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BUSINESS ENVIRONMENT REFORMS TO SUPPORT WOMEN-OWNED BUSINESSES IN ACP COUNTRIES

LEGAL, ADMINISTRATIVE AND POLICY REFORMS TO ACCESS FINANCE AND MANAGE BUSINESSES

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CONTENT

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LEGAL, ADMINISTRATIVE AND POLICY REFORMS TO ACCESS FINANCE AND MANAGE BUSINESSES

EXECUTIVE SUMMARY

Business creation and business revenue growth is a crucial engine of economic growth and job creation. **Investing in women is not only a moral imperative; it is good business.** Taking action now to advance gender equality can add $13 trillion to global Gross Domestic Product (GDP) by 2030. Yet, women are less likely than men to own formal micro, small- or medium-sized enterprises. Women-owned businesses are less likely to grow or have employees and have been more heavily affected by the Covid-19 crisis. The hindrances to women-owned small and medium enterprises are multidimensional and often interlinked. These gaps can be explained by legal discrimination, administrative barriers, social and cultural norms, and structural constraints that are more likely to affect women than men.

This paper focuses on the legal, administrative, and policy reforms necessary to promote women's access to assets and credits, as well as their ability to register and manage their businesses, ensuring their growth and sustainability.
While these are not the only barriers women face, they were selected due to their importance in promoting gender-sensitive Business Environment Reforms (BER) in African, Caribbean, and Pacific (ACP) countries.

KEY FINDINGS

1

Legal reforms are essential to promoting the growth of women-owned/led businesses. Equal opportunity starts with equal treatment under the law. Legal frameworks must be updated to ensure that ownership rights, inheritance regimes, and family codes are equally applied. This will enable women to fully access property, own land and assets, and thus access credits and grow their business.
Legal Barriers to Access and Control Assets ›››

2

While complicated and lengthy administrative **procedures represent barriers to business formalisation and growth** for both men and women, they might have a stronger negative effect on women-owned/led businesses due to their lower experience, exposure to markets and access to information. Reducing those administrative barriers is critical to supporting women in formalising and operating their businesses.
Legal and Administrative Barriers to Register and Operating a Business and Open a Bank Account ›››

3

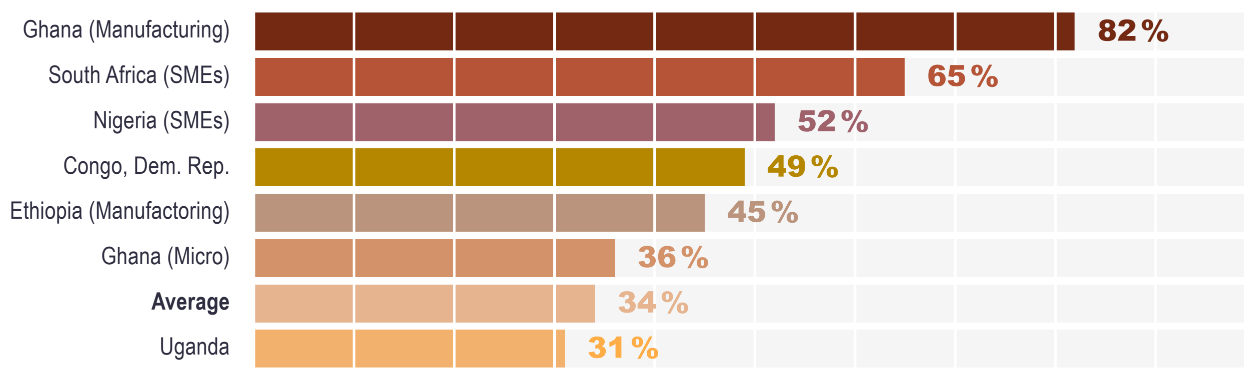
Lastly, promoting **access to finance**, such as through women's credit lines or new ways of measuring credit scores, have shown positive results on women-owned/led businesses. While these are not the only necessary business reforms, they can create an enabling environment to promote women-owned/led businesses' formalisation, growth, and sustainability while benefiting the economy.
Reforms for improving Access to Finance to Women-Owned/led Businesses ›››

This paper provides examples of good practices in BER that remove the legal and administrative barriers which affect women's ability to access or inherit land, open and operate a business, and access credit, and consequently risk constraining the economy as a whole.

INTRODUCTION

Business creation and business revenue growth are crucial engines of economic growth and job creation. Yet, women are less likely than men to own formal small- or medium-sized enterprises, and such businesses are less likely to grow or have employees than those owned by men. Indeed, only 20 per cent of firms in the poorest countries are women-owned/led. In Sub-Saharan Africa, women-owned/led businesses make profits that are 34 per cent lower than those made by male-owned firms and have lower revenues and fewer employees.[1] As seen in **Figure 1**, those gaps can be significantly high in countries like Ghana, South Africa, and Nigeria. This disparity is not limited to Africa, but also applies in countries like the United States.[2] Even though women-led businesses earn similar rates of return on equity and assets as male-led ones, they have less start-up capital and consequently generate lesser profits than businesses owned by men.[3]

FIGURE 1: Gender gaps in business profits
(Selected top seven countries with existing data)



Source: The World Bank Group, 2019, based on IE database. *Note:* In parentheses, when it refers to a specific type of business.
**SMEs: Small and Medium Enterprises*

Women-owned/led businesses have also been more affected by the Covid-19 pandemic.[4] In Sub-Saharan Africa, 41 per cent of female micro and small firms have closed, compared to 35 per cent of males'.[5] The survey revealed that 80 per cent of women-led businesses have partially shut down and that 53 per cent of women owners are experiencing psychological impacts resulting from the pandemic.[6]/[7]

1 World Bank Group, *Profiting from Parity: Unlocking the Potential of Women's Businesses in Africa.* World Bank Group, 2019. *https://openknowledge.worldbank.org/bitstream/handle/10986/31421/135420-ProfitingfromParityFullReport.pdf?sequence=1&isAllowed=y*

2 American Express, *The State of Women-Owned Business Report. American Express, 2019.*

3 World Bank Group. *Supporting Growth-Oriented Women Entrepreneurs: a Review of Evidence and Key Challenges.* Innovation, Technology & Entrepreneurship Policy Note. World Bank Group, 2014. *http://documents1.worldbank.org/curated/en/301891468327585460/pdf/92210-REPLACEMENT-Supporting-Growth-Oriented-Women-Entrepreneurs-A-Review-of-the-Evidence-and-Key-Challenge.pdf*

