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# Enterprising Women

## Expanding Opportunities in Africa

By Mary Hallward-Driemeier

Overview

The World Bank  
Washington, DC



THE WORLD BANK

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### **Overview**

The World Bank  
Washington, DC

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## Foreword

Women's economic empowerment is critical for development. Expanding opportunities for women is of intrinsic value. It is also instrumental in fostering development; helping realize the potential of all people is needed to ensure growth, productivity, and a vibrant society. The international community recognizes that this agenda is important—and that more needs to be done. *Enterprising Women: Expanding Opportunities in Africa* analyzes new data from 42 countries in Sub-Saharan Africa to provide practical recommendations on how to help more women move into higher return activities.

Women entrepreneurs are a great resource in Sub-Saharan Africa. Their efforts and investments contribute to higher living standards for themselves and their families. More women are already economically active in Sub-Saharan Africa than in any other region. But women are too often operating in the informal sector, in small firms, and in traditional sectors. They are not fully able to realize their potential.

This book shows how this agenda is particularly needed in Sub-Saharan Africa. Entrepreneurship can reflect choices and the pursuit of opportunities, but it can also reflect necessity and a lack of alternative options. Nonagricultural wage employment, often the alternative to entrepreneurship, is lowest in Sub-Saharan Africa—and demonstrates the largest gender gaps of any region.

Improving the prospects of existing businesses is part of the solution. And addressing constraints in the investment climate that burden informal and smaller enterprises will disproportionately benefit women. But the larger goal is to enable more women to shift the nature of what they do. This book documents how a four-part agenda can provide more women with the incentives and abilities to run larger enterprises in the formal sector in higher value added industries.

Four sources of gender gaps need to be closed. The first is human capital, where gender gaps in education in Sub-Saharan Africa still remain, and where business training and access to networks are too often geared toward men. The second is the ability to own and control assets. The companion book, *Improving Africa's Legal Investment Climate for Women*, demonstrates the extent of gender gaps in formal economic rights and in gaining access to justice. These first two

gaps affect the third: access to finance. With less control over collateral and less education and training, women are seen as less attractive borrowers, restricting the type of activities they can pursue. Fourth is a gap in voice. Women need to be included at the table when policy reforms are being designed and prioritized.

This book provides examples from countries across the region on how to achieve success. The data show the gender patterns across types of entrepreneurial activities—but they are not uniform. Variations in these patterns and analyses of reforms show how shifting conditions make a difference. More indeed can be done, and this book provides a roadmap for how to proceed.

*Ngozi Okonjo-Iweala*

Coordinating Minister of Economy and Minister of Finance  
for the Federal Republic of Nigeria  
Former Managing Director of the World Bank

## Preface

The book is about expanding nonfarm entrepreneurship opportunities in Sub-Saharan Africa. It examines the extent of gender differences in economic activities pursued by female and male entrepreneurs, and the returns they receive. It brings substantial new microevidence to examine where and why gender gaps appear in the size, formality, and sector of women's and men's enterprises, and the implications for the performance of these businesses. It analyzes the factors that help explain these outcomes, so as to provide an agenda for expanding economic opportunities for women. Key themes include the need to address continued gender gaps in access to human capital, access to and control of assets, and improving the efficacy and authority of women's voices in shaping improvements in the business environment.

The book does not aim to provide a full analysis of labor markets in Africa. It puts entrepreneurship in the broader patterns of labor market participation to show the relative importance of entrepreneurship against other economic activities and to demonstrate how gender patterns across employment categories in Africa differ from those in other regions in the world. It also explores how prior work experience affects the choice of entrepreneurial activity. It does not, however, explore directly the relative benefits of wage employment against entrepreneurship and how these benefits could vary across countries; nor does it examine individuals' transitions across employment categories.

The analysis uses many sources of micro data—household, labor force, and enterprise surveys—to examine the full spectrum of entrepreneurial activities, disaggregated by gender. It pays particular attention to the upper end of this spectrum—that is, larger and market-based informal firms and registered firms, as these are both where opportunities are greatest, and where gender gaps are largest. Explanations for the patterns documented include factors external to the enterprises, such as the legal framework and investment climate, and the background and education of the entrepreneurs themselves. The work examines entrepreneurs' household characteristics where available, but a full analysis of intra-household bargaining or a larger time-use analysis is beyond its scope. Bringing together the new data and original research on all 47 countries in Sub-Saharan Africa brings new insights and recommendations on how to expand economic opportunities for the region's women entrepreneurs.



## Acknowledgements

The principal author of this book is Mary Hallward-Driemeier. The book was written with the important contributions and assistance of colleagues in the World Bank. Ousman Gajigo oversaw the new survey work conducted for this work and co-authored the background paper analyzing the results across firm sectors, sizes and registration status. Alejandro Rasteletti co-authored the background work on household employment dynamics and household enterprises, building on the database assembled by Claudio Montenegro. Mark Blackden contributed substantially to chapter 10 on public-private dialogue as well as other chapters, and provided invaluable assistance with his introductions to key local partners, his gift in moderating workshops and his push to enlarge the scope of the work. Tazeen Hasan, Jane Kamangu, and Emilia Lobti collected and analyzed the formal legal economic rights of women in the region, assembling the *Legal and Economic Empowerment Database* (Women – LEED – Africa Database) discussed in chapter 7 and that also serves as the basis for the companion volume *Empowering Women: Legal Rights and Economic Opportunities in Africa*. Reyes Aterido, Thorsten Beck and Leo Iacovone provided the background work on household and individual access to finance that contributed to chapter 8. Manju Shah provided useful inputs looking at patterns across formal and microenterprises using the World Bank's Enterprise Surveys.

