

WOMEN ENTREPRENEURSHIP: STRATEGIES FOR DEVELOPING WOMEN- OWNED BUSINESSES

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SYNOPSIS

Gender inequality has long been recognized as a fundamental cause of poverty in Africa. Thus, we have witnessed increased commitment at policy level to promote women entrepreneurship. Operationally, significant strides have been made towards this direction, as we now have more women owning micro and small enterprises than men. Yet returns from most women businesses are just enough for their survival and daily subsistence. Poverty has remained pervasive despite the series of gender and women programs. Therefore, AfCoP had convened this online discussion to seek perspectives on issues affecting women entrepreneurship development in Africa and to provide recommendations to address them.

Introduction

Under the auspices of the Africa for Results Initiative (Afrik4R), the African Community of Practice (AfCoP) on Managing for Development Results (MfDR) has held from June 16th to July 6th 2014 an online discussion on “Women Entrepreneurship: Strategies for Developing Women-Owned Businesses.” This discussion drew motivation from the fact that poverty reduction and economic growth in Africa will not be effective without adequately promoting women entrepreneurship. It has been empirically proven through cross-country analysis that countries that have effectively minimized gender biases and promoted women participation in socioeconomic activities have recorded spectacular levels of economic growth and poverty reduction.

Furthermore, it is acknowledged that, African countries have made laudable strides towards simplifying investment and business environment, including the climate for micro, small, and medium enterprises that are dominated by women in many cases. The rate of female entrepreneurship is now higher in Africa than in any other part of the world, according to the World Bank, and the AfDB notes that women-led enterprises in the region have shown an increase from 10 to 30 percent in the last decade. Yet much remains to be desired for women economic empowerment in light of the fact that at

least 50 percent of Africa’s population is still poor at a daily expenditure benchmark of US\$1.25, and this incidence can be significantly traced in major gaps and weak links associated with weak integration of women in socioeconomic activities.

Therefore, the main purpose of this discussion was to identify strategies to ensure more profitable and sustainable businesses for women, with specific focus on the following tasks:

- examining African governments’ efforts at creating enabling environments and incentives to enhance women entrepreneurship, and identifying success cases for replication across the continent;
- identifying strategies to effectively fund women businesses, and encourage local and foreign investors to invest in women-owned enterprises;
- identifying ways to mobilize the international and donor community to support women businesses;
- exploring ways to integrate women’s entrepreneurship development into regional policies and strategies;
- and exploring ways to strengthen managerial capacities of women entrepreneurs and their associations to effectively lobby and advocate for their needs.

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Key Deliverables

The discussion was expected to (i) generate areas of knowledge sharing and innovation that can form the basis for the development of case studies and comprehensive knowledge products; (ii) to identify successful, innovative MfDR processes that can be replicated in various countries; (iii) to identify capacity requirements and propose policy recommendations on MfDR at both individual and institutional levels; (iv) to identify policy issues to be further refined to facilitate achievement of results at national and regional level; and (v) to increase participants' knowledge on the subject of discussion through peer-to-peer learning and provision of relevant case study materials. The following sections are the results of the discussion, summarized around the issues/ ideas raised by participants.

Existing Opportunities for Women Entrepreneurship Development in Africa

It was noted that initiatives for promoting women entrepreneurship were not scarce in Africa. Rather weak implementation of existing initiatives has been the fundamental cause of narrow results for women economic advancement. There has been long recognition of the need to institutionalize the reduction of gender inequality and advancement of women at global level. Since 1976, the United Nations Development Fund for Women (UNIFEM) has been in force to initiate, coordinate, and support programs aimed at enhancing the welfare of women across the globe. And 1995 witnessed yet another turning point on the global agenda for women, with the adoption of the Beijing Declaration and the Platform for Action by 189 countries, which the UN Women (the United Nations Entity for Gender Equality and Empowerment of Women) is vehemently pushing. The turn of the 21st century ushered in renewed commitment with the enactment of the eight UN millennium development goals (UN MDGs), the third of which is to promote gender equality and empower women. The International Labor

Organization (ILO) has laudably pursued country compliance with international labor standards, and promoted justice in the labor market and decent work. It launched the Women Entrepreneurship Development (ILO-WED) program in 2002, in cooperation with the general donor community to support livelihood programs for women across various regions including Africa.

In Africa, women's economic empowerment is a key priority of the African Development Bank, currently implementing a Gender Strategy for 2014-2018; and related initiatives have been underway within the framework of the African Women in Business Initiative (AWIB). Women economic empowerment is equally integral to regional economic communities (RECs). The African Union (AU) has the Directorate of Women, Gender, and Development; and there are related structures in the Economic Community of West Africa States (ECOWAS), the Community of East and Southern Africa (COMESA), and the Economic Community of Central African States (ECCA).