4 Webinar available: *https://www.youtube.com/playlist?list=PLLAZ9Lc6fzqkfreWJHJg1ICRLMP_Y64qE*

5 World Bank, Office of the Chief Economist, Africa Region. *COVID-19 Pandemic through a Gender Lens.* World Bank, 2020. *http://documents1.worldbank.org/curated/en/132121593107858356/pdf/COVID-19-Pandemic-Through-a-Gender-Lens.pdf*

6 Impact HER, UN Women and African Development Bank Group. Policy brief. *Transformative Policy Solutions to Support Women-led Businesses in Africa in a post COVID-19 world.* ImpactHER, 2020. *https://www.impacther.org/covid-19-response*

7 No information is available for the male equivalent, since this survey was implemented only on women.

Women-owned/led businesses are concentrated in sectors strongly affected by the crisis, notably in such consumer-focused areas as hospitality, retail, education, and care services.[8] The disproportionate impact of Covid-19 on women-led businesses is also explained by the historical weight of domestic work and care responsibilities performed by women, which has been exacerbated by the pandemic.[9] Promoting women entrepreneurs is key to the economic recovery from Covid-19, since they have been 1.8 times more vulnerable to this crisis in terms of job and income loss.[10]

The ICR Facility delivered a live event on improving the Investment Climate through Gender-Sensitive Reforms during Covid-19. This webinar looked at the role of the private sector in halting and reversing widening gender gaps caused by the pandemic and how ACP governments can promote gender-sensitive business environment reforms for a sustainable recovery. Watch the recording *here*.

HOW TO EXPLAIN THESE GAPS?

These gaps can be explained by various factors, including legal discrimination, social and cultural norms, and, more significantly, structural constraints such as a lack of financial inclusion and education, lack of networks, and lack of access to collateral. Evidence also suggests that women tend to open their businesses in traditionally female-dominated sectors, which produce lower revenues.[11]

Legal discrimination is still a major constraint for women aiming to start, operate or grow businesses. Laws and regulations impede women from registering a business or inheriting and accessing land and other productive assets in the same way as men.[12] Legal discrimination (or the lack of legal protection) affects women's likelihood to apply for and access financial services, thus impinging on their ability to save, borrow, and obtain insurance, which are crucial to starting or growing a business.[13] Customary law can also affect women's opportunities, even in countries where they can legally open and run a business, and own assets.[14]/[15]

Social and cultural norms affect women's likelihood of being approved for a business loan and the amount they are able to secure, as women are usually awarded smaller loans than men.[16] Moreover, social norms also influence the strategic choices that female entrepreneurs make, such as what sector to operate in. Studies suggest that traditionally female-dominated sectors (e.g. restaurants, beauty salons, care, and education) are less lucrative and less profitable than traditionally male-dominated sectors (e.g. construction, mining, oil, technology).[17]

Women entrepreneurs in African, Caribbean, and Pacific (ACP) countries and globally face more challenges than men in accessing credit, mentorships, networks, and markets.[18] Furthermore, increasing evidence has found that incubation and mentoring programmes that focus only on hard skills training (e.g. business plans, accounting, financial education) do not have the same positive outcomes for women entrepreneurs.[19] This is often also explained by the fact that training is not tailored to the specific needs of women entrepreneurs: schedules, technical and social

8 UN Women, *From Insights to Action. Gender equality in the wake of COVID-19*. United States: UN Women, 2020. *https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/gender-equality-in-the-wake-of-covid-19-en.pdf?la=en&vs=5142*

9 Unite Nations. Policy Brief: *The Impact of COVID-19 on Women*. UN, 2020. *https://www.un.org/sexualviolenceinconflict/wp-content/uploads/2020/06/report/policy-brief-the-impact-of-covid-19-on-women/policy-brief-the-impact-of-covid-19-on-women-en-1.pdf*

10 McKinsey Global Institute. *Don't let the pandemic set back gender equality.* McKinsey Global Institute, September 18, 2020. *https://www.mckinsey.com/mgi/overview/in-the-news/dont-let-the-pandemic-set-back-gender-equality*

11 World Bank, Office of the Chief Economist, Africa Region. *COVID-19 Pandemic through a Gender Lens.*

12 Deere, C.D., Doss, C.R.: *The gender asset gap: what do we know and why does it matter*. Fem. Econ. n° 12 (2006): 1–2, 1–50 10.1080/13545700500508056; Deere, C.D., Oduro, A, Swaminathan, H, and Doss, C. *Property Rights and the Gender Distribution of Wealth in Ecuador, Ghana and India.* Journal of Economic Inequality 11 (2013) (2): 249–65.

13 World Bank Group. *Profiting from Parity.*

14 Ibid.

15 Customary law responds to a legal custom or behaviour within a particular social setting. It could be a practice or considered law by a specific group.

16 IFC. *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*. Washington: IFC, 2011. *https://www.ifc.org/wps/wcm/connect/2a9123b3-d369-4115-8cbf-19083218ce64/G20_Women_Report.pdf?MOD=AJPERES&CVID=jqeI-xk*

17 Goldstein, M; Gonzalez Martinez, P; Papineni, S. *Tackling the Global Profitarchy: Gender and the Choice of Business Sector.* Policy Research Working Paper; No. 8865. World Bank, Washington, DC. World Bank, 2019. *https://openknowledge.worldbank.org/handle/10986/31747*

18 World Bank Group, *Profiting from Parity.*

19 Ibid.

emotional skills gaps among others. Furthermore, cultural beliefs and social norms affect women's competitiveness, risk-taking behaviours, self-confidence, and negotiating skills – traits deemed necessary to grow a business.[20]

Due to the disproportionate share of unpaid care work that falls on women and the lack of quality and affordable care facilities, women's time scarcity limits their opportunities to operate and grow their businesses. Before Covid-19 in Cameroon, for example, women dedicated on average 26.5 hours per week to care work while men devoted only 7.6 hours.[21] This is not only the case in ACP countries; the gender gap in care and domestic activities represents a barrier for women entrepreneurs worldwide.

In addition to the fact that women already dedicate more time and effort to care and domestic activities, it has been found that as a consequence of the Covid-19 pandemic, women increased the time and effort devoted to these activities more than men.[22] Thus, 60 per cent of women and 54 per cent of men worldwide have reported an increase in the amount of time they spend in care activities, and 28 per cent of women and 16 per cent of men have reported an increase in domestic work intensity,[23] adding to the existing imbalances. In addition, due to an increased responsibility during the Pandemic, women with children have reported the highest levels of stress and anxiety due to increased family pressure, income security, and changes in their routines.[24]

WHAT ARE THE ECONOMIC BENEFITS OF INVESTING AND PROMOTING WOMEN-OWNED/ LED BUSINESSES?

