value chain. Today, Sourí Industrial employs 51 people at its clothing factory and distribution center.

IFC’s expertise, with support from WEOF, helped the bank develop a

range of products to meet the needs of women-owned businesses like Sourí Industrial and of female consumers. *Mujer Mujer*, the bank’s women-focused line, has proven highly successful, yielding strong financial results, along with competitive differentiation, brand enhancements, and global recognition for the bank’s role in promoting women’s financial services.



**Bertha Sourí was able to capitalize on opportunities in the international garment industry after a loan from Banco BHD León enabled expansion of her clothing factory and distribution center.**

## Where WEOF Works

Bangladesh

Benin

Brazil

Burkina Faso

Cambodia

Cape Verde

Chile

China

Costa Rica

Cote d'Ivoire

Democratic

Republic of Congo

Dominican Republic

Ecuador

Ghana



India

Indonesia

Kenya

Lao PDR

Lebanon

Madagascar

Mali

Mongolia

Niger

Peru

Philippines

Senegal

South Africa

Sri Lanka

Tanzania

Togo

Turkey

Vietnam

Zambia





## 5. What's Next for WEOF?

With a focus on innovation, WEOF will continue to pursue its core mission of increasing lending to women SMEs while building the business case for investing in the women's market. The goal is to finance more underserved women in more countries and continue to move the needle towards closing the credit gap for women SMEs in developing countries around the world.

IFC and Goldman Sachs *10,000 Women* are committed to financing groundbreaking approaches and initiatives that will provide a more comprehensive set of financial solutions to serve the holistic needs of women entrepreneurs.

In the years since its inception, WEOF has evolved. Beginning with a simple credit line dedicated to women SMEs linked to performance incentives extended to banks in emerging markets, the facility since has added external investors, moved into innovative financing instruments, and created a debt fund. Over time, WEOF has implemented different financing structures to mobilize more investments and make the women SME portfolio more investable. This evolution continues.

### **WEOF INNOVATIONS CONTINUE: WORLD'S FIRST GENDER TRADE FINANCE INITIATIVE**

Most recently, WEOF launched the world's first gender trade finance initiative. Designed to help women entrepreneurs in developing countries access markets, the effort incentivizes increased trade finance to women-owned businesses through IFC's network of 285 Global Trade Finance Program banks in 85 countries. Within three

months of the launch of the program, it executed 41 transactions across emerging markets.

This initiative will generate useful new data on women's participation in trade by encouraging banks in the program to identify and track the female borrowers in their portfolios. Such information is particularly important in the trade finance arena, since very little is known about the volume of trade finance to women entrepreneurs. The data and research generated by the program will help governments, financial institutions, and others to improve the business environment for trade and increase financial solutions for women.

Other innovative efforts underway include an investment in a gender bond in Thailand—Asia's first—and an investment in a non-bank financial institution in India to develop financial products for rural women entrepreneurs in the country.

### **ONGOING FOCUS ON IMPACT**

Central to IFC's mission to create markets and opportunities, and aligned with the ongoing commitment of Goldman Sachs *10,000 Women* to inclusive finance, WEOF continues to play a role in unleashing the vast potential of women entrepreneurs around the world. With the goal of reaching 100,000 women by facility's end, WEOF is generating an elevated and amplified impact: on women, their families and their communities; on banks and the financial services sector; and on economies as a whole, adding jobs, catalyzing business development, and attracting new investment where it is needed most.

# Report Methodology and Considerations

For the WEOF portfolio analysis, we included data from 19 Financial Institutions (FIs) out of 53 WEOF participating FIs, that have reported results as of December 2017. Results were reported over the period for which the IFC loans have been outstanding (1-3 years) over calendar years 2015-2017. December 2017 is the latest results reporting period for which data is available for WEOF participating FIs. For 32 of the remaining 34 FIs, reporting was not due as of the latest reporting period. The indicators used to assess WEOF's impact in this report are: loans outstanding to WSMEs and to SMEs in terms of numbers and dollar values, as well as non-performing loans for both WSMEs and SMEs. The number of WSMEs projected to be reached by 2024 is estimated based on the target agreed with client FIs at the time of project commitment.