At field level, many African governments have domesticated international initiatives related to women advancement. Most poverty reduction strategy papers (PRSPs) supported by the International Monetary Fund (IMF) and World Bank in Africa have had gender and women's development as standalone pillar or core program in them; and African countries have reported regularly to the United Nations on progress in the implementation of the MDGs. Governments have established ministries, departments and agencies to initiate, coordinate and support initiatives bearing on reducing gender disparity and advancing women.¹ These institutions have coordinated the domestication and implementation of international initiatives such as the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW) aimed at overcoming negative

¹ For existing government institutions coordinating gender and women's issues across Africa, see http://siteresources.worldbank.org/INTAFRREGTOPGENDER/Resources/gov_contacts_3.pdf.

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stereotypes and structural bottlenecks underpinning women backwardness in Africa.

Yet poverty remains endemic in Africa, and this can be traced in continued, deep-seated structural impediments that prevent policies and plans from having intended impact on women advancement in the region. It suggests that policies and plans are not the issue, but implementation, as culled from the arguments of two participants in the discussion (Box 1).

Box 1

Quotes from Discussion

David Takawira: Our challenge is not failure in formulating policies and setting up institutions or offices to support emerging challenges and needs, our challenge is implementation and follow-up through a clear learning framework.

Soundararajan E: While everyone talks about women empowerment, there is very little done on the ground. Policies are in place, ministries are in position, but the will to support and encourage the women at the grass root level is woefully absent.

Challenges to Promote Women Entrepreneurship in Africa

Physical infrastructure and the rural context

African economies are largely agrarian, and more than 60 percent of the continent's population lives in the rural areas. In many countries, such as Benin, more than 70 percent of the female population is rural, and carry out 60 to 80 percent of agricultural work.² Thus, a comparative advantage area for initial business development for African women is agriculture. But generally, the continent is constantly challenged by bad road network to reach out to rural communities, and as such, rural entrepreneurs, especially women, find it difficult to respond to business development services provided in urban centers. Access to market and business information is limited, and it affects mobilization of

financial capital for business start-ups and expansion in rural communities.

Business location in urban areas

For women with an established or intend to establish businesses in urban centers, a key challenge is acquiring capability to operate in a highly competitive context. Many have grappled with securing office space or properly locating their businesses, to coordinate activities, and forge networks. Moreover, they are challenged by a limited ability to access sufficient credit for expanding their businesses. The ability to develop attractive brand and explore opportunities to showcase products is also limited.

Product quality, business competitiveness, and sustainability

To produce and market high quality products is a key challenge to businesswomen, coupled with the task of staying competitive with demand-driven business ventures, and being less dependent on government or donor support. These are key success factors to build into any capacity building support package for women entrepreneurs. The market dictates business success; it determines how much one derives from business ventures, thereby compelling actors to meet requisite business standards and values that should be endogenously driven. Business capability and competitiveness should come from within the businesswomen, while external assistance (from government, donors, NGOs, etc.) is certainly crucial to building the capacity to internalize these business fundamentals.

Weak value-chain and economic analysis

The AfCOP members' online discussion underscored that pro-poor growth has not been substantial in Africa because of weak value-chain/economic analysis. These analyses have been weak because they have not significantly investigated gender dimensions and the role of women in economic growth.³

² See Food and Agriculture Organization (1994).

³ See Mayoux and Mackie (2007).

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Data inadequacies

Demand-driven interventions to promote women entrepreneurship have been limited because of inadequate business statistics to carry out business viability analysis. This has restricted participation especially of foreign investors and donors in women related businesses. For the reason that of inadequate information, it is commonplace, as Auxilia Piringondo puts it, “to find a high number of entrepreneurs clustered in one area providing the same product,” when there could be diverse and more profitable areas. Not only are data badly inadequate, but the available set is not well disaggregated to determine gender context of existing businesses and their distribution by relevant characteristics to identify growth gaps and opportunities.

Policy coherence

While African governments have done laudably well institutionally, there is no policy coherence for investment and supporting women entrepreneurship in most cases. Many entities exist to work towards women empowerment but are not properly coordinated, and could confuse foreign investors and donors intending to support these areas.

Culture and stereotypes

Africa has yet to grapple with unproductive beliefs and ascriptions about gender. Certain beliefs and stereotypes ascribed to gender and women positioning in life have continued to pose snags along the way to empowering women. Perhaps this is the greatest challenge, as it requires more efforts to change age-old mindset. Early marriage for instance, is still commonplace in Africa, with countries still witnessing a rate close to 50 percent according to the United Nations Fund for Population Activities (UNFPA). These factors discourage women education to muster capability to initiate and productively run businesses—in 2005, women literacy in Chad, Burkina Faso,

Guinea, Mali and Niger only ranged from 15 to 18 percent.⁴

To sum up, there are indeed more micro and small enterprises operated and managed by women than men, but women are always found in less productive and less profitable businesses such that, their returns could only be enough to survive but not to progress (see Box 2 for comment on

Box 2

Quote from Discussion

Auxilia Piringondo: Indeed there are a number of women owned businesses in Africa as compared to the rest of the world, but in countries such as Zimbabwe within the last decade, many women got into businesses merely for survival purposes because of the high unemployment rate. It should therefore be taken into consideration that most of these businesses are owned and managed by unskilled women whose main goal (sometimes the only goal) is to fend for their families from hand to mouth. They neither have the passion nor the vision to see these ventures live to the next generations.