Investing in and promoting women-owned/led businesses is not only a moral imperative; it's good business. Taking action now to advance gender equality could add $13 trillion to global GDP by 2030. Sub-Saharan Africa, for example, would increase its GDP by 330 billion.[25] It is estimated that the total wealth loss due to gender inequality in earnings was 16.6 per cent of the annual Gross Domestic Product (GDP) in East Asia and the Pacific, 7.9 per cent in Latin America and the Caribbean, and 11.4 per cent in Sub-Saharan Africa.[26]

Women-owned/led businesses also tend to employ more women, and therefore scaling these businesses can enhance women's economic participation. Evidence suggests that enhancing women's access to resources (e.g. mobile phones, agricultural inputs) can increase efficiency and productivity.[27]

Investing in women-owned/led businesses promotes family wellbeing and reduces the intergenerational transmission of poverty, as women are more likely than men to invest their income in food and children's education.[28] Regulatory reforms can remove barriers and enhance the growth and sustainability of women-owned/led businesses.

Women's economic empowerment has been shown to reduce the prevalence of Gender-Based Violence (GBV) in developing countries.[29] Indeed, economic autonomy protects women from abuse, saving lives and reducing the amount of funding that governments spend on social and health services. Studies about the economic costs of GBV reveal that being the victim of sexual, physical, or psychological violence can reduce women's earnings by 34 per cent to 46 per cent.[30] At a macro level, its costs can be calculated as lost GDP or increased dependence on government subsidies. Indeed, the cost of GBV worldwide could be about five per cent of the global Gross Domestic Product (GDP) annually.[31]

20 Ibid.
21 United Nations. Gender Stats Database. Retrieved June 2021. *https://genderstats.un.org/#/downloads*
22 UN Women. *Whose time to care? Unpaid care and domestic work during COVID-19*. UN Women, 2020.
23 Ibid.
24 World Economic Forum. *The COVID-19 effect on the global gender gap: Measuring it is the first step towards closing it*. World Economic Forum, 2019. *https://www.weforum.org/agenda/2021/03/the-covid-19-effect-on-the-global-gender-gap-measuring-it-is-the-first-step-towards-closing-it/*
25 McKinsey Global Institute. *Don't let the pandemic set back gender equality.*
26 Wodon, Q. de la Brière, B. 2018. *Unrealized Potential: The High Cost of Gender Inequality in Earnings. The Cost of Gender Inequality*. Washington, DC: World Bank, 2018. *https://openknowledge.worldbank.org/handle/10986/29865 License: CC BY 3.0 IGO.*
27 Directorate-General for International Partnerships – European Commission. *Because women matter. Designing interventions in food, nutrition, and agriculture that allow women to change their lives.* Directorate-General for International Partnerships – European Commission, 2019. *https://op.europa.eu/en/publication-detail/-/publication/51ec7cf6-5a05-11e9-a60e-01aa75ed71a1*
28 OECD. *Investing in Women and Girls – The Breakthrough Strategy for Achieving all the MDGs*. OECD, 2010. *https://www.oecd.org/dac/gender-development/45704694.pdf*
29 Morrison, A.W., Orlando, B. *The costs and impacts of gender-based violence in developing countries: Methodological considerations and new evidence*. The World Bank working paper, 2004.
30 Ibid; Martinez-Restrepo et al., 2021 (Forthcoming).
31 Copenhagen Consensus Center. *Conflict and Violence Assessment Paper. Benefits and Costs of the Conflict and Violence Targets for the Post-2015. Development Agenda*. Copenhagen Consensus Center, 2014. *https://www.copenhagenconsensus.com/sites/default/files/conflict_assessment_-_hoeffler_and_fearon_0.pdf*

The **ICR Facility** can provide short-term technical assistance for women's economic empowerment in ACP countries through its three existing components. This includes, for instance, providing technical assistance to government agencies, business association or trade unions on issues such as reform to address discriminatory legislation and legislation, labour rights and working conditions. Support can also be provided for strengthening the role of women and women´s associations in public private dialogues e.g. for topics important for women entrepreneurs.
The ICR Facility also offer assistance to development finance institutions on improving their gender strategy and capacity.
Additionally, the Facility commissions knowledge products such as this IC Report to support women's economic empowerment.

To find out more, to check eligibility requirements, or to apply for technical assistance, please visit *www.icr-facility.eu/request-form*.

This is the first paper in the Women's Economic Empowerment (WEE) series produced by the ICR Facility.

The papers that follow will focus on how to promote women's employment and public-private dialogue to promote women's economic empowerment. This paper explores innovative gender-sensitive Business Environment Reforms (BER) that promote women-owned businesses. It mainly focuses on the critical legal barriers to access assets credits, and the regulatory discrimination that affects women-owned business incorporation and management. While these are not the only barriers women face, they were selected due to their importance in promoting business environment reforms in ACP Countries.

The good practices described in this paper are examples of what ACP countries could achieve by addressing gender gaps through business environment reforms. The ICR Facility can contribute towards this goal by supporting governments, policymakers, statistical offices, business associations, regional organizations, among others, to implement such reforms.

1

LEGAL BARRIERS TO ACCESS AND CONTROL ASSETS

Access to land and productive assets, as well as equal rights to inherit, own, and manage property are essential to promoting the growth of, and access to credit for, women-owned/led businesses. This is because land and productive assets are collateral for accessing credit, and the gender asset gap is directly correlated to the gender credit gap.[32] Land and productive asset ownership also allow the production of services and goods without incurring large investments (for example, in agricultural business, owning land and machinery to work the land). They also provide a fallback position and bargaining power[33] within the household, allowing women to make better strategic decisions and further participate in economic decisions in their homes and businesses. Additionally, they lower the risk of domestic violence.[34]

Some regulations in ACP countries (as well as in other countries in South Asia, Southeast Asia, and Latin America) negatively affect women's economic autonomy since they impede women's equal ownership rights. **Table 1** lists ACP countries where men and women do not have equal ownership rights to immovable property, where the law does not grant spouses equal administrative authority over assets during the marriage, and where sons and daughters do not have equal rights to inherit assets from their parents. These regulations affect women's possibilities and likelihood to access credits and to manage and grow their businesses.

