

PROJECT SUMMARY

EXPANSION OF FINANCIAL SERVICES FOR WOMEN ENTREPRENEURS IN ECUADOR (EC-M1070)

Ecuadorian enterprises have identified access to finance as one of the greatest obstacles to business (World Bank Enterprise Survey), which prevent small businesses, in particular, from reaching their full potential. In addition, World Bank data (Enterprise Survey, 2010) indicates that just 28.5% of small businesses in Ecuador are owned by women. With regard to access to finance, only 15% of loans are granted to enterprises headed by women. The gap between loans to businesses owned/led by women and those owned/led by men can be reduced by providing access to specialized financial products.

Through this project, the Multilateral Investment Fund (MIF) will support Banco Pichincha in Ecuador with nonreimbursable technical-cooperation funding to increase access to finance for small businesses owned/led by women. This will boost the capacity of Banco Pichincha to serve this segment by improving its risk analysis tools and developing specialized products and services for women. In addition, Banco Pichincha will join the Global Banking Alliance for Women (GBA), a global platform for sharing lessons learned and best practices related to financing for women entrepreneurs. The project's sustainability resides primarily in the unequal access to finance on the part of small businesses led by women; given the wide gap, the number of unserved potential clients represents an opportunity for Banco Pichincha.

This project is the continuation of a partnership initiated by the MIF with Banco Pichincha in 2008. In that first stage, the MIF helped Banco Pichincha successfully downscale with the operation "Nonreimbursable technical-cooperation funding to expand financial services for small enterprises through Banco Pichincha" (EC-M1047). As a result, the bank expanded its small business portfolio to 32,465 active small business clients, by far exceeding the project's original target. After this success, however, an imbalance was detected in terms of access to credit on the part of small businesses owned/led by women, as compared with those owned/led by men, an imbalance this project intends to correct.

This project was designed within the framework of a joint initiative of the IDB's Structured and Corporate Financing Department (SCF) and the MIF, entitled "women entrepreneurshipBanking" (weB),¹ which was launched in April 2012 at the Summit of the Americas in Cartagena, Colombia. The weB is a joint initiative of SCF's beyondBanking program and the MIF's Line of Activity for Promoting Small Enterprise Financing (LAPE). It is based on research and field experience that demonstrates that women-owned small and medium-sized enterprises (SMEs) are a high-growth but neglected segment of economic activity in Latin America and the Caribbean. The SCF's Financial Markets Division (SCF/FMK) is providing a loan to Banco Pichincha

¹ weB: <http://www5.iadb.org/mif/Portals/0/Topics/MIF2012-Factsheet-Women-Entrepreneurship-Banking.pdf>.

(EC-L1100) to expand its capacity to lend to small businesses, with a focus on women-owned/led businesses.

This project will also coordinate efforts with another MIF project, “Rolling Out a Psychometric Tool for Expanding Small Business Finance” (RG-M1203), because Banco Pichincha will implement a risk analysis model using psychometric parameters developed by the Entrepreneurial Financial Lab (EFL). This model will be included as a supplementary risk analysis methodology to enable the bank to help enterprises that do not presently meet its current minimum requirements to qualify as borrowers.