Zimbabwe).

Country Experiences in Addressing Aforementioned Challenges

Finance

To overcome financial constraints for women entrepreneurs in Ethiopia, the government supported the establishment of Africa’s first commercial bank, Enat, run by women in Ethiopia. Since 2009, women have bought at least 70 percent of the bank’s 7,000 shares. Nigest Haile was one of the participants in this online discussion that relayed this lesson, and she is one of the six women on the 11-member board overseeing the operations of the bank.

⁴ McFerson (2010)

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Affirmative action and capacity building

With funding from AfDB, Malawi is currently running a local development fund targeting 40 percent of rural women. Government hires expert NGOs to organize women into cooperatives to access the fund, and to train them in small and medium business development. One such NGO is the Community Savings and Investment Promotion (COMSIP). According to Rudolf Nkhata, COMSIP builds business capacity of women cooperatives through training in acquisition of business technology and skills. It facilitates access to market information and networks, and organizes trade fairs to showcase commodities produced by women.

Policy coordination and outreach

Sierra Leone offers some lessons in terms of business development coordination with the establishment of the Sierra Leone Investment and Export Promotion Agency (SLIEPA), with a strong focus on promoting small and medium enterprises (SMEs) and women entrepreneurship development. Last February, SLIEPA organized trade fair competition for SMEs, and 10 winners including women were selected and supported by European Union to participate in the 18th Edition Trade Fair and Exhibition in Accra Ghana. And to support agribusiness in rural areas, government has established more than 500 agricultural business centers across the country to support farmer business organizations with a special focus on women, under a smallholder commercialization program with a steering committee chaired by the president.

Lessons from outside Africa

Lao People's Democratic Republic in Asia runs village banking managed by villagers, with effective women participation. This is supported by government, NGOs, and donors but funds are primarily generated from within the villages, and women play central role in the banks' management as contributors of deposits⁵.

In Cambodia, there has been sustained financial education for businesswomen. Series of training is

provided to make them informed economic agents and 'empowered financial decision-makers.' Their attitudes are orientated toward savings, prudent spending, and borrowing for rational reasons.⁶ In Bangladesh, though the pay is generally small, the apparel firms in big towns are noted in Jeffry Sacks' *End of Poverty* to have been instrumental source of business capital for rural women. The firms employ thousands of them, and have been able to accumulate substantial savings to start up self-businesses.

Conclusion and Recommendation

Women entrepreneurship development has continued to face awesome challenges in Africa but there are great opportunities to seize at the same time to overcome these challenges. The tools are available, what is left is putting them into effective action.

General recommendations

The following are general recommendations

- Increasing road connectivity between rural and urban centers will catalyze the provision of business development services for rural women, while investing in girl child education needs serious scaling up to generate critical mass of future women entrepreneurs that are more capable to conceive, operate, expand, and sustain businesses.
- Overcoming negative stereotypes about women's role in society is crucial to increasing the impact of policies for women economic empowerment. And above all, there is need to promote gender sensitive economic and value-chain analysis.
- Identifying geographic specific business potentials and formation of businesswomen clusters are crucial to harnessing business growth opportunities ranging from finance, market access, to sharing of skills, and technical assistance.

⁶http://www.ilo.org/empent/Publications/WCMS_116174/la ng--en/index.htm.

⁷http://www.ilo.org/empent/Publications/WCMS_116165/la ng--en/index.htm

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- Such clusters are crucial for the attraction of foreign and domestic investors who could partner and network with these small but well organized entrepreneurs.
- It will be essential to leverage assistance of NGOs, such as COMSIP in Malawi, in the formation of these clusters and building their capacities. NGOs can be an important interface between small businesses and big investors through trade fair facilitation and lobbying, and can explore better markets for the former and improve their brand through engaging with local and international celebrities, amongst other channels.
- Competition among businesswomen should be encouraged. Discourage underperformance, and introduce special incentives for performance. Targeted financing towards women enterprises is crucial, drawing lessons from the women commercial bank in Ethiopia.
- There is a need to understudy the village banking strategies aforementioned; carry out financial education and training for women; and facilitate their wage-employment in large companies to generate business start-up capital.

The following are *implications of findings for AfCoP and partners*:

- Conduct comprehensive institutional mapping of the continent to determine existing opportunities for women entrepreneurship development. This could involve a SWOT (strengths, weakness, opportunities, and threats) analysis to ensure that AfCoP and partners could strategically engage with national institutions and RECs.
- Detailed studies are necessary to deliver more informed understanding of the nexus

between women entrepreneurship development and poverty reduction and economic growth in Africa, to better ground and inform AfCoP/partner advocacy for results through women empowerment. This should involve informed, gender sensitive value-chain and economic analysis.

- Cooperation with international institutions such as UNWOMEN, UNFPA, and ILO is decisive toward overcoming negative stereotypes and cultures impinging on efforts to advance women economic development. Engaging with civil society and women business organizations would be a significant add-on to strengthening advocacy in this area.
- Fielding fact-finding mission to Ethiopia on the operations of the Enat commercial bank for women is recommended. This is crucial for possible replication in other Africa countries.

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