Family, inheritance, and land laws determine how assets are allocated between men and women when marrying, divorcing, inheriting, and widowing. In a study about the gender asset gap, Deere et al. found that married women own 44 per cent of a couple's wealth in Ecuador, 19 per cent in Ghana, and only nine per cent in Karnataka (India).[35] The authors suggest that this difference can be explained by current marital and inheritance regimes and by social norms. On the one hand, Ecuador, the most egalitarian of the three, has a partial Community Property regime, in which inheritances and assets acquired before marriage are individually owned during marriage and in case of divorce. On the other hand, Ghana and Karnataka, have a Separation Regime, which means that all property, regardless of when or how it was acquired, is individually owned. Under this regime, in the case of divorce or death, no property is distributed, which is more likely to affect women's ownership of assets.[36] Reforming marital and inheritance regimes to remove legal barriers to access and control assets is key to supporting the growth of women-owned/led businesses and women's accumulation of wealth and access to credits.[37]

32 Deere, Oduro, Swaminathan, Doss. *Property Rights and the Gender Distribution of Wealth in Ecuador, Ghana and India.*

33 Bargaining power is a fundamental concept used to frame women's economic empowerment and wellbeing. For women, bargaining power is based on their fallback position, understood as their position if negotiations fail (Agarwal, 1997). When women have a better fallback position (income, education, assets), they can negotiate better deals to impact their wellbeing positively.
Agarwal, B. *"Bargaining" and gender relations: within and beyond the household*. CND discussion paper n° 27.
https://www.researchgate.net/publication/2822720_Bargaining_And_Gender_Relations_Within_And_Beyond_The_Household

34 Deere, Doss. *The gender asset gap*; Kabeer, N. Resources, agency, and achievements: *Reflections on the measurement of women's empowerment.* Development and Change, 30, 435-464. (1999).

35 Deere, Oduro, Swaminathan, Doss. *Property Rights and the Gender Distribution of Wealth in Ecuador, Ghana and India.*

36 Ibid.

37 One of the problems is that in many ACP countries, these regimes were inherited from colonial laws and have not been updated. This is notably the case in Sub-Saharan Africa, where laws date from the second half of the 19th century (Combs, 2006; Geddes & Lueck, 2002). Under the British common law, women lost their legal personality upon marriage. In contrast, under the Roman legal tradition (implemented by the French, Spanish and Portuguese), women could keep their legal personality after marrying and inheritance laws treated children of both sexes equally (Deere et al, 2013).
Combs, M.B: Cui Bono? *The 1870 British Married Women's Property Act, bargaining power, and the distribution of resources within marriage*. Fem. Econ. 12(1–2), 51–83. 2006;
Geddes, R., Lueck, D. *The gains from self-ownership and the expansion of women's rights*. Am. Econ. Rev. 92(4), 1079–92. 2002. 23.

TABLE 1:

ACP COUNTRIES WITH REGULATIONS AFFECTING WOMEN'S ECONOMIC AUTONOMY

	Countries where men and women **do not** have equal legal ownership rights to immovable property	Countries where the law **does not** grant spouses equal administrative authority over assets during marriage	Countries where sons and daughters **do not** have equal rights to inherit assets from their parents
Botswana			✖
Brunei Darussalam			✖
Burundi			✖
Cameroon	✖	✖	
Chad	✖	✖	
Comoros			✖
Congo, Dem. Rep.	✖	✖	
Congo, Rep.	✖	✖	
Equatorial Guinea	✖	✖	
Eswatini			✖
Gabon	✖	✖	
Gambia, The			✖
Guinea-Bissau	✖	✖	
Haiti	✖		
Kiribati	✖		
Marshall Islands	✖		✖
Mauritania	✖	✖	✖
Micronesia, Fed. Sts.	✖		
Niger	✖		✖
Palau	✖		✖
Senegal			✖
Somalia			✖
South Sudan	✖		
Sudan			✖
Tanzania			✖
Tonga	✖		✖
Uganda			✖
Vanuatu	✖		

Source: Author's own elaboration based on World Bank, 2021, Women, Business and the Law, 2021.
Note: The ACP countries not included in this table or spaces in blank have no laws which act as a barrier to register or access assets, as per the above criteria.

1 MEASURING THE GENDER ASSET GAP

A first good practice is the measurement of the gender asset gap and to what extent this gap is caused by laws that affect women's ability to inherit, own and control assets. Deere et al.[38] created a survey specifically designed to measure individuals' asset ownership within the household and family business to calculate the gender asset gap. UNSTATS published a series of guidelines for statistical offices and policymakers to produce statistics on asset ownership from a gender perspective.[39] These guidelines can be used to conduct asset ownership surveys at the individual level and (a cheaper and more feasible option) to include additional modules or sections to existing household surveys.

In addition to the results found by Deere and her colleagues in Ecuador, Ghana, and India, the Asian Development Bank (ADB) piloted surveys in Georgia, Mongolia, and the Philippines, which showed large gender gaps in ownership of agricultural assets, extensive livestock and sizeable agricultural equipment.[40] Other pilot surveys have been implemented in the Maldives, South Africa, and Uganda. In addition, regional workshops have been held on the production of statistics on asset ownership from a gender perspective based on household surveys in Chile and Ethiopia.[41]

1 REFORMING LAWS RESTRICTING WOMEN'S ACCESS TO ASSETS

Before 2000, family law in Ethiopia affected women's ability to own and control property and have paid jobs outside their homes, as well as their legal capacity to enter into agreements on their own behalf. In 2000, Ethiopia reformed its family law, established in 1960,[42] to strengthen women's ability to control assets and promote their economic empowerment. The reform allowed women to administer common marital property, and spouses could no longer deny permission to the other spouse (wife) to work outside their home. In addition, customary law was weakened by giving more authority to courts to settle disputes arising in divorce and inheritance cases.

The first, second, and third provisions were expected to strengthen women's ability to control assets, which is necessary to secure finance or start or expand their businesses. These reforms were implemented only within a subset of regions in Ethiopia, which allowed the authors to design an impact evaluation to compare the effect of the reform across regions. The evaluation done in 2013, 13 years after the law was implemented, showed that women's participation in non-home-based paid work (either as entrepreneurs or employees) was 24 per cent higher in regions where the reform was implemented than in those where it was not.[43]

Other countries have implemented similar reforms. For example, in 2019, Côte d'Ivoire granted spouses equal rights to immovable property and equal administrative authority over assets during the marriage.[44] Similarly, the 2010 reform of Kenya's constitution removed the exemptions to discrimination granted to customary laws in family and inheritance matters, which had been in place since independence.[45] There are no evaluations yet available of the impact of these reforms.[46]

