

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	HONDURAS
▪ TC Name:	Small and Medium Enterprises (SMEs) Financial Services Demand Survey with a Gender perspective
▪ TC Number:	HO-T1374
▪ Team Leader/Members:	Fonseca, Daniel Fernando (IFD/CMF) Team Leader; Zarate Moreno, Ana Maria (IFD/CMF) Alternate Team Leader; Aguiluz Boquin, Alejandro Enrique (CID/CHO); Azar Barros, Karina (IFD/CMF); Braly-Cartillier, Isabelle Frederique (IFD/CMF); Gerardino Gutierrez, Maria Paula (SPD/SDV); Hidalgo, Nidia (SCL/GDI); Javier Gavilanez (IFD/CMF); Lugo Moreno, Monica Bibiana (LEG/SGO); Marquez, Claudia M (IFD/CMF); Martinez Lopez, Cynthia Guadalupe (IFD/CMF); Schiavi, Nadine (ORP/GCM); Schneider Talavera, Christian (IFD/CMF); Berdeja Suarez, Isabel
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Women Led and Owned Enterprises, women entrepreneurs in Honduras and the Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Women Entrepreneurs Finance Initiative (We-Fi)(WEF)
▪ IDB Funding Requested:	US\$700,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	April 15 th 2022
▪ Types of consultants:	Individuals & Consulting firms
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF-Connectivity Markets and Finance Division
▪ TC included in Country Strategy (y/n):	y
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 **Justification.** Improving Financial Inclusion (FI) has been prioritized across countries in Latin America and the Caribbean (LAC) and represents a key enabler of the 2030 Sustainable Development Goals.¹ However, the challenge is prevalent in LAC since according to Global Findex, it is estimated that only 49% of women have access to a bank account, 11% save money, barely 10% declare having access to credit, and gender gaps exists across all services.² In addition, a third of Micro, Small and Medium Enterprises (MSMEs) are owned or led by women, yet the financing gap affecting

¹ [UN Woman. Progress on the Sustainable Development Goals: The Gender Snapshot 2020.](#)

² World Bank Global Findex 2017.

these businesses is estimated at US\$98 billion and less than 5% of women have access to credit to start or to grow their business³. Furthermore, information from Economic Commission for Latin America and the Caribbean (ECLAC)⁴ shows that Women MSMEs (WMSMEs) in LAC are more present in COVID-19 hardest hit sectors, aggravating an already precarious situation - not only this exacerbated gender gaps, but also translated into more WMSMEs with financing needs that are not necessarily covered adequately by financial intermediaries.

- 2.2 Despite the importance of Women's FI, there is still a systematic lack of sex disaggregated data that informs public policy interventions at the public and private sector level and from both the demand-side (data collected from users through household or other surveys), and the supply side (data from financial service providers).⁵ United Nations' initiative Data2X highlights that lack of data prevents an adequate or complete diagnosis of the constraints affecting women from a public policy perspective, while it also limits the design of programs and the evaluation of public interventions.⁶ The lack of adequate data also impacts the ability of governments to target programs to priority segments such as rural women, women head of households, women entrepreneurs, etc. It also prevents the understanding of the business case for serving women as individuals and WMSMEs as a distinct segment with needs and preferences that require the design and implementation of specific approaches. All the prior points out that quality data that incorporates the gender perspective is thus crucial for both understanding this market opportunity, as well as women's preferences, participation, and behaviors in the use of financial services.⁷
- 2.3 In terms of lack of quality and updated and comprehensive MSMEs data, Honduras is no exception to the norm. According to the Global Findex,⁸ which provides information from individuals, in 2017, 30% of women in Honduras borrowed money, but only 11% did so through a financial institution. The credit obtained is used for education or school fees (16%), health or medical purposes (16%), and to operate and expand their businesses or farms (7%). These data suggest that women in the country are getting credit mostly through informal channels, and that women entrepreneurs are using personal or informal loans for their businesses. In this sense, the International Finance Corporation (IFC) estimates that in Honduras 23% of WMSMEs are fully credit-constrained, having no source of external financing.⁹
- 2.4 As noted, closing the data gap in Honduras is a first step towards addressing the country's FI development goals. However, the data produced in the country is often outdated or not adequate to accurately measure WMSMEs' financial access, use, and needs, for both the public and private sectors to present a complete and updated diagnosis in Honduras,¹⁰ which, in turn, can't be translated into the development of

³ IFC Finance Gap Database and World Bank Findex.