Insightful comments and suggestions were provided by participants of the workshops in Addis Ababa, Cape Town, Dakar, Nairobi, and Washington DC, with participants from Cameroon, the Democratic Republic of Congo, Ethiopia, Gambia, Ghana, Kenya, Malawi, Mali, Nigeria, Rwanda, Senegal, South Africa, Sudan, Tanzania, and Uganda. Particular thanks are given to Reena Badiani, Elena Bardasi, Laura Chioda, Aline Coudouel, Susan Deller Ross, Asli Demirguc-Kunt, Shanta Devarajan, Markus Goldstein, Benjamin Herzberg, Louise Fox, Anne Goldstein, Sarah Iqbal, Sandra Joireman, Maureen Lewis, Andrew Mason, Ana Maria Munoz Boudet, Pierella Paci, Rita Ramalho, Ana Revenga, Bob Rijkers, Carolina Sanchez-Paramo, Sudhir Shetty, and Sevi Simavi for their comments and suggestions. The text benefitted from the editorial services of Bruce Ross-Larson.

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# Overview –

## Enterprising Women: Expanding Opportunities in Africa

This book brings together new household and enterprise data from 42 countries in Sub-Saharan Africa to inform policy makers and practitioners on ways to expand women entrepreneurs' economic opportunities. It does this in four parts.

Part 1 analyzes gender-disaggregated patterns of entrepreneurship in Sub-Saharan Africa and compares them with those elsewhere. Sub-Saharan Africa boasts the highest share of women entrepreneurs, but they are disproportionately concentrated among the self-employed rather than employers. Relative to men, women are pursuing lower opportunity activities, with their enterprises more likely to be smaller, informal, and in low value-added lines of business. The challenge in expanding opportunities is not helping more women become entrepreneurs but enabling them to shift to higher return activities.

What explains the gender sorting in the types of enterprises that women and men run—that is, why do more women go into smaller, informal, and low value added enterprises? Part 2 shows that many Sub-Saharan countries present a challenging environment for women. Two dimensions of particular importance for entrepreneurs: access to and control over assets, and the quality of human capital. Recent data show that gender gaps along both these dimensions are still common—and that they are associated with the relative gender patterns in self-employment and being an employer discussed in part 1. More detailed investigations into the characteristics of entrepreneurs—their age, marital status, educational attainment, prior work experience, and motivation for being an entrepreneur—further explain variations in the types of business that women and men run.

Gender sorting across types of enterprises significantly shapes economic opportunities. Where women and men work helps explain much of the gender gap in average productivity. Part 3 demonstrates that women's productivity is lower not because of their gender but because informal, smaller firms are less

productive—and more women run these types of businesses. Among similar types of enterprises, little systematic gender gap is apparent in productivity or firm growth. A similar finding holds for constraints: they vary far more by type of enterprise than by gender (with some exceptions for dealing with red tape, getting start-up capital, and suffering from harassment).

Part 4 examines four key areas of the agenda for expanding women's economic opportunities in Africa: strengthening women's property rights and their ability to control assets, improving their access to finance, building human capital in business skills and networks, and strengthening women's voices in business environment reform. These areas are important both because they have wide gender gaps and because they help explain gender differences in entrepreneurial activities.

Why do something about women's opportunities? The first reason is the inherent fairness of letting all individuals make their own decisions in critical areas of their lives and pursue opportunities equally. Second, realizing women's contributions to economic activities has an instrumental value—it unleashes the potential of all members of society and spills over to others in the household, particularly girls. Third, in many of the areas that have gender gaps, action will be needed to close them. In accessing legal and economic rights or in participating in policy decisions, economic development alone is not enough. True, gender gaps in education tend to close with higher incomes, but gaps in women's property rights do not. Such gaps are as common in middle-income countries as low-income countries in Sub-Saharan Africa, so simply raising a country's income will not give women equal ability to control assets. This finding helps explain why the share of female employers in a country is associated with equality of economic rights and not with the country's income.

### **Why focus on Sub-Saharan Africa?**

Women in the region are more likely to face fewer alternatives to entrepreneurship than in other regions. Self-employment is highest in Sub-Saharan Africa, and wage employment is lowest. But these metrics also have a stark gender dimension. This is the only region where women's self-employment is more common than wage employment, and the gender gap in the share of wage employment is highest. If wage employment is less of an option for women in Sub-Saharan Africa, it is more important for entrepreneurial opportunities to be fruitful—and for women to be able to pursue them to the same degree as men.

Aggregate country data on gender equality and women's empowerment suggest that many women in Sub-Saharan Africa face a particularly challenging environment. Disparities in education and property rights remain very high—higher than in most other regions. Gaps in formal economic rights are often reinforced by the role of customary law and practice. Many countries

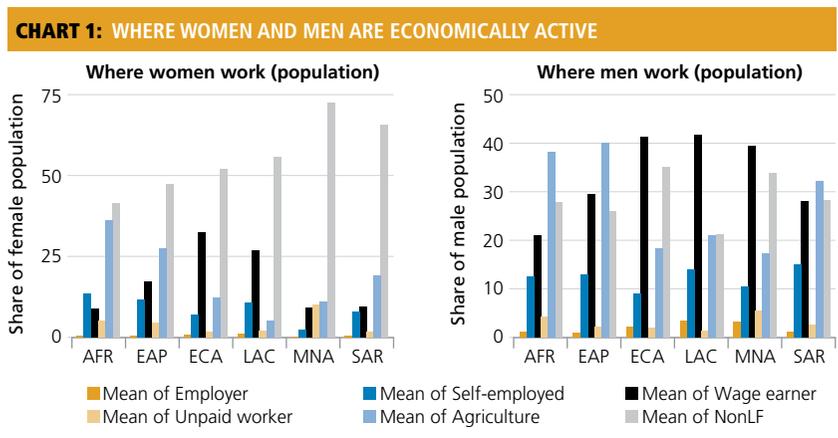
in the region have multiple and overlapping legal systems that make women’s economic rights less secure. These gender gaps weaken women’s abilities and incentives to start and run the types of enterprises associated with better outcomes—that is, with higher productivity and profits.

Access to finance is systemically a larger issue for businesses in Sub-Saharan Africa, male or female, than in other regions. Its businesses are 40 percent less likely to have any formal financial access. Although gender patterns in access to finance among formal firms with five or more employees are not that significant, the share of female entrepreneurs running such firms is significantly lower than the overall share of female entrepreneurs. Differences in access to start-up capital could be particularly important in explaining some of the gender sorting across types of enterprises.

