



European
Fund for
Southeast
Europe

EFSE Gender Strategy



EFSE's objectives in advancing gender equality through MSME financing

As part of its mission to finance micro, small and medium enterprises (MSME), foster economic development and job creation in Southeast Europe and the Eastern Neighborhood Region, EFSE is committed to promoting equitable financing for women entrepreneur, who are often underserved by local financial systems. By doing so, the Fund is working towards SDG 5 (Gender Equality).

The Gender Strategy outlines the Fund's approach and its areas of contribution to gender equality through debt and advisory support for its partners and sector stakeholders. This document presents a summary of the Strategy.



The Fund objectives are to contribute to:

01



Supporting investees in strengthening internal gender equity considerations and expanding outreach and services for female clients.

02



Increasing access to finance and capacity building of women-owned/led MSMEs.¹

03



Creating an enabling environment for women's entrepreneurship.

¹ The fund applies the IFC definition of women-owned enterprises

Regional context and key challenges

Women's economic empowerment is crucial for poverty reduction, livelihood development, and economic growth in emerging markets. Studies indicate that equal participation of women as entrepreneurs could boost GDP by 5% in the Western Balkans². However, EFSE target countries face significant gender equality gaps across various economic dimensions³.



Women's contribution to GDP

Women entrepreneurs can boost GDP by 5%



Women labor participation⁵
~ 50%



Women's finance gap⁴

3% of the region's GDP



Women firm ownership⁶
> 30%



Socio-cultural norms

Disproportionate family caretaking burden



Perceived risk of women-led enterprise

Seen as high-risk due to low assets and limited credit history

Business case for advancing gender equality in the financial sector

Women's economic participation represents a strong, untapped business potential and an opportunity for positive socio-economic impact for EFSE, its investees, and the markets they serve.

▶ Women are low-risk clients

Women-owned businesses have lower non-performing loan (NPL) rates than men.⁷

▶ Increased revenues

Financing women entrepreneurs drives growth in untapped markets.⁸

▶ Women in leadership

Gender-balanced leadership boosts risk management and profits.⁹



² Regional Cooperation Council, 2023, Women Entrepreneurship in the Western Balkans

³ EFSE DF 2024 Study on Access to Finance among Female Entrepreneurs in the Western Balkans

⁴ IFC SME Finance Forum

⁵ ILO, STAT

⁶ Firms with female participation in ownership (% of firms)

⁷ IFC, 2023, Banking on Women

⁸ Value for Women, 2023, Gender Smart Nexus Benchmark Report

⁹ OeNB, Breaking the Glass Ceiling: Do Female Directors Boost Firm Performance?

