



March 2023

## PROVIDING ACCESS TO FINANCE FOR INCREASED RESILIENCE IN BURKINA FASO AND NIGER

USAID CATALYZE Finance for Resilience (F4R) uses blended finance, mostly in the form of incentives to financial sector actors, to expand access to credit for underserved communities in Burkina Faso and Niger. This learning brief features insights from a key aspect of F4R’s work: collaborating with a network of financial institutions (FIs) and financial facilitators (FFs) to increase lending for women-owned micro-, small-, and medium-sized businesses (W-MSMEs). While F4R has seen early success using a Pay-for-Results (P4R) approach, closing the financial inclusion gender gap remains complex. For a variety of structural reasons, women’s economic activities are, on average, smaller than those of men. The financing gender gap remains complex because of the reluctance of women to ask for larger amounts of credit and the challenges of women having valuable collaterals, exacerbated by the lack of land ownership by women. This brief will highlight how the inclusion gap can be decreased through addressing the disparity in loan size, among other lessons from F4R’s work with financial ecosystem actors in Burkina Faso and Niger.



### BACKGROUND

Women in particular face barriers to financial inclusion, especially in communities with low levels of financial access. The 2021 Global Findex (a reference for data on how adults around the world access various financial services) found that there was a difference of six percentage points between men’s and women’s financial access, representing a reduction (improvement) in the financial inclusion gender gap—which had held steady at around nine percentage points for several years prior to 2021—but inequality persists. Across Africa, W-MSMEs have substantial unmet financial needs in spite of having among the highest rates of women’s entrepreneurship globally. [According to the International Finance Corporation \(IFC\)](#), the difference between the demand for and supply of financing for W-MSMEs in Africa is more than \$42 billion. More specifically, W-MSMEs in Burkina Faso experience a funding gap of \$51 million or 0.46% of GDP while those in Niger experience a gap of \$141 million or 1.97% of GDP across all MSMEs in the respective countries ([SME Finance Forum](#)).

F4R provides incentives to financial facilitators (FFs) and financial institutions (FIs) that increase women’s access to finance in the RISE II focus value chains, namely cowpea, small ruminants, and poultry, where W-MSMEs are already active. This learning brief will showcase the efforts of MFIs in Burkina Faso and Niger as examples of financial institutions that have successfully increased lending to MSMEs, and in particular, W-MSMEs. Their successes are encouraging and provide useful lessons



## CHALLENGE

Collateral constraints and FI risk perception of their activities limits access to finance for women-owned MSMEs and producers