### Part I: Mapping women’s and men’s entrepreneurial activities

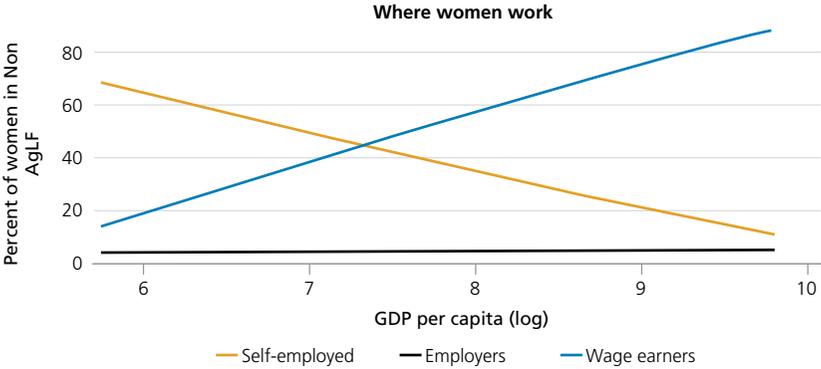
Both men and women are active in the labor force and in entrepreneurship, but there are important differences in the types of activities they engage in (Chart 1). Women are far more likely to be in self-employment, as opposed to being employers or wage workers. Within entrepreneurship, the share of employers remains fairly constant across countries, as, within employers, does the share of women (Chart 2). For the region, half of those self-employed are women, yet only a quarter of employers are women.

Female entrepreneurs are, unsurprisingly, not distributed uniformly across all industries. This has important ramifications because—as with whether an enterprise is formal or informal (“formality”)—industries differ in their size, profitability, and opportunities for growth. Women, particularly women



Source: National household surveys, most recent year (2000–2010).

**CHART 2: FEMALE SELF-EMPLOYMENT FALLS WITH COUNTRY INCOME, BUT THE SHARE THAT ARE EMPLOYERS IS STABLE**



Source: National household surveys, most recent year (2000–2010)

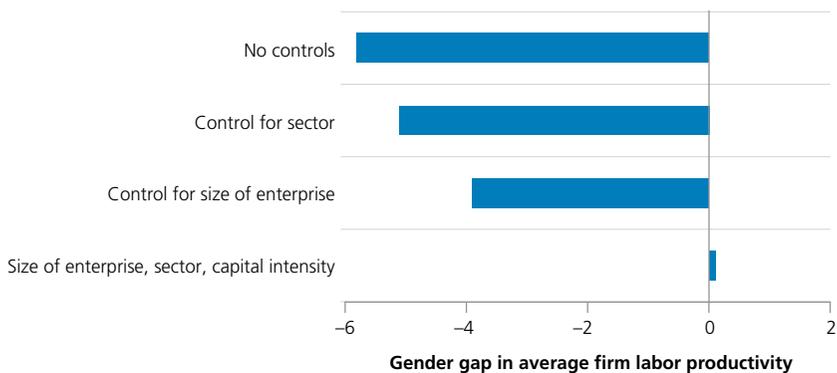
microentrepreneurs, are more likely than men to be in services and in traditional lower value added sectors such as garments and food processing. They are also less likely to be registered. Men are more likely to be in metals and other manufacturing. So, among those who are entrepreneurs, women are more likely to be running small informal firms in lower value added sectors.

Expanding women’s economic opportunities is thus more about tackling constraints to women’s abilities and incentives to expand their business and moving into higher value added activities—than it is about expanding entrepreneurship in itself.

Enterprise performance is markedly affected by size, formality, and the line of business. Using value added per worker as the base measure of performance, women and men have a gender gap in labor productivity of about 6 percent. But after analysis controls for the size and line of business, and for the entrepreneur’s education, these gaps shrink and, depending on formality, can disappear altogether. Particularly among registered enterprises, gender in itself does not account for productivity differences. Instead, gender gaps exist because women account for such a small share of entrepreneurs in the formal sector (Chart 3).

The way “female ownership” is defined also affects results: the gender gap in performance is larger with a narrower definition stressing control, rather than one focusing on ownership (which may only be partial). Enterprises with female minority owners who do not have decision making power, if classified as ‘female’ may obscure gaps between the genders. The effect is significant as almost half of the enterprises with multiple owners, of which at least one is female, women are not among the decision makers. In the non-household based

**CHART 3: CONTROLLING FOR ENTERPRISE CHARACTERISTICS REMOVES THE GENDER GAP IN PRODUCTIVITY (REGISTERED FIRMS)**



Source: Hallward-Driemeier and Rasteletti (2010).

Note: Based on regressions using data from 37 Sub-Saharan countries, with country dummies included to capture country-invariant effects. Thus the results are all based on within-country differences. A dummy is included for whether there is female participation in ownership.

informal sector, other enterprise and entrepreneur characteristics account for most of the productivity gap. The type of enterprise where gender gaps persist, even controlling for other characteristics, is among informal home-based enterprises. Differences in hours of operation seem to account for much of these gaps (data are scarce, however).

After controlling for other key enterprise characteristics—ensuring that one is comparing like with like—the finding of no or few significant differences between female and male entrepreneurs in performance is encouraging. It confirms that Sub-Saharan Africa has considerable hidden growth potential in its women, and that tapping that potential—including improving women’s choices of where to be active economically—can make a real contribution to the region’s growth. This finding also underscores the need for policy makers to understand where gender differences appear in the obstacles that men and women face, and why the observed patterns of entrepreneurship persist.

As with performance, once the characteristics of the enterprise are controlled for, gender differences in obstacles faced by men’s and women’s businesses are not significant. Gender gaps are largely explained once enterprise characteristics are taken into account. Thus for businesses in similar sizes and industries, women and men report similar constraints. For example, if women have a harder time accessing land, it is mainly because small firms report this as a greater constraint—and women are more likely to be in smaller firms.