Projects under WEOF follow IFC's standard development impact reporting methodology. Each year, IFC collects results measurement data of IFC's investment and advisory projects to monitor project progress and to enable reporting on outcomes such as WSMEs reached. One such data collection mechanism is the Reach Survey, where IFC surveys approximately 400 client FIs annually, and collects data on their loan portfolio to MSMEs, retail and corporate customers. In line with the IFC methodology, WEOF monitors results using project-level indicators to assess the impact of the program at the beneficiary level. Data is collected from WEOF FIs each year through this annual monitoring exercise. Data will continue to be gathered in the same manner over the next five years through yearly monitoring.

Currently, IFC investment and advisory services projects collect data on the loans outstanding to WSMEs, but most FIs do not systematically track the number of WSMEs receiving loans. In 2017, IFC and the Goldman Sachs Foundation finalized a methodology note that provides guidance to estimate the number of women reached by WEOF. This note guides the yearly reporting of data to the Goldman Sachs Foundation, and the data for this progress report.

The following caveats need to be kept in mind while interpreting the findings of this report:

- I. This is a progress report, at the midpoint of WEOF's term. Findings and insights are based on a limited number of observations available at the time of analysis, and over a narrow time period.
- II. The results may have been influenced by factors other than those we have considered for the analysis. In some cases, the number observations are smaller—for example, the number of investment projects with blended finance is eight and the number of advisory projects is six. Therefore, the results outlined in the report are not yet meant to show causality with a particular type of intervention.
- III. Observed results for portfolio data include outliers, such as two financial institutions in the East Asia and Pacific region, which have a large share of volume of loans outstanding.
- IV. Reach for at least two clients that were eligible to report in the last reporting period but have not reported results has not been estimated or included and therefore actual reach mentioned in the report may be understated.
- V. Reporting on the number of loans outstanding to WSMEs is challenging for most clients, since they often lack the required systems and capacity to collect and report gender-disaggregated data. In some limited cases, extrapolations (e.g. to establish baselines) have been used when data was unavailable. IFC is exploring mechanisms, including through targeted advisory engagement, to support clients in tracking and reporting WSME data.
- VI. There is a need for more gender-disaggregated data to further build the case for investing in WSMEs. The WEOF Facility will continue to monitor WSME portfolio growth for participating FIs for the next 5 years. In addition, the WEOF Facility will continue to undertake studies to better understand the markets, drivers and challenges in investing in WSMEs.