⁴ ECLAC, [Género y el COVID-19 en América Latina y el Caribe](#).

⁵ United Nations' Secretary General Special Advocate for Inclusive Finance for Development, [Policy Note on Gender-Disaggregated Data](#).

⁶ Data2X, [Mapping Gender Data Gaps](#).

⁷ Financial Alliance for Women, [The Value of Sex-Disaggregated Data](#).

⁸ World Bank Global Findex 2017.

⁹ IFC (2018). MSME FINANCE GAP: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets. IFC, Washington, DC.

¹⁰ As for [135-2008 Decree](#), national official MSME definition in Honduras is based solely on number of employees. It is considered to be microenterprises when having 1 to 10 employees, small from 11 to 50 employees, and finally medium from 51 up to 150 employees.

adequate public policy interventions and products and service design. This is explained by institutional weaknesses in data collection and analysis, and lack of coordination among policymakers, financial institutions, and other relevant stakeholders, among others.

- 2.5 Along with the barriers related to data specifically linked to WMSMEs, there is also the fact that, unfortunately, for the case of Honduras, there is no centralized database that serves as a general repository of MSMEs information. Nowadays, there is no homogenization on the type of information, or even the variable definition, gathered on MSMEs by the different institutions (business association, chamber of commerce, etc.) and so the available decentralized data is not necessarily comparable among institutions, creating a vacuum of information for better profiling these enterprises and their needs. Hence, there is a challenge for centralizing women's or men's MSMEs survey in terms of financial services preferences, as the universe for the sample would be unknown; but there's also a great value added in the exercise to support public sector enhanced coordination and use of comparable data to build from and better serve public policy design for MSMEs.
- 2.6 In Honduras, the strategic collection and use of gender data from the supply side has gained substantial momentum and the journey is underway. Institutions from the public sector such as *Comisión Nacional de Bancos y Seguros* (CNBS) and *Consejo Nacional Supervisor de Cooperativas* (Consucoop) are collecting information from the supply side, which is also provided to Central Bank of Honduras (for its acronym in spanish, BCH) to be incorporated into its routine assessments of financial sector stability. However, this exercise (data collection from the supply perspective) is not replicated from the demand side.
- 2.7 In this context, demand-side data will help policymakers in Honduras to analyze these financial constraints faced by women owned/led MSMEs. This information will enable a better design of, or adjustments to public policies and programs aimed at WMSMEs' access and use of financial products and services. For the private sector, data from demand surveys will enable financial services providers, including fintech companies, to identify service gaps and thus, to craft products and services with value propositions that effectively meet their needs.
- 2.8 On May 2019, the IDB Group was awarded funding by the Women Entrepreneurs Finance Initiative (We-Fi), through the proposal Women Entrepreneurs for Latin America and the Caribbean (WeForLAC).¹¹ The WeForLAC Program seeks to promote the growth of WMSMEs by developing innovative projects and programs, building the entrepreneurial ecosystem, generating data to fill knowledge gaps, and promoting public policy and private sector initiatives. One of the main challenges in the region is linked to the implementation of existing legal frameworks—more specifically, public policies that seek to close gender gaps for SMEs, and how the private sector addresses gender biases. Similarly, the lack of sex-disaggregated data (both from the demand and supply side) makes it difficult to understand women's needs and to implement tailor-made programs. An aspect that hinders

¹¹ The Women Entrepreneurs Finance Initiative (We-Fi) is a fund that looks to promote the growth of WSMES globally. The IDB Group participated in the second round of funding and was awarded \$24,279,370 for the WeForLAC Program. These resources will be implemented by IDB, IDB Invest and BID Lab. [Women Entrepreneurs Finance Initiative, May 2019](#). While Honduras, El Salvador, Guatemala, Mexico, Colombia, Brazil, Peru, Ecuador, and the Dominican Republic are part of the WeForLAC initiative, this TC will focus on Honduras.

sex-disaggregated data is the absence of a definition for WMSMEs¹²; for this, the initiative adopts as a best practice a definition that involves both ownership and leadership, which will also be adhered to in the case of the survey in Honduras. In line with WeForLAC spirit, the activities designed under this Technical Cooperation (TC) seek to alleviate the existing challenge of data vacuum for the development of adequate policies, interventions, products, and services to better serve WMSMEs in the financial sector.