Three caveats apply, however. How “female ownership” is defined affects the findings, as pointed out above. Second, data are not available to analyze properly how constraints affect the entry decision—or the size, formality, and line of business. So, although we can look at the effects of gender within firm size categories and conclude that size is more important than gender, we cannot determine to what extent gender differences explain why women are more likely to run smaller firms. Lastly, focus groups revealed that some challenges facing female entrepreneurs are different in kind (not just degree) from those facing men. For example, “gifts” that suppliers, money lenders, or officials sometimes sought went beyond the financial to the sexual.

## **Part II: Understanding sorting**

The greater concentration of women in smaller firms, in the informal sector, and in women’s traditional industries is important because these three dimensions are correlated with opportunity. Larger and formal enterprises in higher value added lines of business tend to be more productive. That makes it important to look at gender gaps across these three dimensions and to examine why these gender-differentiated patterns of entrepreneurial activity exist in different countries. With gender patterns in the types of entrepreneurial activity largely driving gender differences in the returns to entrepreneurship, the relevant issue is what factors account for why women and men undertake different economic activities and whether through choice or necessity.

Trends are associated with a country’s income, but income alone does not explain everything. Various country characteristics affect firm performance, including the quality of governance, extent of corruption, political stability, and rule of law. Better governance is generally associated with better private sector outcomes, and governance shows a mild gender effect in that the performance of women’s businesses is closer to men’s in better governed countries.

Other aggregate measures of women’s empowerment developed by international organizations suggest that women in Africa face a challenging environment. Indeed, countries with weaker institutions of gender inclusion or equality tend to have slightly wider gender gaps in performance. But because many of these aggregate measures add little information beyond what is available from country income data, the study turns to measures of gender inequality that are more relevant to entrepreneurship and that are not simply correlated with income—human capital and property rights affecting access to assets.

As a proxy for human capital the study examines adult literacy, using the Women’s Legal and Economic Empowerment Database for Africa (Women – LEED – Africa), developed in the companion volume,<sup>1</sup> to prepare a typology

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<sup>1</sup> *Improving Africa’s Legal Investment Climate for Women* (Hallward-Driemeier and others 2011).

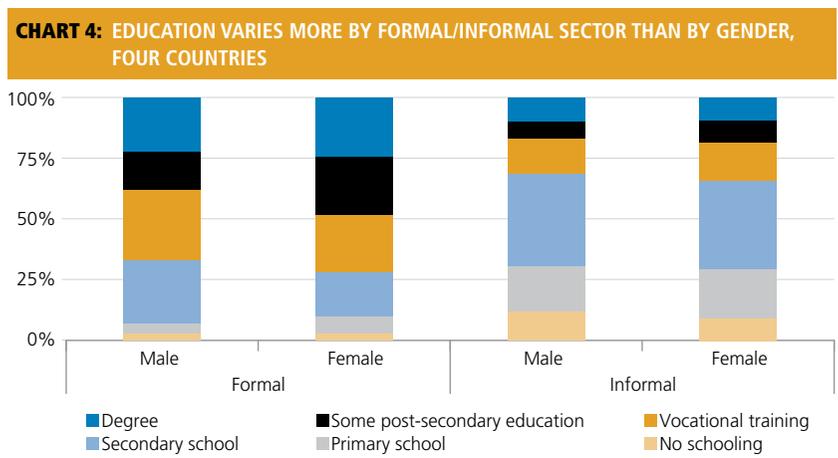
of countries in the region based on the strength of key legal rights for women. These rights are important because gender gaps persist and because such rights affect not only the choice of entrepreneurial activity but also the returns to that activity.

Grouping countries in this way sends an important message to policy makers: women’s legal status and rights are not correlated with income, but they are of considerable importance for women’s entrepreneurial opportunities. Comparisons across, rather than within, employment categories show that larger gaps in literacy are generally associated with women’s greater involvement in self-employment, while greater legal protection is more associated with women having more opportunity to become employers. Women’s participation in different business lines tends to increase with literacy rates, and almost all women in low-literacy countries are in services.

Among individual entrepreneurs, the key (usually sequential) choices are participating in the nonagricultural labor force, becoming an entrepreneur, operating in the formal or informal sector, and choosing the line of business.

Education is a key determinant in these choices, according to entrepreneurs, with smaller roles played by prior work experience, marital status, age, and relevant business skills. Women’s and men’s motivations for becoming an entrepreneur are not hugely different, however.

The impact of education, experience, and age helps predict whether an individual joins the formal or informal sector and the size of the enterprise, for women and men (Chart 4). Many of the gender gaps stem from deeper gender disparities in education and access to alternative wage employment. Education



Source: Gajigo and Hallward-Driemeier 2010, Survey of New Enterprises.

has a significant effect both on the decision to become an entrepreneur and on the level of entrepreneurial productivity. But while the effect of education on entrepreneurial performance is almost always positive, its effect on selection into entrepreneurship is more ambiguous.

Prior work experience is important. Indeed, entrepreneurship-related experience can be a bigger determinant of productivity than nonspecialized formal education. For its part, marital status (for women) determines legal standing, property rights, and the ability to engage in business.

Few gender differences in these choices are discernible. Where they are, such as entrepreneurs' possession of business skills or knowledge about their line of business, they are likely to reflect the higher average human capital of male (often formal) entrepreneurs.

### **Part III: Expanding opportunities for women entrepreneurs**

The analysis brings to the fore several factors vital for expanding opportunities for women entrepreneurs in Africa. Gender differences in legal status and capacity, particularly for married women, affect women's access to and control of assets and resources required for entrepreneurship. Education and experience are important drivers of economic choice, opportunity, and performance. Access to finance is a key obstacle to business development, while women's limited opportunities for networking and exclusion from decision-making bodies and from policy dialogue, especially in the business environment, mean that business climate reforms rarely tackle issues for women entrepreneurs. These four areas are all crucial in expanding opportunities for women entrepreneurs.

#### *Increasing women's right to own and control assets*

Women—especially married women—often have lower legal status and property rights than men. Women – LEED – Africa shows that business regulations rarely have gender-differentiated provisions. But their impact in practice may not be gender neutral if women face greater time constraints, have more limited mobility, face cultural restrictions on the transactions they can engage in, or are perceived as softer targets for harassment. Consequently, gender-neutral or gender-blind regulations do not necessarily translate into gender equality in economic rights.