EFSE's approach to advancing women's access to finance

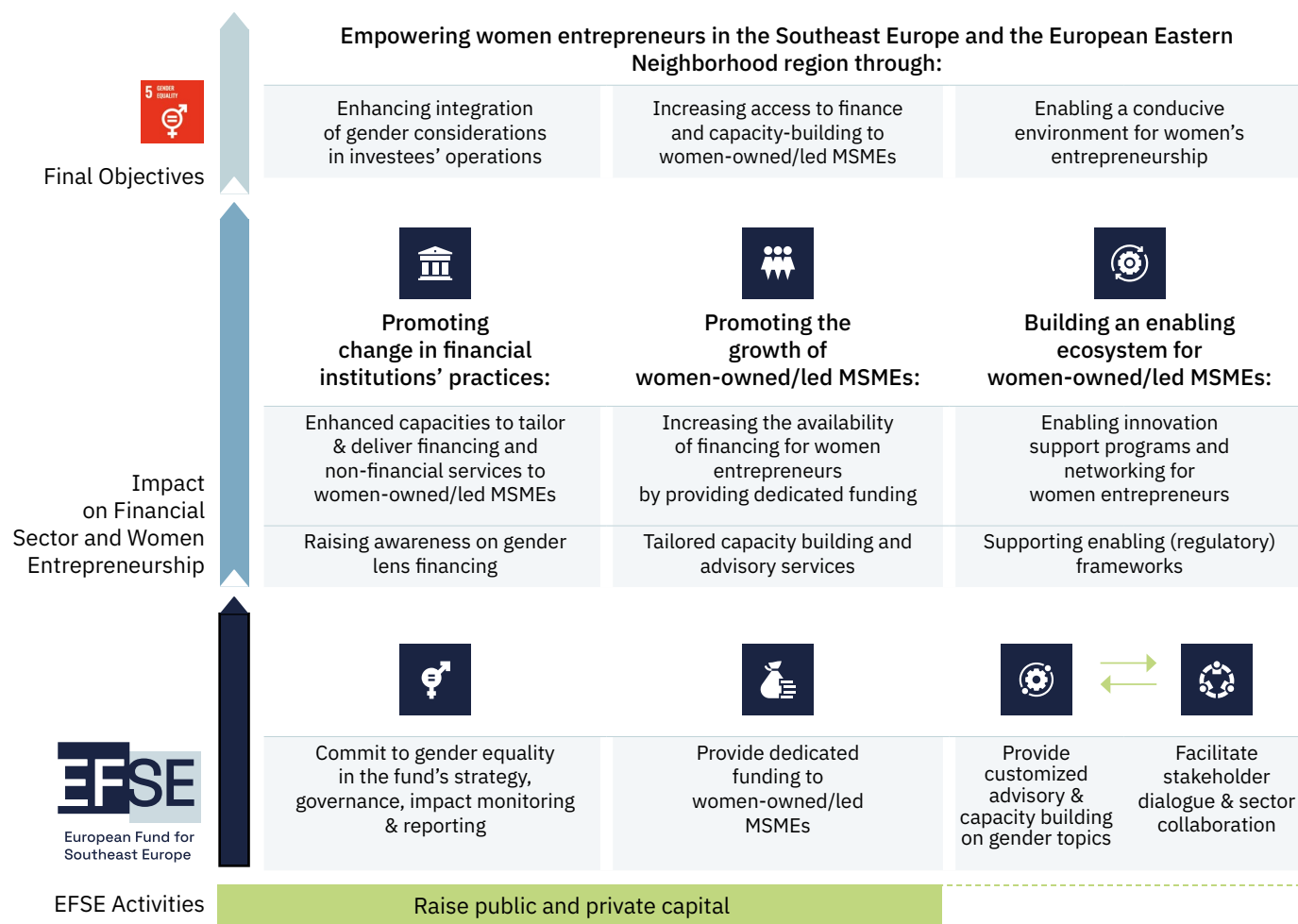
Building on its impact mission and scope of influence, the EFSE Gender Strategy focuses on addressing the following key regional challenges:

- ▶ **Lack of tailored financing for women entrepreneurs:** EFSE provides dedicated financing to encourage on-lending to women-owned/led MSMEs.
- ▶ **Lack of non-financial services:** EFSE collaborates with investees and business support organizations to offer capacity building, including business literacy, networking, and digital skills for women entrepreneurs and women professionals.
- ▶ **Lack of gender-disaggregated data:** EFSE promotes the collection and management of gender-disaggregated data among investees.

EFSE's Gender Impact Pathway complements the Fund's Theory of Change and summarizes how the Fund's activities are expected to contribute to its objective of advancing gender equality in access to finance for women entrepreneurs.

The Fund integrates gender considerations at three levels: 1) Fund level, 2) Financial institutions and sector level, and 3) Delivery level.

