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Improving Access to Financing and Activities of International Organizations

FINANCING OF WOMEN ENTREPRENEURS

Nordic Investment Bank and Council of Europe Development Bank

Presentation by

NIB: Siv Hellén, Senior Vice President

CEB: Marja Seppälä, Country Manager



**COUNCIL OF EUROPE
DEVELOPMENT BANK**

CEB – COUNCIL OF EUROPE DEVELOPMENT BANK

- Established in 1956 in Paris, under the authority of the Council of Europe
- 35 Member States
- Yearly disbursements and project approvals approx. EUR 1.5-1.7 billion
- Finances sustainable projects in the following fields of action:
 - Help to refugees, migrants, displaced persons
 - Aid to regions hit by natural or ecological disasters
 - Job creation, health, education, social housing, environmental protection, rural modernisation,...
- Provides long-term loans with competitive interest rates to Member States, public institutions, banks, local or regional authorities,...



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NORDIC INVESTMENT BANK

- A multilateral financial institution founded in 1975.
- Owned by the five Nordic countries; Denmark, Finland, Iceland, Norway and Sweden.
- Active in 44 countries all over the world.
- Purpose is to promote the growth of Nordic economies by means of long-term financing of projects in the private and public sector. NIB finances also the emerging markets outside the Nordic countries. The Baltic Sea and Barents Sea regions are priority areas for the bank's operations.
- Annual approvals app. EUR 1.6 billion



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EXPERIENCES FROM THE BALTIC COUNTRIES 1ST LOAN PROGRAM

- **NIB launched the first loan facility in late 1999 of EUR 1 million in total for women entrepreneurs in the Baltic countries**
- **The facility was equally distributed between the three countries through one financial intermediary in each country**
- **The facility was fully utilized one year later to finance 44 projects**



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2ND LOAN FACILITY

- Provided in equal parts by NIB & CEB
- Estonia: EUR 2 million through one local intermediary bank
 - Operational since February 2003
- Lithuania: EUR 3 million through two local intermediary banks
 - Supported by Finnish Ministry for Foreign Affairs
 - Operational since February 2003
- Latvia: negotiations with two intermediary banks on EUR 4 million facility



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ELIGIBLE PROJECTS

- The purpose of the loan program is to support and increase women's involvement in business and decision-making by facilitating their access to credit
- The projects are carried out by Estonian, Latvian and Lithuanian SMEs or resident individuals in the private sector
- The creation of jobs is encouraged, as is the financing of SMEs located in rural areas and in regions with high unemployment