Other areas of the law frame people's economic rights, such as family law governing marriage, divorce, and inheritance, as well as laws governing land rights and labor markets. These laws, rather than business regulations, determine whether women and men can make economic decisions in their own name, or whether there are restrictions in their ability to enter contracts or to own, administer, transfer, or inherit assets and property. Family law, seldom addressed in programs to improve the business environment, shapes the business environment for women. Marital status, and the capacities and limitations

**BOX**

## Strengthening women's property rights does affect opportunities pursued

Ethiopia changed its family law in 2000, raising the minimum age of marriage for women, removing the ability of the husband to deny permission for the wife to work outside the home and requiring both spouses' consent in the administration of marital property. While this reform now applies across the country, it was initially rolled out in 3 of the 9 regions and two chartered cities. Using two nationally representative household surveys, one in 2000 just prior to the reform, and one five years later, allows for a difference-in-difference estimation of the impact of the reform. Five years later, we find a significant shift in women's economic activities. In particular, women's relative participation in occupations that require work outside the home, full time work and higher skills rose relatively more where the reform had been enacted (controlling for time and location effects).

*Source:* Hallward-Driemeier and Gajigo, 2010

associated with it, determine women's effective property rights and economic autonomy, often in ways often markedly different from men's.

Yet it is precisely these areas that show gender differences the most. These are the laws often granted formal exemption from countries' nondiscrimination provisions, and most commonly subject to overlapping legal systems in Sub-Saharan Africa, with many constitutions and statutes explicitly recognizing marriage, inheritance, and property as domains where formal customary or personal law applies (Chart 5A). These exemptions are important because differences in men's and women's legal rights contribute substantially to the region's gender-differentiated entrepreneurship patterns: women are more likely to sort into self-employment in countries with weaker legal rights and to become employers in countries with stronger legal rights.

Practical constraints, including distance, cost, language, and bias, further shape the ability to exercise formal economic rights, with important gender-differentiated effects. Equally, much of the population has little to do with the formal legal system—nor do people have much knowledge of the legal protections it affords. Particularly in areas with lower incomes, lower education, or with strong customary traditions—or which are more rural—people rarely see the formal system as relevant for securing economic rights. Customary law, instead, plays a significant role, both as a formal source of law and as informal practice, touching the lives of the majority of the population in much of Africa.

As the companion volume discusses in more detail, three key messages on women's legal status emerge from the database. First, the principle of

nondiscrimination is recognized in every country—in constitutions or treaties they have signed (or both). But formal exceptions are widespread: despite recognizing nondiscrimination as a guiding principle of law, many countries' statutes still discriminate.

Second, many of the discriminatory provisions women face apply not to women as women, but to women as married women. From a legal standpoint, marriage changes, in some cases radically, the legal status and rights of women, often conferring legal capacities and responsibilities on husbands, and removing them from wives. This applies particularly to property regimes, to rights in and after marriage, and to rules affecting women's economic capacity and decision making within marriage (Chart 5B).

Third, the treatment of women's economic rights is not closely related to a country's level of income or development (e.g. Charts 5A and 5B). Simply raising national income is unlikely to improve women's legal and economic rights—more interventionist reforms will be needed. Some countries have expanded national income even with gaps in women's economic rights, while others, with strong protection against discrimination, have not. Of course, the legal framework is not the only determining factor. But the strength of legal protections clearly affects women's economic opportunities, particularly their ability to move out of self-employment and to run larger enterprises.

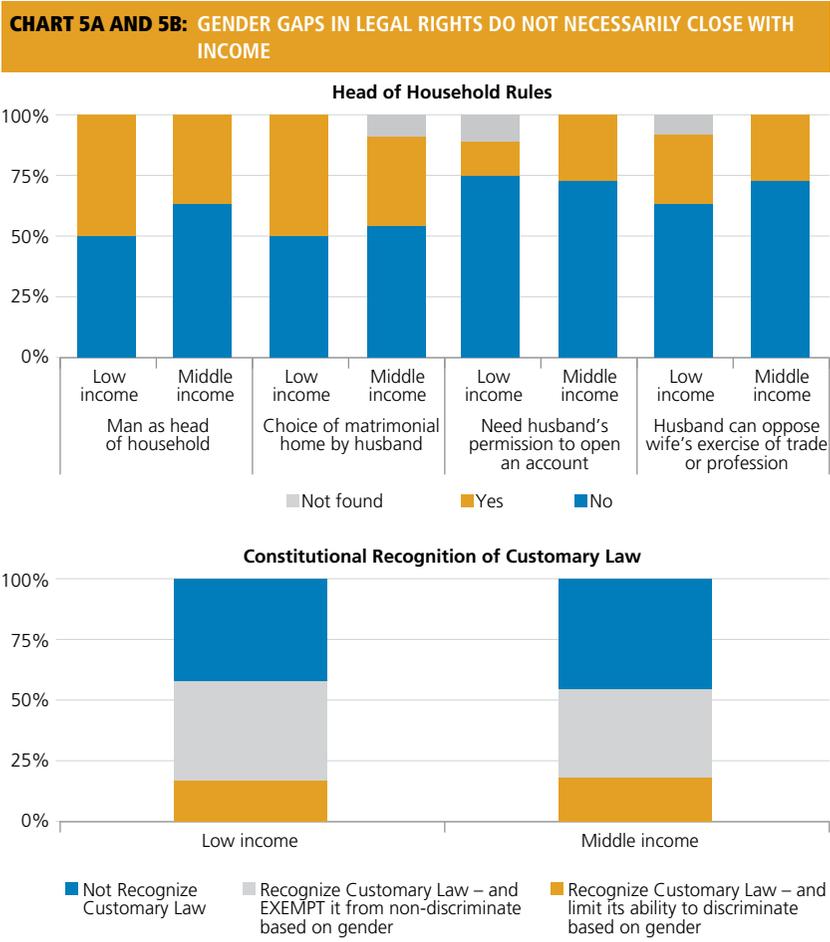
### *Expanding women's access to finance*

Entrepreneurs' access to financial services is crucial for three main reasons. It is key for securing access to productive resources (internal resources are rarely sufficient for growth). It can smooth cash flow. And, in the other direction, it matters for savings (particularly if other members of the household may divert resources).