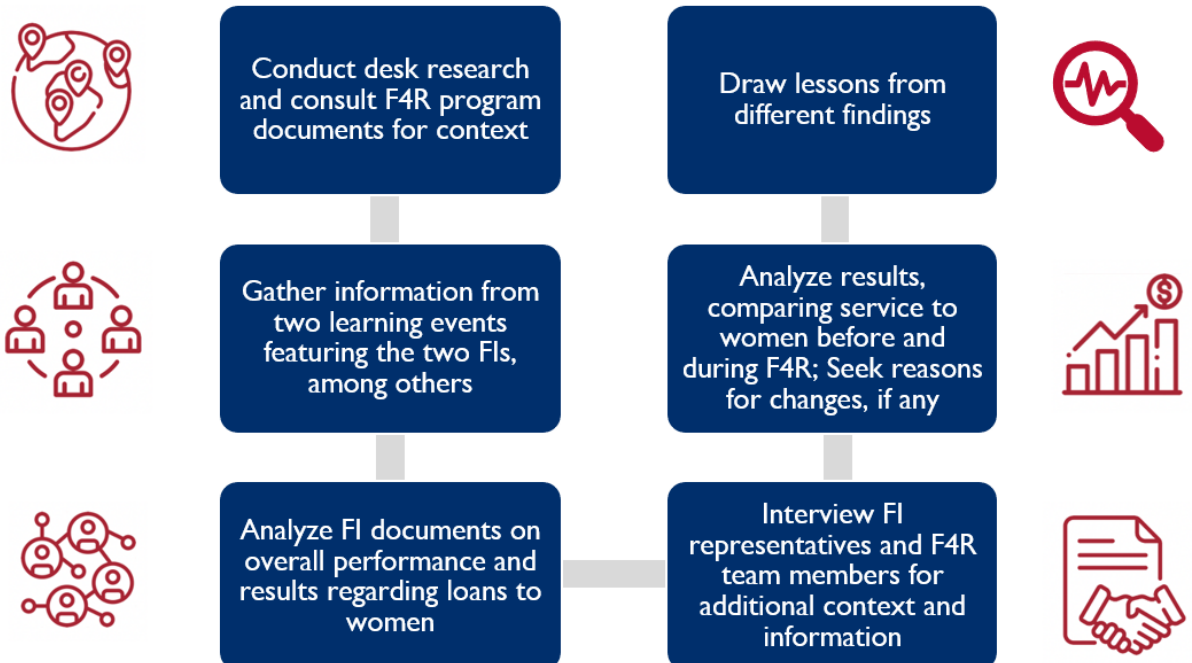
## OPPORTUNITY

Use blended finance to provide additional capacity and incentives for FIs and FFs to develop solutions for lending to women.

## PROCESS

CATALYZE F4R conducted two learning events in September 2022 during which MECREF (Niger) and Caisse Baitoul Maal (Burkina Faso), the FIs discussed in this learning brief, were featured as examples of successes. These two FIs participated in panel discussions and roundtables sharing their experiences, their results, challenges, and next steps. The FIs' representatives also responded to questions outside of the first event, captured in recorded interviews. The lessons presented in this document are a product of analyzing the learning events, success stories, and interviews plus the results of secondary desk research, consultation of various reports and internal documents provided by the FIs and the USAID CATALYZE F4R implementation teams, and interviews with two FI representatives.

## THE APPROACH



## LEARNING QUESTIONS



**1** What configuration of tools, strategies, solutions, and implementation approaches has been the most effective in advancing USAID CATALYZE objectives in a given context?

**2** How can USAID CATALYZE activities ensure that women and men have equal access to finance across all sub-activities? What types of approaches work that are inclusive of participants?

This brief demonstrates how two very different financial institutions increased their lending to W-MSMEs, enabled by their participation in the CATALYZE F4R Activity. It also highlights general lessons from the Activity’s push to increase women’s access to finance. The first section discusses how F4R works to foster strong inclusion of women. This is followed by a short description of the FIs, the strategies they are using to reach more women, and some of the challenges and lessons they are dealing with. Finally, we identify next steps for these FIs and CATALYZE F4R to reach as many women in the target regions as possible.

## WHAT DID WE LEARN?

### Activity Strategies Are Conducive to Increasing Women’s Financing

From the beginning, CATALYZE F4R implemented strategies to boost financial services to women.

#### *a) Selection of focus value chains*

USAID CATALYZE F4R’s three main value chains—cowpeas, small ruminants, and poultry—are among those targeted in the USAID Resilience in the Sahel Enhanced (RISE) II multisector resilience program, in which CATALYZE F4R is a partner. Indeed, according to RISE II’s [technical paper](#), “USAID-supported market systems—poultry, small ruminants, and rural food—are all market systems in which women currently engage and that are well-suited for expanding women’s participation.” Moreover, the RISE II [gender analysis](#) documents women’s strong involvement in these value chains in various zones of CATALYZE F4R’s geographical areas of focus. Concentrating on these value chains increases the likelihood that women would benefit from F4R’s activities.

#### *b) Serving rural areas*

Women constitute most of the adult population in Africa’s rural areas, which is often due to internal and external male migration. [UN Women](#) indicates that 80% of African women reside in rural areas. Because F4R focuses on rural areas and agricultural activities, F4R ensures its activities reach a higher proportion of women.