38 Deere, Oduro, Swaminathan, Doss. *Property Rights and the Gender Distribution of Wealth in Ecuador, Ghana and India.*
39 Unstats. *Guidelines for Producing Statistics on Asset Ownership from a Gender Perspective.* New York: Unstats, 2019. https://unstats.un.org/edge/publications/docs/Guidelines_final.pdf
40 ADB. *Measuring asset ownership and entrepreneurship from a gender perspective Methodology and Results of Pilot Surveys in Georgia, Mongolia, and the Philippines.* Manila: ADB, 2018. https://www.adb.org/sites/default/files/publication/419781/measuring-asset-ownership-gender-perspective-report.pdf
41 EDGE. *Meetings.* EDGE, n.d. https://unstats.un.org/edge/meetings/
42 Federal Democratic Republic of Ethiopia. "*The Revised Family Code Proclamation No. 213/2000*" Federal Negarit Gazetta of the Federal Democratic Republic of Ethiopia, Issue 1/2000. 2000.
43 Hallward-Driemeier, M. Ousman, G. *Strengthening Economic Rights and Women's Occupational Choice: The Impact of Reforming Ethiopia's Family Law.* World Bank Policy Research Working Paper (6695), 2013.
44 World Bank Group. *Women, Business and the Law* 2020. Washington: World Bank Group, 2020. https://openknowledge.worldbank.org/bitstream/handle/10986/32639/9781464815324.pdf
45 Hallward-Driemeier, Ousman. *Strengthening Economic Rights and Women's Occupational Choice*
46 Impact evaluations are scarce when it comes to legal reforms because they affect the overall population, and it is not possible to create counterfactuals.

2

LEGAL AND ADMINISTRATIVE BARRIERS TO REGISTERING AND OPERATING A BUSINESS AND OPEN A BANK ACCOUNT

Legal and administrative reforms are also crucial to improve women's ability to register a business and open a bank account. These include both regulations where women cannot legally sign contracts or register a business and discriminatory practices that create differential barriers for women. Evidence also indicates that simplifying administrative business procedures can have a greater impact on women.[47]

2 REMOVING LEGAL BARRIERS TO REGISTER AND MANAGE A BUSINESS

As seen in **Table 2**, in four ACP countries, women still cannot legally sign a contract or register a business in the same way as men.[48] They need their husbands to register a company, open a bank account, sign a contract, or initiate legal proceedings. This not only affects women's economic autonomy, but also their ability to start, run and grow a business.[49]

Business legal reforms have the potential to remove some of these barriers. In the past few years, countries such as Angola and Benin have removed some of these legal constraints against women, and now they do not need their husbands' permission to open a bank account.[50] Although no impact evaluations have been carried out since these changes in regulations affect the overall population,[51] it is expected that these regulatory reforms will increase women's agency and bargaining power.[52]

47 Campos, F; Goldstein, M; McKenzie, D. How *Should the Government Bring Small Firms into the Formal System? Experimental Evidence from Malawi.* Policy Research Working Paper;No. 8601. World Bank, Washington, DC. © World Bank, 2018. *https://openknowledge.worldbank.org/handle/10986/30510* License: CC BY 3.0 IGO.

48 World Bank Group. Women, Business and the Law 2021. Washington: World Bank Group, 2021. *https://openknowledge.worldbank.org/bitstream/handle/10986/35094/9781464816529.pdf*

49 Ibid.

50 Hallward-Driemeier, Ousman. *Strengthening Economic Rights and Women's Occupational Choice.*

51 Impact evaluations require randomly assigning a population to an intervention (treatment group) and a control group. When it comes to legal reforms, this is rarely possible because they benefit (or affect) the entire population, losing the possibility of randomly assigning individuals to help or not from the reform. Some observational studies suggest a non-causal relation (association or correlation) between adopting a reform, but other exogenous factors can also explain changes.

52 The World Bank Group. *Profiting from Parity.*

TABLE 2:

LEGAL CONSTRAINTS FOR WOMEN IN ACP COUNTRIES

	Countries where women **cannot sign a contract** in the same way as men	Countries where women **cannot register** a business in the same way as men
Equatorial Guinea	✖	✖
Eswatini	✖	✖
Guinea-Bissau		✖
Kenya		✖
Suriname		✖

Source: Author's own elaboration based on World Bank, 2021, Women, Business and the Law, 2021.
Note: The ACP countries not included in this table or spaces in blank have no laws which act as a barrier to register or access assets, as per the above criteria.

2 SIMPLIFYING ADMINISTRATIVE PROCEDURES RELATED TO BUSINESS REGISTRATION

While, for the most part, regulations on registering a business or opening a bank account might be gender-neutral, social norms and certain administrative procedures are more likely to adversely affect women.[53] This is because, on average, women have more time scarcity, less access to information, less experience, less internet access, and fewer digital skills than men, which notably affect their ability to manage commercial relations and legal procedures.[54] In addition, interacting with male agents can be a challenge for women in certain cultures, which causes them to be considered as "softer targets" for corruption.[55] Evidence suggests that simplifying bureaucratic processes to open a business can increase the number of first-time female business owners at a rate that is 33 per cent higher than that for male counterparts.[56]

According to the Integrated Household Survey (2005), in Malawi, 93 per cent of firms have not registered with the government. This means that the large majority of firms are informal and do not pay taxes.

To address this, between 2007 and 2012, the World Bank and the Malawian Government conducted an intervention to simplify the business registration process.

This involved:

1. **Costless business registration intervention: businesses were assisted in obtaining a business registration certificate at no cost and provided with information on the potential benefits of registration.**
2. **Business and tax registration intervention: businesses were assisted in obtaining both a business registration certificate and taxpayer identification number.**
3. **Bank account intervention: individuals were given an information session on the difference between formal and informal financial institutions, the role of banks, the benefits of having bank accounts, and practical examples of using bank accounts for business purposes, among others.**

53 Donor Committee for Enterprise Development (DCED). UKaid. Swiss Agency for Development and Cooperation SDC. *Business environment reform and gender.* Donor Committee for Enterprise Development (DCED). UKaid. Swiss Agency for Development and Cooperation SDC, 2016. *https://www.enterprise-development.org/wp-content/uploads/BEWG-DCED-Technical-Paper-Gender-and-BER.pdf*; World Bank. *Gender Dimensions of Investment Climate Reform. A guide for policymakers and practitioners.* Washington: World Bank, 2010. *https://openknowledge.worldbank.org/bitstream/handle/10986/2408/528610PUB0gend101Official0Use0Only1.pdf?sequence=1&isAllowed=y*

54 Donor Committee for Enterprise Development (DCED). UKaid. Swiss Agency for Development and Cooperation SDC. *Business environment reform and gender.*

55 World Bank. *Gender Dimensions of Investment Climate Reform.*

56 Chamlou, Nadereh. *The Environment for Women's Entrepreneurship in the Middle East and North Africa. Orientations in Development Series*. Washington, DC: World Bank. © World Bank, 2008. *https://openknowledge.worldbank.org/handle/10986/6479* License: CC BY 3.0 IGO.