The constraint is particularly pressing in Sub-Saharan Africa: fewer than one in five households has access to formal financial services. It is a systemic issue for businesses (male or female), which are substantially less likely to have any formal financial access than their peers in other regions. Larger companies have an advantage in accessing financial institutions, though.

An analysis of individual entrepreneurs strongly suggests that women's lower access to formal financing is explained by gender differences in income, education, and employment status. Women are more prominent in borrowing informally and are more likely to be excluded from formal financial services. But at the individual level, after controlling for education and experience, the gender gap in accessing finance is largely explained.

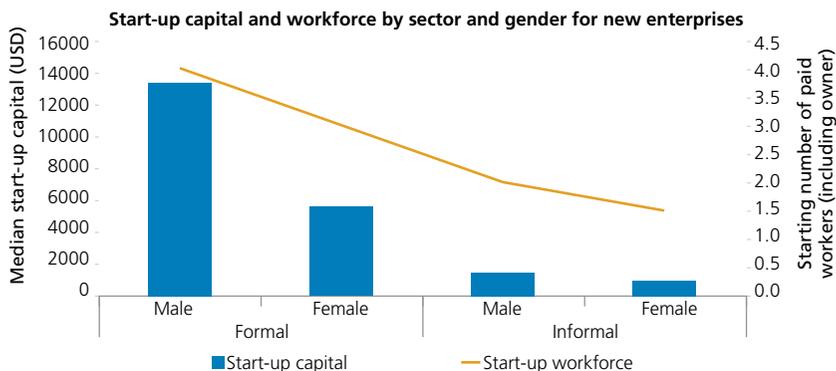
And how much does access to finance have a gender dimension as a barrier to entry? Certainly among new entrepreneurs: women's businesses have less access than men, and this is strongly associated with the nature of their business



Source: Hallward-Driemeier and Hasan, 2010.

(Chart 6). The data, though inconclusive, suggest how women have more limited access, consistent with their starting smaller and less capital-intensive firms, which are then less likely to get external finance once they are running.

Enterprises that are run by women—that have successfully entered the formal sector—do not seem more financially constrained than enterprises run by men. Access to financial resources depends more on the size and nature of the firm than on the gender of the manager. But because women have such a small proportion of large formal firms—precisely those with more access to finance—indirect gender dynamics may be at work in access to finance.

**CHART 6: MALE FORMAL ENTREPRENEURS ALSO HAD MORE START-UP CAPITAL THAN OTHER GROUPS**

Source: Gajigo and Hallward-Driemeier 2010, Survey of New Enterprises.

### *Enriching managerial and financial skills*

The positive effect of education on enterprise productivity is one of the most robust findings in the literature. This study's analysis also shows that education is a significant determinant of revenue per worker in enterprises. Education can also signal other qualities such as discipline, motivation, and versatility in dealing with new challenges.

Specifically, entrepreneurs with at least secondary education and some vocational training have significantly higher revenue per worker than those with no education. Primary education has no higher productivity effect over no schooling. The differences in productivity associated with higher education are not statistically different for women and men. Although women in general may have less education, those who are educated obtain more benefit from it by running more productive firms than do their male colleagues.

Four management techniques had a significant effect on productivity among firms sampled in five countries. Gender differences were not apparent for two techniques (formal objectives and monitoring employee performance) but were apparent in the other two (process innovation and participatory decision making). Male entrepreneurs scored significantly higher than female entrepreneurs in process innovation, but the reverse was true in participatory decision making.

Education and management quality seem to have important effects, and women benefit from them as much as men. Experience also counts, through previous employment in the formal sector, through exposure to running a business, or having had a parent who was an entrepreneur. The fact that there is a gender gap in the last area suggests that women are less exposed to the

experience of business in general, and lack the role models and opportunities for networking available to their male counterparts. It also suggests that as more women become successful entrepreneurs, and as more women have the opportunity to network and to make their voices heard in the enterprise sector, a virtuous cycle may be created that will boost the human capital of the next generation of women entrepreneurs.

### *Strengthening women's voices in business environment reforms*

Despite the active involvement of women as entrepreneurs in Sub-Saharan Africa, women are rarely at the table when business-related policies are discussed, and the issues facing businesswomen as opposed to businessmen, are rarely debated or addressed in policy-making forums. Women are largely excluded from policy making in the private sector and from the mechanisms and instruments used to promote dialogue between the public and private sectors. So, women's presence in the private sector, as important economic actors in their own right, is not matched by their representation in policy-making and decision-making institutions.

Women need to be active in business environment reform, not only because they are strongly involved as entrepreneurs—but also because the obstacles and constraints they face, and the perspectives they bring, can be, and often are, quite different from those of their male counterparts. As indicated earlier, women are more likely to operate in the informal sector and be engaged in smaller and lower value added sectors. Even where men's and women's businesses share similar characteristics, women are likely to have different experiences of legal, regulatory, and administrative barriers to business than their male counterparts.

Business associations, including those focusing on women's businesses, provide an important platform for promoting women's business interests. But women are often poorly represented in mainstream business associations. Many women's business associations are not centrally involved in mainstream dialogue and advocacy—and lack the capacity and experience to pursue their work effectively. This study identifies some useful experiences of promoting businesswomen's associations, and some important new initiatives to amplify the voices of women entrepreneurs in policy making and in investment climate reform. The recent establishment of the Africa Business Women's Network is a case in point.

Women consistently raise as a challenge their lack of voice in decision-making, the absence of opportunities for networking, the lack of appropriate role models and mentors, and the lack of business skills. In some countries there are additional challenges to increasing women's involvement with business associations. Cultural and social imperatives can discourage women from mixing freely with men, especially those from outside their families. In such circumstances,

the presence of a specialized women's business association makes sense. Such networks provide women business owners with support. They also help spread new business ideas, facilitate making business contacts, and provide avenues for larger scale marketing and distribution.

