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Development Credit Authority Signing Ceremony
Remarks by USAID Ethiopia Representative Stephen Morin
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Addis Ababa, Ethiopia
(as prepared for delivery)

Indemin aderachu and good morning!

On behalf of the United States Agency for International Development, I am pleased to join Enat Bank and the Swedish International Development Cooperation Agency and all of you for the signing of this important new loan portfolio guarantee agreement.

With this guarantee, made possible through USAID's Development Credit Authority, Enat Bank will be able to increase its lending to women-owned small- and medium-enterprises in Ethiopia by ten million dollars.

Across the world, businesswomen and women-owned businesses play a critical role in delivering needed services and products to their communities, especially in rural areas. Recognizing this, we have been working to build the business capacity of women and to support their access to finance.

In Ethiopia, access to finance has been a particularly difficult challenge. Overall, financial services here remain underdeveloped and constrained by onerous regulations. As the recently released 2015 World Bank Enterprise Surveys and USAID's Growth Diagnostic identified, access to finance is the most critical constraint that Ethiopian businesses face. These challenges are especially strong for women. In fact, access to credit is the number one problem identified in the Women's Empowerment in Agriculture Index for Ethiopia.

Years of research indicate that women often are loyal customers and cautious investors, in addition to having better loan payback rates. Yet, inaccurate perceptions and overestimation of risks, together with the inability of the banking sector to accurately estimate business potential are fundamental causes of the lack of access to financial services for women.

According to a recent evaluation USAID undertook of our Development Credit Authority program, most businesses, especially first time borrowers, reported that it was nearly impossible to obtain a loan from banks without having at least 100 percent collateral, often in the form of a residence or other family-owned property. Needless to say, it would be devastating for borrowers to lose their homes if they had to default on their loans. But, even with the 100 percent collateral requirement, banks are often unwilling to provide the level of principal that new enterprises need in order to exploit market opportunities.

To help address these issues, USAID, together with SIDA, have designed a loan portfolio guarantee mechanism for women-owned enterprises that will cover up to 50 percent of potential losses caused by borrower default.

Mitigating their risk and lowering collateral requirements will allow Enat Bank to increase access to credit for women-owned businesses. With the new loans, Enat Bank can help women entrepreneurs to make needed investments, expand their businesses, hire additional employees, and realize their aspirations.

In the end, this can only be good for women and good for Ethiopia. I'm really looking forward to visiting some women-owned enterprises in the near future to see how they're growing their businesses with these new loans.

The qualified borrowers will be private, non-sovereign businesses registered in Ethiopia that are at least 51 percent owned by women. They will be formal businesses with strong growth potential in their industry that fulfill usual banking requirements, yet they will also be complemented by the guarantee and technical assistance from USAID, and perhaps other institutions.

I would like to recognize and applaud our partners who helped make this possible. The representatives here from Enat Bank have been ideal partners, largely because they share USAID's vision to enhance financial inclusion with a focus on women. It probably also helps that—as the only local bank that is majority owned by women—Enat understands that women are worth investing in! We thank Enat Bank for their commitment and are confident that they will fully use the guarantee to benefit businesswomen. I would also like to thank SIDA for partnering with us and making it possible to guarantee even more loans.

In closing, I want to remind you of something Vice President Joe Biden said at the Global Entrepreneurship Summit in November 2014. He said, "Without empowering women, everything else we hope to achieve is exponentially harder."

I am excited about this new partnership with SIDA, as it will give both of our development agencies the opportunity to build on our ongoing efforts to help women-owned enterprises to play a larger role in the economy. Working together, we can create a more robust and inclusive economic growth which can help us meet our shared goals of empowering women and eliminating extreme poverty in Ethiopia.

Amasegenalu, thank you.