- 2.9 **Objective.** The objective of the technical cooperation is to enable the collection and analysis of data on the need for, and use of financial products, services, and delivery channels by entrepreneurs and MSMEs¹³ in Honduras. The data would allow to make a distinction in terms of preferences and needs of MSMEs in the country, and to understand differences between those led or owned¹⁴ by women and by men. This information is scarce, and it is important for policy makers, financial service providers to design adequate programs, products, and services with a gender perspective.
- 2.10 **Alignment.** This TC is consistent with the Bank's Second Update to the Institutional Strategy 2020-2023 (AB-3190-2), which considers limited access to finance to be a key factor constraining productivity and growth in the private sector in LAC. Specifically, the TC is aligned with the development challenges of (i) Social Inclusion and Equality, as the proposed interventions will contribute to bridging the gender divide via the better collection of sex disaggregated data. The TC is also aligned with the cross-cutting theme of (i) Gender Equality and Diversity, as it will contribute to the objectives of better understanding women's demands and needs via surveys, and therefore financially including women as a target segment, and more specifically, WMSMEs. The TC will contribute to the Corporate Results Framework 2020-2023 (GN-2727-12) by supporting jobs and MSMEs financed incorporating gender lens with improved data and derived policies, as well as supporting women beneficiaries of economic empowerment initiatives.
- 2.11 Additionally, the TC is also consistent with the Support to SMEs and Financial Access/Supervision Sector Framework Document (GN-2768-7), which emphasizes the importance of promoting access to finance to the productive sector; as well as with the Gender and Diversity Sector Framework (GN-2800-8) as it seeks to support countries in strengthening policies and strategies to close gender gaps economic participation, especially with the lines of action of expanding economic opportunities by increasing female participation, closing economic gender gaps, and improving women's access to more productive and better-paid jobs and occupations. Finally, the program is in line with the Proposal for the IDBG's Governance Response to the

¹² The Initiative encourages the standardization of WMSMEs concept including both the ownership and leadership spheres. However, it acknowledges countries' categorization or MSMEs according to their national standards.

¹³ A SME is defined by We-Fi as an SME that seeks a loan of between \$10,000 and \$1 million or meets 2 of the 3 criteria: (i) Sales between \$100,000 and \$10 million; (ii) Assets between \$100,000 and \$10 million; (iii) Between 10 and 300 employees. This definition includes a broad spectrum when compared to national definitions, where a SME is defined according to the number of employees, which is up to 150, according to Footnote 8. For the survey implementation, national definitions will be taken into consideration.

¹⁴ Women-Owned/Women-Led Firm: (i) $\geq 51\%$ owned by a woman/woman; or (ii) $\geq 20\%$ owned by a woman/woman; and have \geq one woman as CEO/COO (President/Vice President); and have $\geq 30\%$ of the board of directors comprised of women, where a board exists; and (iii) For those women entrepreneurs with a loan from a financial institution, the loan size at origination would be between \$5,000 to \$1 million.

COVID-19 Pandemic Outbreak (GN-2996), as part of the support for safeguarding the productive fabric and employment.

- 2.12 **Country Strategy (CS).** The TC is also aligned with the IDB Group Country Strategy with Honduras, in the front of expansion of sustainable production opportunities, particularly via access to financing, to provide statistical evidence for the financial system to better adequate its offer of products to Women MSMEs. Additionally, it is aligned with the CS cross-cutting theme of gender equality, as women are the primarily target segment of this TC.
- 2.13 **Beneficiaries.** Direct beneficiaries from this TC will be public institutions with a direct role in the policymaking for a better disaggregation of data, as well as implementation of programs for better financing of WMSMEs. Therefore, institutions with whom the Bank will coordinate the survey include financial regulators, *Comisión Nacional de Bancos y Seguros* (CNBS), Central Bank of Honduras (BCH), *Secretaría de Finanzas* (SEFIN), Honduras' public bank *Banco Hondureño para la Producción y la Vivienda* (BANHPROVI), the National Statistical Institute of Honduras (for its acronym in spanish, INE), and private sector agencies on MSMEs -such as *Consejo Hondureño de La Empresa Privada* (COHEP), among others. Indirect beneficiaries from this TC involve financial institutions, as they will have inputs on WMSMEs preferences to better guide their product design, as well as WMSMEs, as they would benefit from the potential design of adequate financial products (around 500 MSMEs are expected to be reached via the survey).