The intervention resulted in increased registration rates and earnings, particularly for women.[57] Even though this intervention was not exclusively aimed at women entrepreneurs, it produced a series of positive effects. While male-owned businesses saw their sales increase by 17 per cent and profits by 30 per cent, women-owned/led businesses saw their sales and profits increase by 28 per cent and 20 per cent, respectively. This means that, since female-owned businesses are on average smaller than men's, the same level increase in profits and sales translates into a larger percentage increase for females.[58]

This evidence is consistent with evidence suggesting that women-owned/led businesses can be more heavily affected than male-owned ones by complex administrative procedures to start and operate a business.[59] Although simplifying administrative processes is not enough to eliminate inequalities in business registration, it is an important first step.

2 ADDITIONAL POLICY EFFORTS

Changes in the legal framework alone are not sufficient, however, and additional policy efforts are required. An effective intervention to support the registration and formalisation of women-owned/led businesses should include:

1. **simplification of legal procedures,**
2. **access to information, and**
3. **financial education and individual assistance.**

It is essential to consider that even after regulations and easing policies are in place, other barriers for women to own property (and thus to have collaterals) remain, and for instance cultural norms remain among the major constraints women face to register and run a business.[60] The author suggests that introducing entrepreneurship education in secondary, technical, and vocational schools and universities and promoting legal literacy could complement administrative reforms in increasing the number of businesses registered by women owners. Indeed, a study in Tanzania revealed that 66.8 per cent of women entrepreneurs were unaware of the legal procedures related to business registration.[61]/[62] The same study showed also that time-poor women have more significant challenges registering their businesses.

Even in countries where women are legally able to register a business or open a bank account, they can still face many challenges due to lack of legal knowledge, lack of credit scores, financial inclusion, social norms, or customary laws,[63] which can be supported through additional policy efforts.

57 Campos, F; Goldstein, M; McKenzie, D. *How Should the Government Bring Small Firms into the Formal System?*

58 Ibid.

59 World Bank Group. *Profiting From Parity.*

60 Hampel-Milagrosa, A. *The Role of Regulation, Tradition and Gender in Doing Business.*

61 Equality for Growth. *Baseline Survey of Female Entrepreneurs in Temeke, Kinondoni and Ilala Districts of Dar es Salaam, Tanzania.* Equality for growth, 2009. *http://www.businessenvironment.org/dyn/be/docs/195/2.2.2_Baseline_Survey_Female_Entrepreneurs_Tanzan.pdf*

62 No information is available for the male equivalent since this survey was only conducted among women.

63 Donor Committee for Enterprise Development (DCED). UKaid. Swiss Agency for Development and Cooperation SDC. (2016). *Business environment reform and gender.*

3

REFORMS FOR IMPROVING ACCESS TO FINANCE FOR WOMEN-OWNED/LED BUSINESSES

Women in developing countries are 20 per cent less likely than men to have a bank account and 17 per cent less likely to have borrowed money from a formal financial institution.[64] This gap is wider in countries like Nigeria, Kenya, and Benin among others.

A multitude of complex factors plays a role: lack of access to land and productive assets, which limits the collaterals needed, low credit scores due to lower financial inclusion and lower financial experience, and the lack of formal credit history.[65]

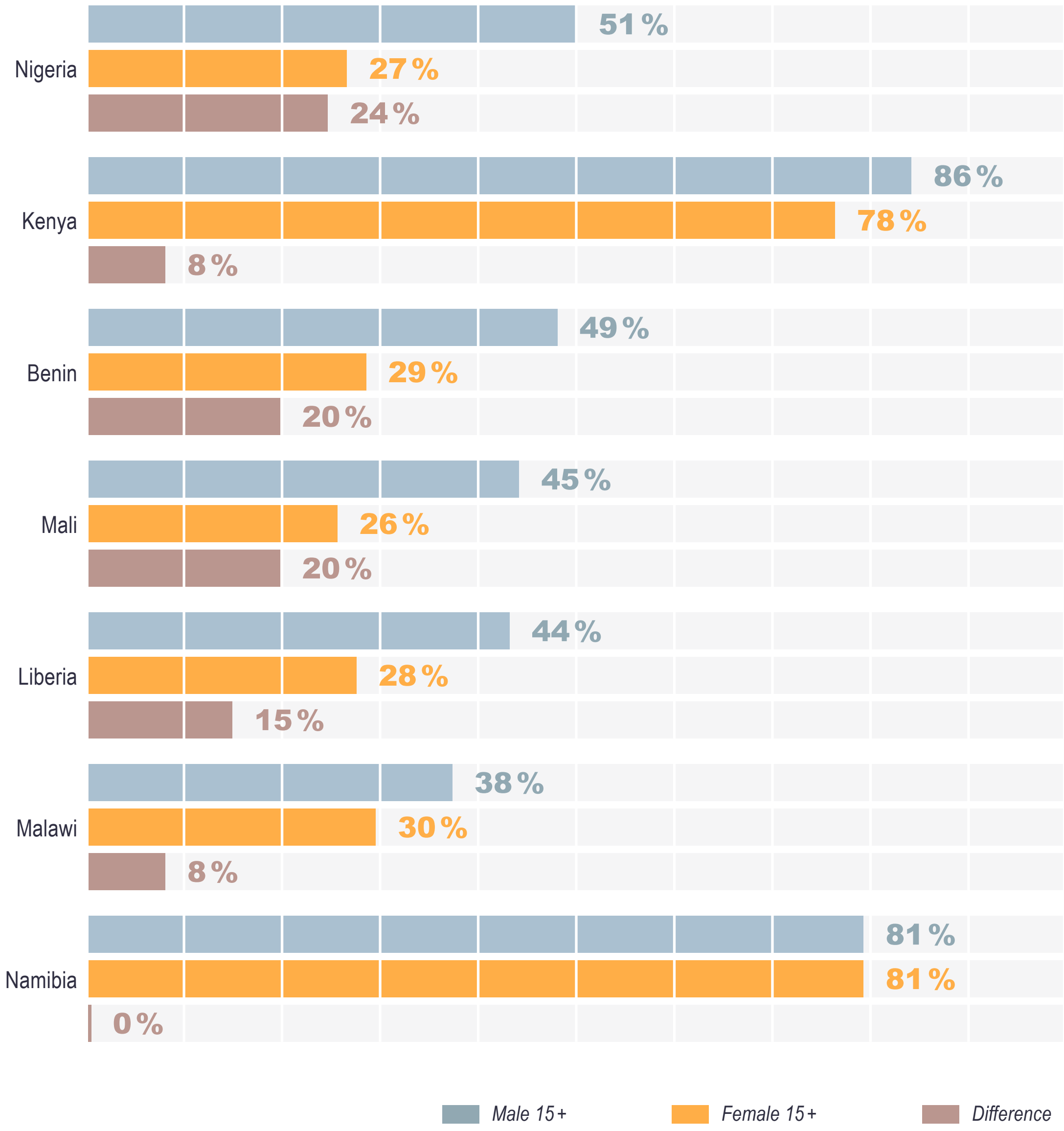
Furthermore, as discussed previously, administrative and legal barriers and cultural barriers enforce and reflect bias and discrimination against women. In seven Sub-Saharan countries, women cannot open a bank account in the same way as men, and of all the ACP countries, only sixteen have laws that prohibit gender-based discrimination in access to credit (Angola, Cabo Verde, Dominican Republic, Guinea, Cambodia, Lao PDR, Marshall Islands, Mozambique, Mauritius, Philippines, Puerto Rico, Trinidad and Tobago, Vanuatu, South Africa, Democratic Republic of Congo, Gambia, and Zimbabwe).[66]