## ENDNOTES

- 1 Bruhn, Miriam, et al. 2017. "MSME Finance Gap." IFC: Washington D.C.
- 2 United Nations. "Breaking the Bottlenecks of Investment from Policy to Impact." Concept Note. June 11, 2018. <https://www.un.org/pga/72/wp-content/uploads/sites/51/2018/05/Financing-for-SDGs-29-May.pdf>
- 3 Bruhn, Miriam, et al. 2017. "MSME Finance Gap." IFC: Washington D.C.
- 4 The availability of "Reach" figures (i.e., the reach/impact of IFC's clients) is dependent on IFC's development impact reporting cycle, which uses portfolio data collected from IFC clients and takes a number of months to collect, analyze and verify. For this reason, the 2017 reach numbers are the most recent available. In contrast, WEOF portfolio data are as of June 2019, since the IFC investments in client financial institutions are tracked as they are made and the most recent data are thus readily available. Please see the methodology section for additional details.
- 5 Blended finance refers to the blending of concessional funds (often from governments or foundations) with non-concessional funds (often from development financial institutions or private investors) to stimulate investments in the private sector.
- 6 Bruhn, Miriam et al. 2017. "MSME Finance Gap." IFC.
- 7 Bruhn, Miriam et al. 2017. "MSME Finance Gap." IFC.
- 8 Stupnytska, Anna; Kathryn Koch; Amy MacBeath; Sandra Lawson and Kathy Matsui. "Giving credit where it is due— How closing the credit gap for women-owned SMEs can drive Global Growth. Goldman Sachs Global Markets Institute. February 2014.
- 9 A Risk Sharing Facility (RSF) is a bilateral loss-sharing agreement between IFC and an originator of assets, usually a bank, in which IFC reimburses the originator for a portion of the principal losses incurred on a portfolio of eligible loans. The RSF product allows a bank and IFC to form a partnership with the goal of introducing a new business, in this case, women SME business. In RSFs done under WEOF, WEOF funds either provide coverage for the first portion of losses ("first loss") or provide a rebate on the RSF fee upon achievement of specific performance targets related to women SMEs.
- 10 This section draws on: European Bank for Reconstruction and Development. 2017. "Private Sector Diagnostic Egypt." Washington, DC: World Bank; Dassanou, Marieme; Montserrat Ganuza; Anushe Khan; Alla Khodakivska; Heather Kipnis; and Akiko Kudo. 2014. "Women-owned SMEs: A business opportunity for financial institutions." Chapter on financial and non-financial constraints faced by women-owned SMEs. Washington, D.C.: IFC; Women, Business, and the Law. 2018. "Women's Financial Inclusion and the Law." Washington DC: World Bank.
- 11 IFC. 2017. "Women-Owned Enterprises in Vietnam: Perceptions and Potential: Executive Summary." [https://www.ifc.org/wps/wcm/connect/region\\_\\_ext\\_content/ifc\\_external\\_corporate\\_site/east+asia+and+the+pacific/resources/market-study-women-owned-enterprises-in-vietnam](https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/east+asia+and+the+pacific/resources/market-study-women-owned-enterprises-in-vietnam)
- 12 IFC. 2017. "Women-Owned Enterprises in Vietnam: Perceptions and Potential: Executive Summary."
- 13 See: Deliver for Good. "Boost Women's Economic Empowerment." Policy brief. July 9, 2017; Elborgh-Woytek Katrin; Monique Newiak; Kalpana Kochhar; Stefania Fabrizio; Kangni Kpodar; Philippe Wingender; Benedict Clements; and Gerd Schwartz. "Women, Work, and the Economy: Macroeconomic Gains from Gender Equity." IMF Staff Discussion Note. International Monetary Fund. September 2013; Borges, Phil. 2007. "Women Empowered: Inspiring Change in the Emerging World." New York: Rizzoli.
- 14 Poorest countries are defined as those countries with gross national income per capita below an established threshold (\$1,175 in fiscal year 2020), listed as eligible for support from the International Development Association (IDA), a World Bank Group organization that focuses on the world's poorest countries. IDA countries are eligible for World Bank assistance and loans at low or zero interest rates and with long repayment periods. <http://ida.worldbank.org/about/borrowing-countries>  
For the purpose of this analysis, WEOF projects in India, Sri Lanka and Vietnam were included in the poor countries category as they were IDA-eligible countries at the time those projects were committed. These countries have since "graduated" from IDA.
- 15 Countries in fragile situations as listed in The World Bank Group's Harmonized List of Fragile Situations. While countries affected by war and conflict are often IDA-eligible countries, one exception in the WEOF portfolio is Lebanon, a middle-income country which is also a country affected by fragile situations. In this analysis, of the three country categories of "middle-income," "poor" and "fragile," it is classified as a fragile country.
- 16 The East Asia Pacific region contributed 90 percent of this data, followed by Latin America and the Caribbean. The regional skew is explained by better reporting, with 13 out of the 19 participating financial institutions that provided results coming from these two regions. Many of the WEOF projects in Sub-Saharan Africa were committed after the period covered in this report, meaning that their reach data is not included here.
- 17 The overall portfolio shows positive growth in aggregate, however, there were some financial institutions that reported decreases in their portfolios for certain reporting periods. Note that about half of the growth results came from one financial institution in the East Asia and Pacific region.
- 18 A baseline is an IFC financial institution client's existing loan portfolio to women SMEs at the start of IFC's project with that financial institution. Establishing a baseline of the initial starting point of the institution's portfolio composition with respect to women SMEs is a requirement of every IFC *Banking on Women* investment and advisory project.

- 19 As part of IFC's development impact measurement, IFC only counts the increase in a client's loans to women SMEs as part of IFC's impact figure. So, the client's existing loans to women SMEs at the time of IFC investment are considered the baseline and not a part of the tracked development outcome since the start of IFC's engagement with a client. This report treats the information in the same way, meaning that references to loans to women SMEs in the WEOF portfolio are tied to increases in the loans outstanding relative to the baseline.
- 20 Based on the 58 IFC financial institution clients that provided gender-disaggregated data in the same time period.
- 21 Dassanou, Marième et al. "Women-owned SMEs: A business opportunity for financial institutions."
- 22 In two cases, the partnership started with investment and was followed by advisory later on.
- 23 It is important to note that given the sample size, while project efforts can be linked to outcomes, it is too early to demonstrate causality.

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2121 Pennsylvania Avenue, NW  
Washington DC, 20433 USA

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