III. Description of activities/components and budget

- 3.1 The project activities will be organized in three components, as described below:
- 3.2 **Component 1. In-situ coordination and preparation activities for survey conduction (US\$70,000).** This activity will foresee the necessary coordination and preparation for the survey to be implemented in the country. This includes preparation activities for the implementation of the survey, such as coordination of a pilot (if necessary), validation of the sample with local stakeholders, coordinating activities and meetings with both the public and private sector, among others. It also includes operational steps such as looking for firms for design, implement and analyze results stemming from it. For Component 1, it is expected that the Bank will hire consultants to coordinate and prepare the survey implementation phase, as well as a firm to develop the survey design for Honduras and the survey analysis from a FI perspective, following the Bank's procurement guidelines.
- 3.3 **Component 2. Survey preparation, design, implementation, and standardization (US\$600,000).** Under component 1, this TC aims to support new data collection and analysis on the main financial and social constraints, needs and preferences of entrepreneurs and MSMEs in Honduras, with gender considerations, through the development and implementation of a specific MSMEs survey. The resulting analysis of the leveraged data will inform policymakers and financial service providers to better serve this niche, supporting the economic development and the bridging of gender financial gap with an updated and complete diagnosis. For the development of the survey and proper field coordination, stakeholder validation and participation, and adequate penetration of the resulting analysis. For Component 2, the Bank will hire consultants to carry out the following activities:
- 3.4 **Activity 1: Survey design, implementation, analysis.** Once preparatory exercises are successfully completed, a consulting firm will be contracted to carry out the data

collection instrumentation and analysis. As a first step on the survey design process, a baseline questionnaire would be developed, and it should include the implementation of a pilot as well as modifications to the base questionnaire depending on the results of the pilot. To this end, the consultant will use a Bank prepared sample of women owned/led MSMEs in Honduras, which includes the diversity of the demand in terms of sectors, sizes, age, geography of the companies, education. After refining survey design in line with pilot results, the implementation phase will begin with the final representative sample of MSMEs. Documentation and cleaned datasets gathering survey implementation results will be developed by the consultant and provided to the Bank. Final step under Activity 1 will be to analyze the survey results to better understand gender-based differences in preferences and demand of services. It is expected that the surveys will bring new information available on the main financial and social constraints, needs and preferences of entrepreneurs MSMEs in Honduras, with gender considerations, to be shared with policy makers and financial service providers. The analysis should incorporate both social and economic variables, as well as differences identified in women and men MSMEs. The analysis should also be contrasted with literature related to women's financial inclusion and explain the results from its perspective.

- 3.5 **Activity 2: Development of a survey-design toolkit.** Taking advantage of the gathered experience in the development of Activity 1, this activity aims at facilitating the design, adaptation, and standardization of the demand survey so that it can be replicated for other countries in LAC, via the generation of a survey design toolkit. The toolkit will guide the development of future additional surveys, to collect demand-side data to inform the design of financial policies, products, and services, including digital ones. To serve its purpose, the toolkit will build on lessons learned from similar surveys and initiatives, incorporating all the survey implementation lifecycle -including how to design and test pilots, if necessary- a sample of basic questions to be incorporated and strategies to gather the data. Finally, to enhance replicability, the toolkit will be developed in both English and Spanish.
- 3.6 **Component 3. Dissemination of results (US\$30,000).** The aim of this activity is to ensure that the data collection results will be used for future projects and will contribute to the policy debate of how-to better support women-led/owned MSMEs. Under this activity, the focus will be put on supporting dissemination activities to share the results with stakeholders, including government counterparts, academic institutions, organizations of women, civil society, financial institutions, and others. Dissemination activities might take the form of dissemination events, production and sharing of infographics, and final editing, translation, and design of reports, among others. Activities included in this component will be conducted, mainly, via non consulting services, following the Bank's procurement guidelines.
- 3.7 **Expected Results.** It is expected that the TC supports gender equality in the financial sector by the generation of financial gender disaggregate data from entrepreneurs and MSMEs in Honduras, and to contribute with the gender and financial inclusion knowledge agenda in the country. It is expected the TC provides a holistic database and survey which allow policy makers and private sector institutions to better serve women enterprises.
- 3.8 **Budget.** The total cost of the project is US\$700,000 financed by resources from Women Entrepreneurs Finance Initiative (We-Fi)(WEF), through the WeforLAC Program. The contribution will finance the hiring of consulting services (individual and firms) for the development of the activities. Table 1 details this budget:

Table 1. Indicative Budget in (US\$)

Activity/Component	Description	IDB Funding / We-Fi	Total Funding
Component 1	<ul style="list-style-type: none"> In-situ coordination and preparation activities for survey conduction 	70,000	70,000
Component 2	<ul style="list-style-type: none"> Survey preparation, design, implementation, and standardization 	600,000	600,000
Component 3	<ul style="list-style-type: none"> Dissemination of results 	30,000	30,000
TOTAL		700,000	700,000

- 3.9 **Supervision and Monitoring Arrangements.** The Bank, through the Connectivity, Markets and Finance Division (IFD/CMF), will be responsible for the supervision and monitoring of the TC program, the Team Leader (IFD/CMF), is responsible for the TC execution. For the proper development of the planned activities, CMF's project team will make the preparations of terms of reference, monitoring of activities, deliverable review, and logistic support, among other tasks. The project team will prepare progress and final reports for the activities and products of this TC (see Annex II. Results Matrix), including a description of progress made, results obtained, status of execution of planned activities and suggestions for adjustments to the remaining execution period.

IV. Executing agency and execution structure

- 4.1 As requested by the country and given the detailed research nature of the TC and acknowledging that it needs a significant level of coordination with national public/private sector stakeholders/partners, the Bank will be the project's executing agency, through IFD/CMF, a division with experience executing similar types of demand-driven TC programs with the objective of promoting access to financial services. Furthermore, the Bank is considered to have adequate systems to guarantee the proper execution of the operation and ensure the sustainability of the implementation of the project in line with Annex 2 of "Operational Guidelines for Technical Cooperation Products" (OP-619-4). Likewise, the Bank will execute the activities in coordination with, and with the support from the corresponding public sector institutions.
- 4.2 The support, and coordination from the local counterparts may include, inter alia, organizing or coordinating the participation of other local actors, providing data for the project results indicators, among others. Coordination with national counterparts will be done via periodic meetings held with technical teams from the institutions.
- 4.3 The project team will be responsible for the preparation and submission to the donor of the project reporting, in compliance with the stipulations of the Administration Agreement. The Team Leader will be responsible for supervising all activities conducted under this proposal and for ensuring alignment to the results matrix and to the reporting needs of the WeForLAC Program. It is expected that, at a minimum, a yearly monitoring report will document the outcomes and performance. The project

Team Leader, in coordination with other team members, will consolidate all the team's inputs, and disseminate lessons learned. For this purpose, the team will use the system in Convergence.

- 4.4 All activities to be executed under this TC have been included in the Procurement Plan (see Annex X) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and (c) GN-2303-28 for logistics and other related services. These activities are scheduled for completion within 36 months of approval of the TC.

V. Major issues

- 5.1 The major risk is to identify women MSMEs universe, and the corresponding sample to implement the survey. There is no official registry of MSMEs disaggregated by sex in Honduras, and a considerable proportion of MSMEs could be informal. To mitigate this risk, the Bank is working with a consulting firm on the identification of a sample derived from databases from local institutions (such as chambers of commerce), to map both women and men MSMEs in different sectors and geographies.
- 5.2 Another risk is that financial institutions could consider it unprofitable to attend the needs and interests of women MSMEs, according to the results of the survey. The Bank is providing guarantees and advisory services to financial organizations through loan [4936/BL-HO](#) to reduce the risk perceived of attending agricultural, women MSMEs.
- 5.3 Due to the cost of implementing surveys, such as identifying the sample, reaching out to each MSME, obtaining the data, and analyzing it, other countries could be reluctant to use the developed toolkit in Component 3. The Bank will share its experience in Honduras, lessons learned, and implications for the financial sector of obtaining demand side data, to encourage other countries to follow this example. The Bank could consider supporting financially, and with technical assistance, in the adaptation and implementation of the survey in other countries.
- 5.4 Intellectual property will be treated as a right to use, which means the Bank could share the survey microdata with local institutions to ensure the continuity of the survey implementation for future years.

VI. Exceptions to Bank policy

- 6.1 None

VII. Environmental and Social Strategy

- 7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects nor associated environmental and social studies; therefore, it does not have applicable requirements from the Bank's Environmental and Social Policy Framework (ESPF)".

Required Annexes:

[Results Matrix - HO-T1374](#)

[Terms of Reference - HO-T1374](#)

[Procurement Plan - HO-T1374](#)