64 Akin-Fdeyi, T. *Enhancing Financial Inclusion for Women in Nigeria.* CGAP. 2016. *https://www.cgap.org/blog/enhancing-financial-inclusion-women-nigeria*

65 The World Bank Group. *Profiting From Parity.*

66 The World Bank Group. *Women, Business and the Law 2020.*

FIGURE 2: Percentage of individuals with a mobile financial institution account in select ACP countries



Source: World Bank, 2020.

3 IMPLEMENTING ASSESSMENT TOOLS TO MEASURE GENDER GAPS IN ACCESS TO FINANCE

It is key to understand the constraints women entrepreneurs face in general, as well as the specific barriers they face in access bank accounts, credits, payments, leasing opportunities, and insurance. Indeed, understanding the gender gap and collecting sex-disaggregated data by banks and national financial institutions is key to increasing women's access to finance.[67] The ILO Women's Entrepreneurship Development (WED) provides an example of how to measure the gender gaps in accessing credits. The ILO WED assessment tool is publicly available and has been used in fifteen countries, such as Kenya, Sierra Leone, Tanzania, Tunisia, Uganda, and the entire Caribbean region.[68]

This tool assesses growth-oriented women entrepreneurs' environment to identify critical elements needed to enable women-owned/led business growth opportunities.

In Uganda, for example, the WED has been used to identify and address the needs of women entrepreneurs, particularly when it comes to access to credits and finance.[69] One of the key issues is that disaggregated data collection requires training of personnel and can be costly for banks. This adds to the principal financial regulations, which increases the burden on financial institutions.

3 REMOVING LEGAL AND ADMINISTRATIVE BARRIERS TO ACCESS BANK ACCOUNTS AND FORMAL LOANS

In 2016, the Democratic Republic of Congo reformed its Family Code to deal with gender-based inequality. After this reform, married women were legally allowed to open bank accounts, start formal businesses, sign contracts, register a company, and perform other economic activities without interference or permission needed from their husbands.[70] Other countries implemented similar legal reforms. For example, the Marshall Islands prohibited gender-based discrimination in financial services, seeking to make access to bank accounts, credits, payments, and insurance easier for women.[71]

Expanding women's legal capacity and their right to own assets, and protecting non-discrimination principles, are key to promoting women's access to funding. Nevertheless, other initiatives need to be implemented to remove existing barriers. Hampel-Milagrosa suggests in the case of Ghana that beyond legal and administrative constraints, high interest, the inflexibility of commercial banks and their risk aversion are aspects of the national banking system that need to be addressed in order to accommodate women's lower credit scores and more limited credit history.[72] Her study in Ghana also found that customary law and tradition impeded the application of gender-neutral laws, resulting in gender bias against female-owned businesses.[73]

67 Donor Committee for Enterprise Development (DCED). UKaid. Swiss Agency for Development and Cooperation SDC. *Business environment reform and gender.*

68 ILO. *Technical support for project design and implementation.* ILO, n.d. https://www.ilo.org/empent/areas/womens-entrepreneurship-development-wed/technical-assistance/lang--en/index.htm

69 Mugabi, E. *Women's Entrepreneurship in Uganda: Insights and Recommendations.* Geneva: ILO, Women's Entrepreneurship Development 2014. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_360427.pdf

70 World Bank. *SME Development and Growth Project.* World Bank, 2018. http://documents1.worldbank.org/curated/en/741111531107037545/pdf/DRC-SME-PAD-06122018.pdf

71 The World Bank Group. *Women, Business and the Law 2021.*

72 Hampel-Milagrosa, *A. The Role of Regulation, Tradition and Gender in Doing Business.* 1022. https://www.researchgate.net/publication/302461216_The_Role_of_Regulation_Tradition_and_Gender_in_Doing_Business

73 Ibid.

3 CHANGING THE WAY CREDITS SCORES ARE CALCULATED AND EXPANDING WOMEN'S LINES OF CREDITS

Since low-income women in the Dominican Republic disproportionately lacked access to credit, La *Asociación Nacional de Ahorros y Préstamos*, along with the International Poverty Alleviation (IPA) put in place a project to enhance women's credit scores. This programme built a Machine Learning credit-scoring model that only incorporates data from women, predicting creditworthiness and generating new credit scores.[74] While women have a less extensive borrowing history and lower financial inclusion than men, they have better repayment behaviour. The problem is that the repayment behaviour is not included in traditional credit scores in the Dominic Republic, which penalises women. Besides, often women borrow from sources that do not report to credit reference systems, not including women's overall digital creditworthiness footprint. Under an Artificial Intelligence (AI) algorithm, this behaviour can be included and rewarded. Indeed, this study's impact evaluation found that using this algorithm improved the credit scores for 93 per cent of women.[75]

Evidence also indicates that women could benefit disproportionately from the use of risk profiles based on transaction history.[76] Using alternative data sources to calculate scores may, therefore, if done well, benefit those women that do not have formal access to bank loans.