#### *c) Incentivizing FIs and FFs to serve women*

CATALYZE F4R encourages FFs and FIs to facilitate funding and lend to W-MSMEs that create new employment opportunities for women within 12 months of receiving funding. F4R expects that by

the end of the Activity in September 2024, more than 40% of the value of loans disbursed will go to women-owned businesses, aligning with the Activity's goal. CATALYZE F4R expects that its partner FFs and FIs will ensure increased financial inclusion of more women, through incentive payments to FIs and FFs for the financing of new clients, with additional incentives for financial facilitators who help women access financing and for financial institutions that grant loans to W-MSMEs.

#### ***d) Supporting technical implementation of financed enterprises/producers***

Rural women have lower access to inputs than their male counterparts. For example in Niger, 33% of women have access to technical and farming inputs, and only 23% of people who receive rural credit are women, according to [UN Women](#). CATALYZE F4R, through its partner FFs, supports capacity building and enterprise management for clients through training and coaching; helps them develop quality loan applications to be submitted to the Activity's partner FIs; and monitors their loan repayment. This assistance provided by CATALYZE F4R increases opportunities for women with low access to inputs to obtain loans and implement viable agricultural activities.

## **Financial Institutions' Strategies to Include More Women**

### ***Caisse Baitoul Maal, Burkina Faso***

Caisse Baitoul Mall (CBM) is a savings and loans MFI using an Islamic [finance model](#) operating in several regions of Burkina Faso. They offer various types of loans (primarily to solidarity groups which borrow money collectively) for trade and agricultural activities with terms between six and 15 months, as well as savings accounts, and money transfer services.

CBM was already serving the Sahel and East regions—two of the three CATALYZE F4R focus regions—but security issues led to the suspension of activities in the Sahel region in 2021. The MFI did not have a strategy to reach women, except in the case of activities specifically designed for women, such as a 2018 project funded by the Islamic Development Bank for women's income-generating activities. Before CATALYZE's intervention, CBM's overall portfolio included just 32% women clients in the F4R region; after joining the CATALYZE network, as of September 2022, 69% of its women clients are in the CATALYZE F4R areas.

CBM's partnership with CATALYZE F4R started in September 2021. Utilizing a pay-for-results mechanism, CATALYZE F4R provided performance incentives to encourage CBM to lend to more women through a contract for 250 million FCFA<sup>1</sup> of financing mobilized. CBM was able to mobilize the full amount of capital before the end of their original grant, **providing 98% of it to women** in the Centre Nord region. CBM granted 95% of their credit volume to women, surpassed their \$400,000 target by 24%, and have continued to mobilize financing for W-SMEs even after the end of their original grant, demonstrating the strong business case for lending to women. The F4R incentives allowed CBM to accelerate its expansion into new areas and to be closer to its new clients, further incorporating F4R's target groups into CBM's existing business strategy.

While 98% of capital mobilized has gone to women, women's loan amounts are smaller than men's on average. CBM explained that women in the areas requested smaller amounts due to the type and scale of their activities and because they are risk averse so fear taking larger amounts. Even the minimum amount of 300,000 FCFA per person required by the Activity is difficult for the women to absorb. Men, on the other hand, seek higher amounts and find 300,000 FCFA to be a very small loan.

CBM's program team attributes its success of reaching more women clients to the following:

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<sup>1</sup> There was an average exchange rate of 1USD = 605 FCFA for October 1, 2021 to September 30, 2022

- While CBM had W-MSME borrowers prior to partnering with CATALYZE, they began focusing on W-MSME as a target group once they observed how creditworthy they are in the focus value chains.
- Support from FFs, who brought both financing know-how along with deep local knowledge and connections, was crucial to increase the number of female clients. CATALYZE F4R connected CBM to FFs who were actively involved with women’s groups working (or wanting to work) in the target value chains. Additionally, CBM had not previously worked in some of the target geographic zones, such as Kaya in the Centre Nord region, and had no existing clients there, but the FFs connected CBM to the women’s groups working in the target value chains and target geographic zones.
- FFs have helped in monitoring repayment, which is presently at 100%.
- CBM also funded some women brought by FFs who do not meet F4R value chain criteria. The FI’s lending to women has increased by more than that reported by F4R.