EFSE's Gender Impact Pathway



Fund level

The Gender Strategy outlines a comprehensive approach to mainstream gender considerations that are embedded across EFSE's governance and processes:

- ▶ **Leadership:** The Fund and Portfolio Manager are committed to maintaining gender diversity in governing bodies, key leadership, and decision-making functions in line with 2X leadership criteria for financial institutions and funds based in Luxembourg.
- ▶ **Investment cycle:** The Fund assesses the investee's gender integration during the due diligence process and monitors the investee's progress to steer performance.
- ▶ **Impact monitoring:** The progress towards the Fund's gender objectives is monitored based on relevant impact indicators, building on the Fund and sub-loan data. The core indicators include:



Share of women-owned/led MSMEs and women in the sub-loan portfolio;



Number and share of investees engaged on gender integration through financing and/or advisory and capacity building services;



Number of women entrepreneurs and professionals empowered through business development support and gender-focused advisory and capacity building services.

Financial institutions and financial system level

The Fund conducts a gender assessment of each investee to inform the investment decision. The assessment evaluates the investee's outreach to women entrepreneurs and integration of gender considerations in strategy, internal policies, and processes to categorize the institution as gender neutral, gender-aware or gender-smart. Accordingly, the Fund provides tailored financing terms and advisory and capacity building services, helping the investee strengthen gender integration through a customized approach:

Gender-neutral investees

Raise awareness and support investees in initial integration of gender considerations and capacity-building

Gender-aware investees

Support investees in formalizing the gender integration at the institution level and in the tailored product offering

Gender-smart investees

Leverage investees' experience and lessons learned in outreach to women for sharing with peers

Based on the investee's level of gender maturity, demand, and ambition, the Fund can engage with them through advisory and capacity building services of the EFSE Development Facility (DF) focusing on:

- ▶ **Enhancing investee's practices and processes:** Gender-disaggregated data collection and analysis, gender maturity assessment, gender strategy development and implementation, staff capacity building, end-client product and service development.
- ▶ **Promoting female leadership in the financial sector:** Programs to prepare women professionals in financial institutions for leadership positions.
- ▶ **Contributing to building an enabling financial system:** Collaboration with financial regulators and sector stakeholders in developing a conducive regulatory framework for women entrepreneurs.

Case study of sector level advisory and capacity building services: *The Women Entrepreneurship Incubation Program*, launched in 2020 by Impact Hub Yerevan and EFSE DF, supported Armenia's entrepreneurship ecosystem by assisting women-led startups in developing and implementing social innovation ideas, connecting them to a global network of mentors and investors, and raising awareness about women entrepreneurs. Participants have benefitted from professional coaching, mentorship, peer-to-peer learning, and a curriculum designed for social impact startups.



Delivery level: Women entrepreneurs

EFSE aims to boost tailored financing and advisory services for women entrepreneurs by funding and collaborating with investees to enhance their gender finance capabilities. The Fund can set on-lending requirements to ensure a portion of financing targets women-owned/led MSMEs and leverages local currency financing to meet their needs. Additionally, EFSE pursues opportunity-driven investments in thematic – sustainability, social or gender – bonds that incorporate gender-related targets in the use of proceeds.

The EFSE DF extends its non-financial service to support and enable women entrepreneurship through:

- ▶ **Capacity building:** Training and business literacy workshops to build women's financial planning skills and grow their business.
- ▶ **Enhancing financial products:** Helping investees understand women entrepreneurs' needs through portfolio screening, market studies for segmentation, and designing innovative gender-smart financial products and services.

Case study of delivery level advisory and capacity building services: EFSE DF teamed up with XY Accelerator, VISA's "She's Next" Program, and Moldova's largest bank Maib to launch the Women's Business Accelerator in 2024, equipping 30 women entrepreneurs with skills, mentorship and investor access to scale their businesses.

ABOUT EFSE

An impact investment fund established in 2005, the European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the European Eastern Neighbourhood Region. EFSE was initiated by KfW Development Bank with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. As the first public-private partnership of its kind, EFSE draws its capital from donor agencies, international financial institutions, and institutional investors. Finance in Motion and Hauck & Aufhäuser Fund Services S.A., Luxembourg, co-manage the fund. www.efse.lu

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