The effectiveness of women's voices will depend in part on the extent to which there are solid gender-informed and sex-disaggregated analyses available to inform policy making. Advocacy for policy reforms needs to be grounded in solid country-specific analysis of the opportunities and constraints in the business environment—and, specifically, of the ways they differ for men and women. A gender-informed analysis of investment climate obstacles provides the essential underpinning needed to identify, and advocate for, specific legal and regulatory reforms. In recent years, there have been several country-specific gender-focused analyses of investment climate obstacles in Africa. Drawing on broader analysis of the legal environment and links between gender inequality and economic growth, these assessments focused on regulatory and administrative barriers to business registration, operation, and closing, business licensing and taxation, access to land and finance, access to justice, and issues of concern in particular sectors. The studies identified gender-based differences in application of business regulations, and proposed regulatory reforms to address them.

In parallel, recent studies capturing the “voices” of women entrepreneurs in Africa provide valuable insights into how women perceive the business environment and the obstacles and challenges they face. They reveal both the importance attached to networking and the problems women face in participating effectively in associations and networks. These problems make the task of developing new opportunities, building a customer base, and expanding markets all the more difficult. Consistent across all countries are issues associated with balancing work and family obligations, the complexity (and often time-consuming) nature of regulations, the higher probability that women will be the subject of harassment and discrimination by public servants and officials in positions of power, and the problems with access to finance.

Underlying both the issues of bringing more women to the table and having issues important to women on the agenda is whether it is better for women to work through parallel structures focused on women, or to seek stronger integration into “mainstream” mechanisms of policy dialogue and business associations. Is it better to encourage more women's business associations, or to promote greater female participation within existing business associations? It is also important to address whether to focus on issues specific to women in business (a gender perspective) or to expand the ways in which women participate in, and contribute to, advocacy on issues that are not gender-specific but are of importance to business more generally. The study suggests that there is no simple answer—and that in many instances pursuing a dual-track approach,

involving both separate women’s mechanisms and better integration into the mainstream, is required.

Investment climate reform that enables women, as well as men, to become more effective participants in business and in stimulating economic development must address challenges faced by both men and women. This is more likely if women are full participants in policy discussions and reform efforts. One mechanism examined here is the process of “public-private dialogue” (PPD), supported by the International Finance Corporation. PPD is regarded as an important means of enlarging the “reform space,” by ensuring greater inclusion of stakeholders in reform deliberations and facilitating greater local ownership of reform measures. While the potential for PPD programs to promote gender-inclusion among stakeholders is considerable, the practice so far suggests low women’s participation in PPD mechanisms. Nonetheless, PPD programs now promote greater gender inclusion and make space for identifying and tackling business environment issues of particular interest to women.

More attention is being paid to understanding and addressing the gender dimensions of the business environment, and practical guidance to tackle gender issues in investment climate reform has been developed. The importance of evidence-based research and analysis, as the foundation for effective lobbying for policy change, cannot be overstated, and this study aims to fill some important gaps in this area. It is still necessary to persuade policy makers and practitioners that addressing women’s issues in business is important in its own right—and that doing so can have valuable payoffs for the business sector and the economy as a whole.

### **Toward an action agenda: Main recommendations**

This book outlines areas for policy reforms to improve women’s opportunities for entrepreneurship in Africa and to enable women to engage in larger, formally registered businesses in higher value-added areas.

#### *Reforming the business environment*

Reforming the business environment expands opportunities for growth, higher productivity, and employment—for all. Broader reforms, such as improving the infrastructure, tax administration, and regulations, are likely to benefit both women and men. The extent of indirect gender effects depends on the types of enterprises that benefit most from reform. For example, lifting constraints on smaller firms and encouraging formalization should help women disproportionately.

Constraints to entrepreneurship that affect women more than men—as the analysis here shows, they are strongest in areas of property rights, access to finance, and harassment—reduce half the population’s potential to participate and compete equally in productive activities, lowering aggregate economic growth. They have a broader effect on stunting competitive pressures, lowering

innovation, and cutting aggregate productivity growth, particularly if they distort financial markets, so that capital is not allocated to the most productive activities. And they restrict higher potential women's enterprises the most. Thus there is an intrinsic and instrumental case for removing gender-based constraints to entrepreneurship.

### *Increasing women's right to own and control assets*

As shown in the Women – LEED – Africa database, governments need to bring consistency and coherence to a country's judicial practice. They should therefore ratify, "domesticate," and then enforce international treaties and conventions, including the Maputo Protocol, the Convention on the Elimination of all forms of Discrimination Against Women, and key International Labour Organization Conventions. Within a coherent international framework, they need to examine their constitutions to address discriminatory provisions, enhance provisions for gender equality, review the ways the legal system recognizes customary law, and ensure that constitutional nondiscrimination provisions are applied in family law and property rights in marriage. Governments have to make particular effort to address contradictory and inconsistent provisions in the law. Key items to address include:

- Giving women equal say over the administration and transfer of marital property.
- Limiting or removing head-of-household laws that allow husbands to deny permission to their wives to engage in a trade or profession, or to choose the marital home.
- Removing provisions requiring a husband's signature to enter into contracts or open a bank account.
- Enabling married women to testify equally in court.
- Recognizing women's rights to marital property on divorce or in inheritance.
- Applying constitutional provisions of nondiscrimination in areas of marriage, property, and inheritance.
- Building awareness of gender bias, and measures to counteract such bias, among judges and within the broader legal community.

Reforms in the administration of law and in the institutions responsible for delivering justice can really help improve women's access to justice and the capacity of the system to respond to women's concerns. Measures include facilitating physical access to justice, through more, and more appropriately focused, courts (such as for family matters and to handle small claims); increasing the participation and representation of women throughout the justice system; and enabling those administering and dispensing justice at all levels to respond to

the different constraints and priorities of men and women. Such action requires political will and determination to address the power relations and abusive practices that can undermine the effectiveness of the legal system.