### **MECREF, Niger**

Mutuelle d’Epargne et de Credit des Femmes (MECREF) is a women’s credit and savings cooperative that operates in Niamey and three other regions in Niger. MECREF offers savings, credit, and money transfer services to individuals and groups, but only women are eligible for loans; men can be clients of the institution’s other services. Most of their loan products are short-term (six months) and have a relatively small maximum amount (500,000 FCFA).

“Women clients are now very active; they are not just staying home. They are working in agriculture or raising animals and bringing their products to the markets. CATALYZE F4R’s support helped amplify this, which they were doing on a smaller scale before.”

— Mrs. Tidjani, MECREF

In December 2021, MECREF signed a one-year performance contract with CATALYZE F4R to mobilize 150 million FCFA. MECREF met its capital mobilization target well before the contract ended, having mobilized 176 million FCFA—17% more than what was agreed on with F4R—in nine months (by August 2022). **100% of capital mobilized was provided to women, and women clients brought in through the Activity made up more than 13% of MECREF’s overall number of clients and outstanding portfolio.**

For MECREF, the challenge was not to increase the percentage of women borrowers in their loan portfolio since they were already providing financing exclusively to women, but to increase the number of women served and to ensure lending was available to W-MSMEs in the focus value chains.

The MECREF team shared a few reflections on their performance as an F4R partner.

- While MECREF was already present in CATALYZE F4R’s target areas, it expanded its portfolio and number of clients served as a direct result of their contract with F4R. Indeed, CATALYZE F4R introduced them to new value chains, and therefore increased the pool of new clients.
- MECREF used both its own agents and the local FFs for raising awareness of the Activity and sourcing new clients.
- As traditional roles in Niger do not always allow for women to easily access loans or undertake income-generating activities away from their homes, except for women above a certain age, older women would take out loans in their own names and give the proceeds to younger women to implement some activities. MECREF decided to raise awareness among these younger women to bring them into the institution as members/clients.
- Young women also have limited access to finance due to their lack of acceptable guarantees. However, working with CATALYZE F4R, MECREF incorporated more flexible guarantee requirements (e.g., organizing women in solidarity groups of up to 10 people) and this allowed

more women to be eligible. MECREF is now working with new W-MSME clients in all target value chains in the Activity's geographical areas.

- The existence of incentives boosted MECREF's activities and performance, allowing them to successfully undertake and support portfolio growth in CATALYZE F4R areas.
- The CATALYZE F4R portfolio had a 100% repayment rate through August 31, 2022. This is mostly due to FFs' help in organizing group management for easier repayment (including having the groups create a cash box in which they contribute to make the installment) and monitoring timely repayment.

## Challenges

While there has been a significant increase in the number of women financed and total amount provided to them, the average loan size provided to men is more than five times and over three times that of women in Burkina Faso and in Niger, respectively. This issue is complex, and while the CATALYZE F4R implementation team is in the process of implementing a pilot to address this challenge, solving it on a large scale is outside of F4R's scope.

Both CBM and MECREF encounter similar challenges to expanding their loan provision to women. There are challenges beyond increasing lending to W-SMES as the two FIs have pent-up demand in the target geographical areas due to the security/mobility challenges of these areas, refinancing difficulties, and the Activity processes.

The MFIs are dealing with the following issues:

- There is an acute need of funds for on-lending. The FIs have been using their own funds, which limits the number of clients that they can serve. Formal partnerships with local banks for access to lines of credit are difficult to achieve, especially for microfinance institutions such as these FIs. Several of the Activity's partner FIs recommend that F4R look into supporting a guarantee fund that would allow the FIs to access commercial funds.
- Security issues in both countries make it hard to serve certain F4R areas, particularly around the issue of women in solidarity groups. Because of safety issues, women cannot regroup to contribute to loan repayment, for example, or conduct other group related activities.
- Both MFIs are committing to doubling the capital mobilization targets from their first contract, however, the incentive payment will be lower. While the tapering of incentives is part of the CATALYZE F4R strategies, the two FIs were not aware that tapering would occur. They have incurred new expenses and expanded their teams to prepare for the higher level of capital mobilization expected. They now realize that the incentives to be paid will be relatively smaller than in their first contracts. There is a need for CATALYZE F4R to communicate clearly with the FIs about the decreasing incentive system so that they are prepared and not demoralized as they sign new performance contracts.
- The FFs have been helpful, and even critical in the case of CBM, in helping the two MFIs increase lending to W-MSMEs. The MFIs wonder what will happen after they are not using FFs anymore. CATALYZE F4R needs to help FIs strategize about the future of their relationships with FFs. One solution to address this issue is to have the MFI hire an in-house FF consultant or full-time employee to sustainably build capacity.
- Most of the FFs are male. While F4R recruited three female FFs, they have all been dropped due to their low performance. The Activity will intentionally share the RFAs with women and provide more dedicated support. Having female FFs would help to ensure closer contact with women, especially in some of the more conservative areas in the Activity's target areas.