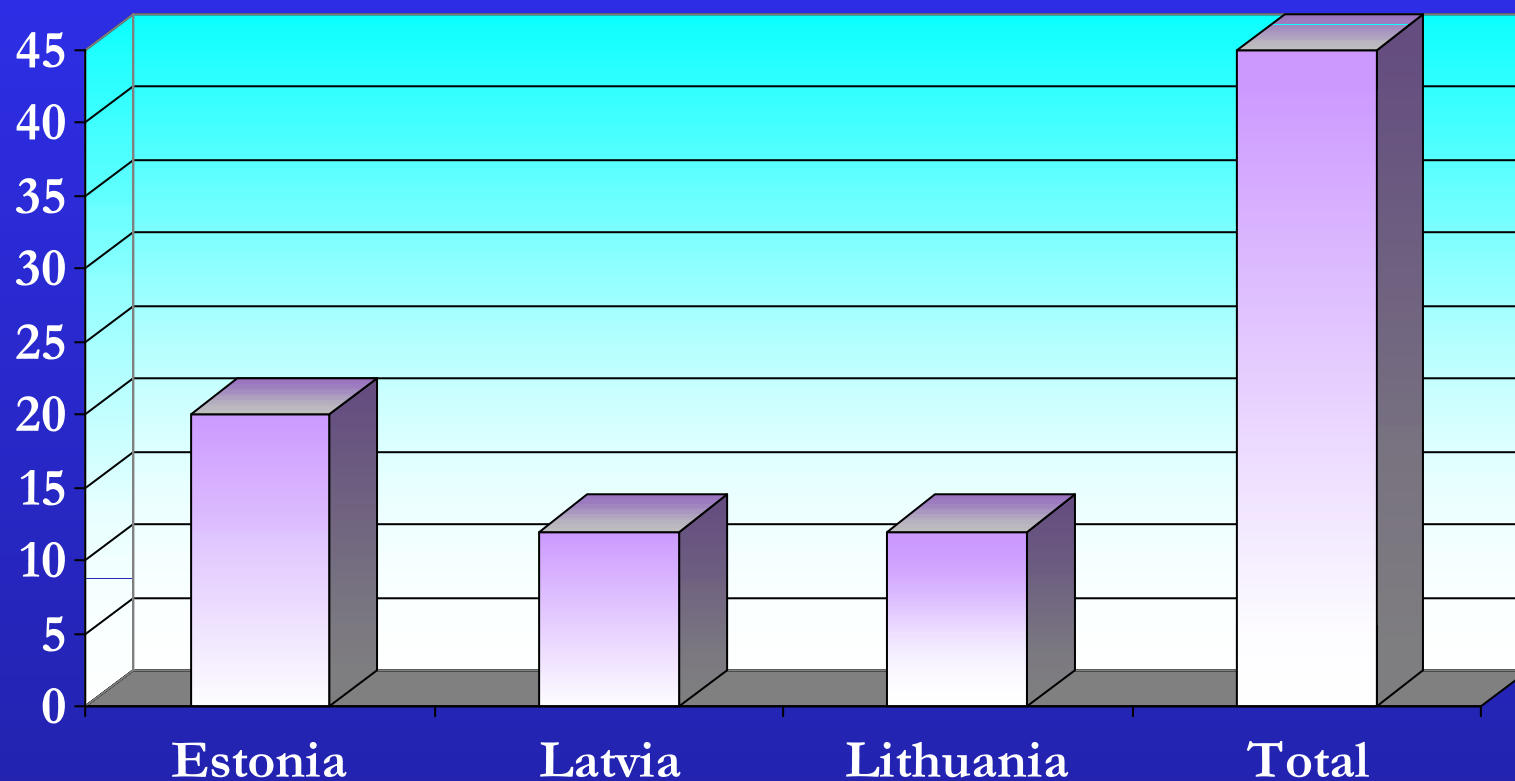
FINANCING REQUIREMENTS

- Requests for loans are considered on commercial and economic basis
- Focus is on the strategy of the potential borrower and on the competitiveness of the project idea and also on environmental concerns

LENDING TERMS AND CONDITIONS