### *Expanding women's access to finance*

A repeated finding in this book is that the line of business, its size, and its formality emerge as more important drivers than gender in accessing formal finance. Of real concern is how much access to finance constrains choice not only in becoming an entrepreneur, but in these three areas. But with access to collateral, education, and prior work experience as significant predictors of initial bank loans, women are at a disadvantage. This cycle can then perpetuate itself because the choice of enterprise affects the likelihood of qualifying for credit in the future. In the longer term, breaking the cycle involves tackling underlying gaps in legal rights and in access to human capital, but some more immediate steps can benefit women.

Measures to improve women's access to finance include:

- Enriching women's human capital. This underlies the agenda of expanding women's access to finance.
- Improving property rights for women. This will strengthen women's control over assets and their capacity to provide collateral for bank loans;
- Building property registries that include movable property. This will also strengthen women's ability to use movable property as collateral.
- Setting up credit registries that capture women's credit history and repayment records in microfinance. This would benefit women disproportionately, given their greater reliance on microfinance.
- Targeting financing mechanisms at women, including microfinance and mobile banking.

### *Enriching managerial and financial skills*

Formal education is important for building women's human capital, but other dimensions also matter, especially in building business-specific skills and capacity. Schooling and management training are effective in raising the productivity of both women's and men's enterprises, though the benefits of a more entrepreneurial background appear greater for men. Much work is still needed to expand even rudimentary knowledge of financial concepts to the wider population, who could benefit from them in running their businesses.

Key activities to build managerial and financial skills include:

- Encouraging opportunities for sharing experiences among businesswomen.
- Developing a stronger cadre of female role models in business.

- Strengthening management training and access to consulting services.
- Promoting mentoring and other networking opportunities to facilitate the development of business contacts, marketing opportunities, and product development.

### *Strengthening women's voices in business environment reforms*

Measures to strengthen women's voices in business climate reform include the following:

- Animating women business owners and associations to join PPD.
- Encouraging greater participation of women in business associations.
- Building the capacity of business associations to provide better services to members and to contribute more to advocacy for policy reforms.
- Carrying out a systematic, gender-informed analysis of business environment obstacles to highlight issues of concern to businesswomen and then integrating this analysis into dialogue and policy making.
- Strengthening the presence of women in PPD institutions and structures, and build the capacity of women to influence the agenda of the PPD itself.

### *Areas for research*

Gaps in the data hamper researchers' ability to undertake gender-disaggregated analyses. Two gaps are particularly relevant. The first relates to the need to know more about how constraints in the investment climate, particularly in access to finance, shape the entry decision. Data at the individual (as opposed to household) level on constraints facing those who do not decide to become entrepreneurs are scarce. One solution would be to add relevant questions to household surveys.

The second relates to transitions between entrepreneurship and wage employment. Work in Latin America shows that there can be a fair amount of mobility, for men and single women. Much less is known about this in Sub-Saharan Africa. Panel surveys of individuals and their labor force decisions could add much in narrowing this gap.

## Background papers

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## Sources of data

### Enterprise data

*Enterprise surveys*: Administered by the World Bank to large stratified random samples of registered firms in key industrial centers in a country, they cover both manufacturing and services, including information on the owner of the enterprise, enterprise performance measures and measures, of constraints facing the enterprise. They also include a parallel survey of micro-firms for 25 African countries, of which 98 percent have five or fewer employees. The survey for this subset is targeted toward informal firms and in the analysis is labeled as informal.

*Enterprise survey – gender module (ESg)*: For five countries that had completed an Enterprise Survey, we fielded an additional module to capture more information on the background of the entrepreneur, the motivation for starting a business, the means of starting or acquiring a business, and indicators of management techniques. The modules also refined measures on the gender of both the principle owner and the person running the business. The five countries are Ghana, Mali, Mozambique, Senegal, and Zambia.

*Survey of new entrepreneurs (ESn)*: A new survey was fielded covering firms operating in the formal and informal sectors in four countries (Côte d’Ivoire, Kenya, Nigeria, and Senegal). Detailed background information on the entrepreneur was collected, such as the motivation for starting a business, the means of starting or acquiring a business, and indicators of management techniques used. Some additional measures on the constraints faced in setting up a business were also included.

### **Individual Data**

*Household surveys and labor force surveys (HH)*: Each country administers its own survey, compiled in the “International Income Distribution Database (I2D2)”, covering 39 countries in Sub-Saharan Africa and 101 globally. While not strictly comparable because countries use different questionnaires (although most adhere to the ILO definitions of labor) and somewhat different sampling strategies, they have been standardized for a core set of questions to allow cross-country patterns to be examined. These data will inform participation into different employment categories. More details are available (Montenegro and Hirn 2009).

*Household survey – enterprise modules (HHe)*: For those in the households who identify as having an enterprise, additional questions are asked in 20 countries in Sub-Saharan Africa. These data can be used to examine firm performance, particularly for more informal businesses, those operating out of the house, and those with household members working in them. It does not necessarily mean that all the enterprises are run out of the home; many indeed are not. The basis for the sampling is the household not the enterprise.

Women’s economic empowerment is critical for development. Expanding opportunities for women is of intrinsic value. It is also instrumental in fostering development; helping realize the potential of all people is needed to ensure growth, productivity, and a vibrant society. *Enterprising Women: Expanding Opportunities in Africa* analyzes new data from 42 countries in Sub-Saharan Africa to provide practical recommendations on how to help more women move into higher return activities.

Improving the prospects of existing businesses is part of the solution. And addressing constraints in the investment climate that burden informal and smaller enterprises will disproportionately benefit women. But the larger goal is to enable more women to shift the nature of what they do.

This book provides examples from countries across the region on how to achieve success. The data show the gender patterns across types of entrepreneurial activities—but they are not uniform. Variations in these patterns and analyses of reforms show how shifting conditions make a difference. More indeed can be done, and this book provides a roadmap of how to do it.

Companion Volume: *Empowering Women: Legal Rights and Expanding Opportunities in Africa* (by Mary Hallward-Driemeier and Tazeen Hasan) documents and analyzes how women’s formal economic rights differ from men’s in 42 countries in Sub-Saharan Africa, and discuss their implications for accessing justice and in pursuing economic opportunities.