## RESILIENCY DURING COVID AND INSTABILITY

The partner FIs have not had to deal with COVID-related closures or activity suspension because their contracts began in or after September 2021. However, they are still feeling the consequences of earlier COVID effects. When businesses were closed and movement was restricted within each country, FIs had to manage many repayment issues by offering a rescheduling of loans and cancellation of late payment fees. The FIs are still collecting overdue loans from that period.

While it's too early to measure the impact of loans on clients' resiliency, the FIs are providing positive anecdotes about how the loans are starting to change women's lives. One sticking point is the minimum loan amount required by CATALYZE F4R, which is sometimes considered too high for women in the target areas but below the threshold that F4R feels will lead to improved resiliency. CATALYZE F4R's determination of the minimum loan amount was based on two key factors. First, FFs and FIs were sharing the smallest loan size applications via pipeline projections and submitted invoices during the early months of P4R implementation. Second, F4R ensured that the minimum loan amount was large enough to be helpful/transformational to the operations of each client enterprise. The F4R implementation team will focus on resiliency issues in 2023.

## IMPACT

The CATALYZE F4R incentive mechanism has been running since September 2021 in Burkina Faso and since March 2022 in Niger, working with a total of 10 financial institutions and 35 financial facilitators in the two countries. Some highlights as of the end of the first year of the Activity, which ended August 31, 2022, include:

<p><b>\$4 million</b> Capital mobilized and lent to F4R clients</p>	<p><b>\$320k</b> Incentives paid to FIs and FFs</p>	<p><b>\$8,751*</b> Average loan size</p> <ul style="list-style-type: none"> <li>▪ \$5,238 for women-owned entities vs. \$41,667 for men-owned entities in Burkina Faso</li> <li>▪ \$2,200 for women vs. \$6,842 for men in Niger</li> </ul>
<p><b>481</b> Women enterprises supported, representing <b>79%</b> of clients</p>	<p><b>49%</b> of amount mobilized went to women clients</p>	

*\*Average loan sizes are per group. Women's Savings Groups have an average group size of approximately 15-30 members in Burkina Faso and 5-30 members in Niger.*

## NEXT STEPS



Moving forward, CATALYZE F4R will focus on the following to benefit more women:

- Increase the number of partner FIs and FFs in order to diversify the types of partners and reach more women clients.
- Seek reasonable ways to increase women's loan amounts to help them get out of survival type activities and increase their resilience, such as helping women invest in larger-scale productive economic activities.
- Conduct an evaluation on client resilience and the Activity's impact.

**USAID CATALYZE** (2019-2027) is a \$250 million contract designed to mobilize \$2 billion in private capital towards underserved sectors, geographies, and populations across 27 countries in Africa, Asia, Latin America and then Caribbean (LAC), and Europe.

CATALYZE, implemented by Palladium, co-creates with Missions, Bureaus, and Independent Offices (MBOs) to design multi-year, results-based activities that are managed by Palladium and implemented by a broad network of principally locally led implementing partners.

## FOR MORE INFORMATION

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*This publication was produced for review by the United States Agency for International Development. It was prepared by USAID CATALYZE, which is implemented by Palladium. The information provided is not official U.S. Government information and does not necessarily reflect the views or positions of the U.S. Agency for International Development or the United States Government.*