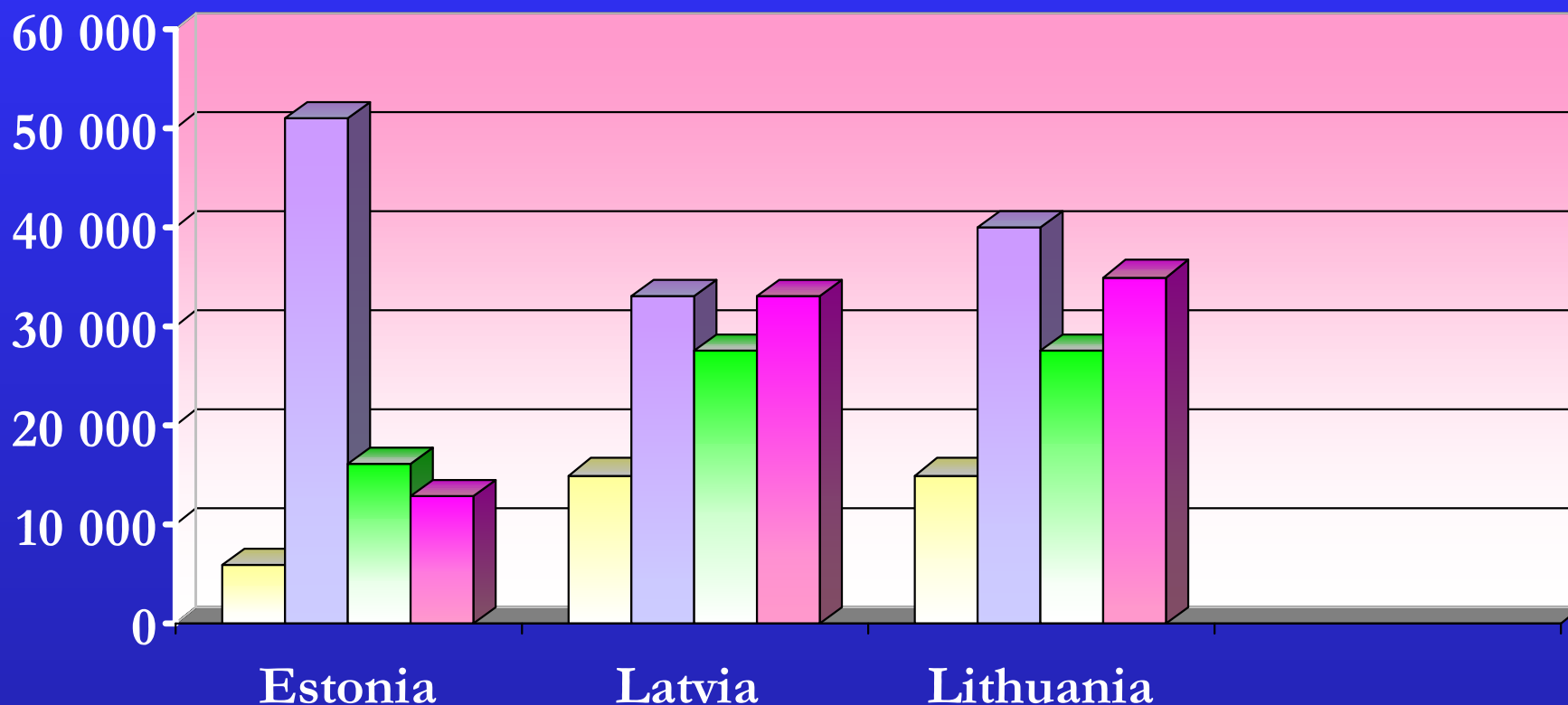
- The loans are granted on commercial terms
- Maturities of 5-7 years
- Interest rate based on market terms and set by the financial intermediaries; however, interest rate to final borrowers must remain favourable
- The loans must be adequately secured