Aiming to reduce the female population excluded from the financial system by 2020, in 2011 the Central Bank of Nigeria launched reserved funds to be exclusively lent to women-owned/led small and medium businesses through microfinance banks. Not only did these women's lines of credit increase the number of credits given to women small business owners, but they also improved its beneficiaries' bargaining power at home, their joint household decision-making, their social capital thanks to their increased ability to network, and their financial inclusion through the use of financial services.[77]

Financial Institutions (FIs) need to provide alternatives to women, by moving from collateral-based lending to a cash-flow approach.[78] In asset-based lending (collateral) income is secondary as a source of repayment and the amount of credit issued is based on the asset's value. As discussed before, women have fewer assets to use as collateral, limiting their access to credits for their businesses. In the new innovative practice designed to support SMEs (where women are more represented), the loan amount is based on the SME's actual revenue generation and capacity to repay (Growth Cap, 2015).[79] One of the advantages of this model, which presents low risks for the financial institutions, is that the terms and repayment modes are all based on the SME's actual cash generation. While this system solves the collateral gender asset gap, it could penalize women since financial institutions require robust financial reports and credit history. An example of this system is the Equity Bank's initiative supported by United Nations Development Programme (UNDP). Based in Kenya and aimed exclusively at women, this initiative is called Equity Fanikisha (Make Successful) and performs evaluations of business cash flow rather than collateral, and women can borrow from USD $25 to $160,000 based on their cash flow and payment record.[80] Another initiative is the EGF's Innovation and Entrepreneurship Pillar, which "provides advisory and skill-enhancing, training, support and mentoring focused on micro-sized entrepreneurs to stimulate business development, growth, and job creation".[81] A total of 55 percent of its clients are women, and they have shown better repayment behaviour than their male counterparts.[82]

Finally, women's credit lines need to include robust communication strategies since access to information and knowledge is still a barrier for many women when it comes to access to credit, bank accounts, or financial assets. For example, a study in Tanzania found that a third of respondents (33.1 per cent) did not know about credit lines offered to women by financial institutions.[83]

74 Innovations for Poverty Action (IPA). *The Impact of a Women-Specific Credit Scoring Model on Women's Access to Credit in the Dominican Republic*. iPA, n.d. *https://www.poverty-action.org/printpdf/36271*

75 Higgins, S. Chioda, L. Gertler, P. *Gender-Differentiated Credit Algorithms using Machine Learning.* Dominican Republic, forthcoming. *https://cega.berkeley.edu/research/gender-differentiated-credit-algorithms-using-machine-learning/*

76 GPFI. *Advancing Women's Digital Financial Inclusion*. GPFI, 2020. *https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf*

77 Partnership for Economic Policy. *PEP impact brief. Nigeria. Impact of a rural microcredit scheme on female empowerment and household vulnerability in Nigeria*. Partnership for Economic Policy, 2016.

78 Growth Cap. *Project Technical Note. Cash Flow Based for SMEs.* Growth Cap, 2015. *http://s3-eu-central-1.amazonaws.com/fsd-circle/wp-content/uploads/2015/07/30094427/15-07-30-GrowthCap-Technical-Note-Cash-Flow-Based-Lending.pdf*

79 Ibid.

80 Kimani, M. *Banking on African women.* Africa Renewal, 2009. *https://www.un.org/africarenewal/magazine/january-2009/banking-african-women*

81 Empower women. *Equity Group Foundation.* Empower Women, n.d. *https://www.empowerwomen.org/en/community/organizations/equity-group-foundation*

82 Ibid.

83 Equality for Growth. *Baseline Survey of Female Entrepreneurs.*

CONCLUSIONS AND POLICY RECOMMENDATIONS

Reforming discriminatory laws, removing administrative barriers, and promoting access to finance are crucial to promoting the growth and sustainability of women-owned/led businesses, and women's economic empowerment. While supporting women-owned/led businesses is a matter of fairness and equal rights, it's also good for businesses and an economic imperative. Taking action on these matters is in line with the European Union's and the OACPS strategic engagement, notably in the areas of gender equality and women's economic empowerment, as well as contributing to combating gender-based violence in ACP countries.

Fostering gender equality and women's economic empowerment are critical elements of the European Union's strategy for external relations.
The **European Commission's DG DEVCO INTPA Strategic Plan for 2020-2024** considers the private sector a key developmental actor, notably by supporting an enabling business environment and investment climate, to foster growth and decent job creation.

The EU Strategic Plan states:
Overcoming gender inequality and barriers to women's economic empowerment remain among the biggest global challenges to inclusive and sustainable growth. […]
The EU will advance the gender equality agenda internationally and push for a comprehensive gender transformative and evidence-based response at country and global level, leading to more just, peaceful, and inclusive societies.
A three-pronged approach will be followed:
1. *gender mainstreaming*
2. *gender equality in policy/political dialogues*
3. *key gender-specific initiatives*

And more recently the European Commission adopted at the end of 2020 the EU's new Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III) that aims to accelerate progress on empowering women and girls, and safeguard gains made on gender equality during the last 25 years since the adoption of the Beijing Declaration and its Platform for Action.
The EU promotes Women Economic Empowerment also in the framework of its other initiatives, such as the European Fund for Sustainable Development +, a key instrument crowding in private investors, where viable business proposals meet social needs, and where limited public funds can attract private money. Combined with the work on improving the investment climate the EU supports access to finance for female entrepreneurs, who often face difficulties in accessing credit from banks.

The good practices suggested in this paper point to the importance of removing the legal and administrative barriers that affect women's ability to access and inherit land or property, open and operate a business, and access formal financial services. While legal and administrative reforms are necessary, they are not enough. Often "neutral" administrative procedures can have a differentiated effect on women as an unintended consequence. Only a combined and systematic approach that includes the points mentioned below can reduce the current barriers women-owned/led businesses face in starting, operating, and growing their businesses.[84]

1. **Measure the gender gaps in assets and access to credit: This entails understanding the challenges women face in accessing credit from financial institutions, measuring the gender asset gap, and developing the know-how to address it.**
2. **Promote legal reforms: Equal opportunity starts with equal treatment under the law. Legal frameworks need to reform inheriting regimes and family codes so that women can fully access property, and open and operate a business.**
3. **Promote administrative reforms to register and manage a business: Difficult business procedures are a barrier to business formalisation and growth for both men and women. But it is essential to consider that even when procedures seem "neutral", they might have unintended consequences on women-owned/led businesses.**
4. **Promote women's access to credit: in addition to conducting administrative reforms and developing credit lines for women, there are other innovative ways to promote women's access to finance to grow their business. Business environment reforms should promote new ways to support women's access to credit, including innovative ways to calculate credit scores.**

While these are not the only necessary business reforms, they can create an enabling environment to promote the formalisation, growth, and sustainability of women-owned/led businesses. These reforms, combined with efforts to measure changes in attitudes and behaviours and strengthen women's skills and capabilities, play a crucial role in supporting women-owned/led businesses.

The next paper in this series will address the business environment reforms needed to promote gender equality in the labour market, increase female employment, and generate higher earnings for women.

84 For more information about the EU's initiatives see: *https://ec.europa.eu/info/sites/default/files/devco_sp_2020_2024_en.pdf; https://ec.europa.eu/eu-external-investment-plan/home_en; https://ec.europa.eu/international-partnerships/topics/empowering-women-and-girls_en#header-518*

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