NUMBER OF PROJECTS



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LOAN AMOUNTS TO FEMALE ENTREPRENEURS

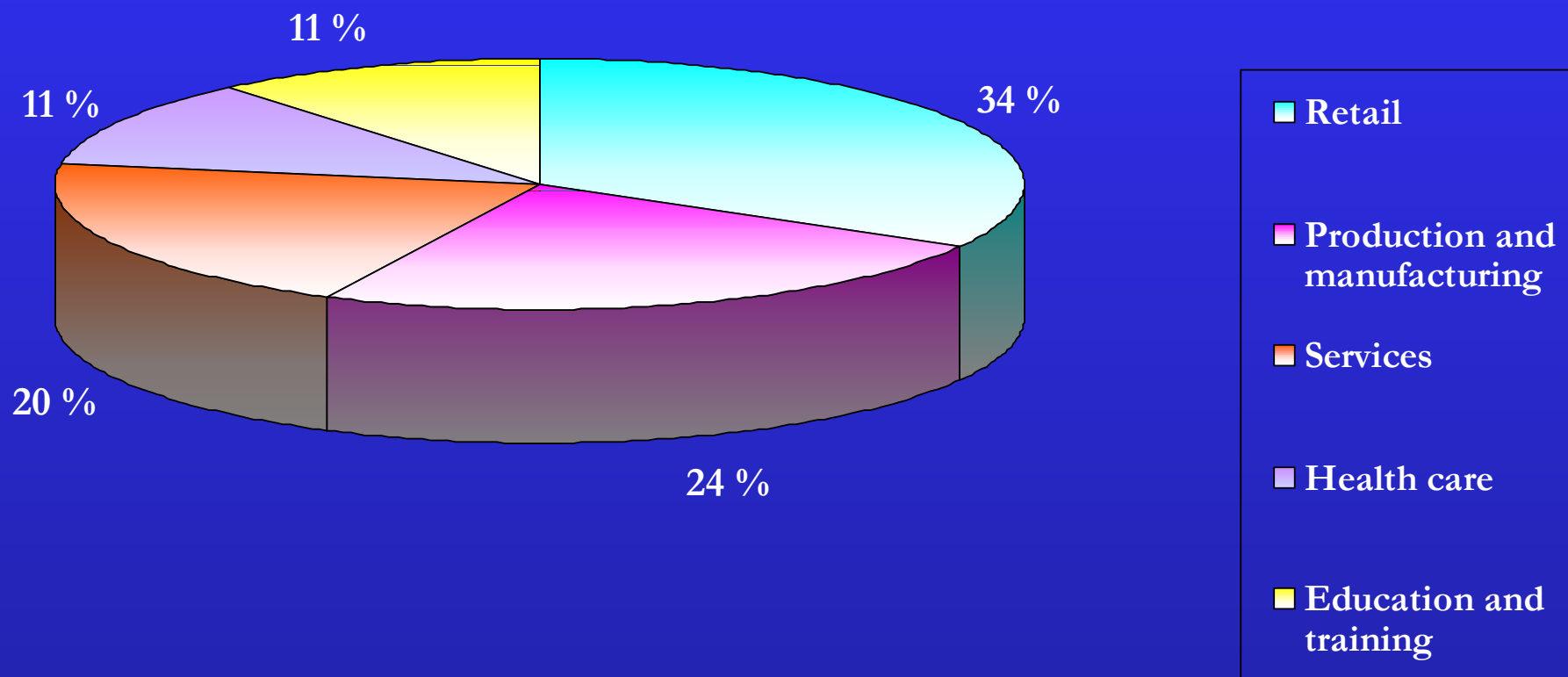


Minimum
 Maximum
 Average
 The most frequent loan amount



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LOAN ACTIVITY – SECTOR BREAKDOWN



OPINIONS ABOUT WOMEN AND CREDIT

Surveys were made in all three countries concerning female entrepreneurship. Based upon results from these surveys some conclusions can be made about women and credit:

- Women set up their companies still with own capital
- Women feel they have the same opportunities as men to get credit, in practice they are still facing more obstacles than men
- Women need more encouragement and support
- Women need more information on credit possibilities
- Women are more careful and take less risks than men
- Women feel that credits for SMEs are in general too expensive

EXPERIENCES OF WOMEN

- Many women found it positive that the loans were intended only for women and thought this would support women's entrepreneurship
- Some were disappointed with the conditions and requirements, others were positively surprised by the friendly and helpful reception by banks and quick procedure
- Half of the women thought they will probably need more financing in the future for their business (expansion or continuing)
- Women in rural areas with start-up projects were difficult to reach
- Government support was considered to be important

CONCLUSIONS - BANKS' POINT OF VIEW

- **The Banks find it difficult to combine profitability and small credits**
- **The Banks should not give advice on how to prepare business plans**
- **Business plans prepared by outside consultants often not of good quality**
- **Loan applicants do not have sufficient collateral**

CONCLUSIONS – WOMEN’S POINT OF VIEW

- Like to be target clients
- Do not generally need better terms and conditions
- Need good advice in preparing business plans
- Need information about credit possibilities
- Collateral support is needed especially in rural areas and for start-up projects
- Expedient loan processing essential

PILOT PROJECT FOR THE DEVELOPMENT OF WOMEN'S ENTREPRENEURSHIP IN LITHUANIA

- Objective: to improve women entrepreneurs' access to financing and to assist in the preparation of solid, bankable projects to be financed from CEB&NIB loans
- Technical assistance (TA) financed by Finland's Ministry for Foreign Affairs
- TA used, among other things, for project preparation, training and consulting of potential borrowers (women entrepreneurs), and provision of financial incentives to participating banks



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PILOT PROJECT FOR THE DEVELOPMENT OF WOMEN'S ENTREPRENEURSHIP IN LITHUANIA

- Main problem in Lithuania: lack of information on financing possibilities and support instruments, and lack of products adapted to SMEs
- Therefore, training courses were very successful
- Key instruments for improving SMEs access to credits:
 - * provision of financial incentives to banks
 - * product differentiation
 - * further development of guarantee system for SME lending

GENERAL CONSIDERATIONS

- **Advice – assistance and service (business plan, credit application etc.), general information on possibilities; who can provide advice**
- **Geographical special needs – the rural areas, competition in bigger towns**
- **Credits to SMEs – are credits targeted to the sectors where women are active**
- **Personal factors – gender, age, experience, education, family responsibilities**

GENERAL CONSIDERATIONS

- Selection of financial intermediaries
- Incentive programs for financial intermediaries and potential borrowers
- Support from the government and municipalities – direct and indirect support, financial support and other support forms
- Follow up – how successful was the project, problem areas, future needs