

TESTIMONY

MELANNE VERVEER

DIRECTOR, THE GEORGETOWN INSTITUTE FOR
WOMEN, PEACE & SECURITY,

FORMER U.S. AMBASSADOR-AT-LARGE FOR
GLOBAL WOMEN'S ISSUES

HOUSE COMMITTEE ON FOREIGN AFFAIRS

**“BEYOND MICROFINANCE:
EMPOWERING WOMEN IN THE DEVELOPING WORLD”**

JULY 12, 2017
WASHINGTON, D.C.

Chairman Royce, Congressman Engel and Members of the Committee:

Thank you for the opportunity to speak to you today on ways to increase women's economic participation and empowerment in developing countries.

Mr. Chairman, let me begin by thanking you for your leadership in focusing on global women's issues and the critical role women play, ranging from advancing peace and security and growing economies to countering violent extremism. These issues must be at the center of our efforts to create the kind of world we all want to see. They are in the vital interest of the United States. Countries with declining living standards and inequality are more unstable and thus pose greater challenges to our own interests and security. Empowering women and girls is fundamentally a moral issue – a matter of basic human rights. It is smart and strategic. It advances our foreign policy as it tackles some of the most pressing issues that confront the globe and America's leadership.

I am also pleased to be on this panel with Mary Ellen Iskenderian, the President and CEO of Women's Work Banking, who has brought tremendous leadership to issues of financial inclusion. I'm also delighted to be here with Tavneet Suri who has done important work on the critical role mobile money plays in impacting livelihoods of women in the developing world.

WOMEN AS A POWERFUL ECONOMIC FORCE

This hearing has to do with one of the big global challenges we face: how to grow economies, create jobs and ensure inclusive prosperity. Today there is a growing body of empirical evidence demonstrating the positive impact of investing in women and girls. From the World Bank to the World Economic Forum, from McKinsey and Company to Goldman Sachs, we know that women today represent one of the most powerful economic opportunities the world has ever seen. In 2015, McKinsey and Company published the Global Parity Report and found that closing the global gender gap could drive between \$12-28 trillion in GDP growth by 2025, if- a big if- much more is done to tackle obstacles that continue to hold women back. A few years ago, Booz and Company estimated that as many as a billion women were poised to enter the world economy over the next decade as employees, employers and entrepreneurs. Their impact could be as great as that of China or India. Other studies show that reduction in barriers to female labor force participation would increase the GDP of the United States by 5% and that of Egypt by 34%.

Investing in women and girls creates a "double dividend." Women tend to reinvest upwards of 90% of their earnings in their families – on education and nutrition -- which raises the standard of living. This "multiplier effect" had made advancing women and girls a primary goal in global development. The World Bank's annual World Development Report a few years ago stressed the promotion of equal education and equal economic opportunities for women and girls. As former head of the World Bank, Bob Zoellick notes, "Gender equality is smart economics." Economically empowering women

is necessary to ensure their rights, their ability to realize their agency, as well as to advance human development.

Women's employment takes place in the formal and informal economy, (a disproportionate number of women globally find themselves in the informal sector). Women work in agriculture, wage employment or running enterprises. In addition, women carry the burden of unpaid work in their households and of broader care responsibilities, which further serves to constrain their economic participation. Last year, the UN Secretary General's High Level Panel on Women's Economic Empowerment issued a call to action, underlining the urgency of actions to close gender gaps in the economy. The Panel's report highlighted that those working in the informal economy face a host of challenges that must be addressed.

MICROENTERPRISES AND SMALL AND MEDIUM SIZE ENTERPRISES

Microenterprise development has played a significant role in lifting up millions of women at the bottom of the pyramid. However for women to break out of subsistence businesses and grow their microbusinesses is not easy. Credit is not enough. According to "Roadmap for the Promotion of Women's Economic Empowerment," research made possible by Exxon Mobil Foundation, an intensive package of high potential interventions is necessary, including training, ongoing technical assistance, stipends and related elements of support.

Studies show that women-run SME's are accelerators of economic growth. Female entrepreneurs are powerful growth engines in emerging economies. SME's occupy the critical space in economies where jobs are created and economies grow. Yet, if women are to be the accelerators of SME's and otherwise unleash their potential, we must confront and reduce the obstacles they confront. Everywhere, women face greater roadblocks than their male counterparts in starting and expanding their businesses. Discriminatory laws, customs and the values that fuel them often impede women's efforts. Violence against women is a global scourge. In some places, women have no rights to inheritance nor property, and very little in the way of legal protection. The World Bank's Women Business and the Law 2016 report found that legal impediments to women's economic opportunity remain on the books in 155 economies around the world. Women often lack appropriate training, mentors and networks. They confront obstacles in access to technology and markets, and access to finance is particularly challenging. A study by the World Bank's International Finance Corporation found that women-owned formal businesses globally have an unmet need to \$260-320 billion. In other words, female entrepreneurs often need multiple interventions in order to succeed.

WOMEN IN AGRICULTURE

Women are also vital to the agricultural sector. In many developing countries they are the backbone of the economy and in some places comprise the majority of small farmers. Yet, their work is usually not counted as economically active employment. Subsistence-level women farmers do not have equal access to resources, and this significantly limits

their potential to increase their productivity. They are often at a severe disadvantage when it comes to the kind of training they need, or access to resources -- from fertilizers to tools -- or to credit to purchase what they need to grow their output. They often do not have voice in the local decision-making agriculture groups and networks, and confront other social constraints. Although women produce half the world's food, they only own 1% of the farmland. Land ownership is a critical element in growing the productivity and incomes of women farmers. The

UN's Food and Agriculture Organization's study on the vital role women play in agriculture showed that when women farmers can operate on a level playing field and have equal access to resources that meet their specific needs, they could increase their individual yields by 20-30%. This in turn could improve agricultural production between 2.5 to 5% and reduce the number of undernourished people up to 150 million globally. US development initiatives to combat global hunger and promote food security should integrate gender into all aspects of the programs, and measure results to ensure that goals are being met.

WOMEN AND TECHNOLOGY

Technology has the potential to transform women's lives in the developing world by providing critical access to information, mitigating health and safety risks and creating an opportunity for financial security and independence. Mobile technology is an essential tool to enable poor women to transform their lives. I have seen first hand how the simple cell phone is being used today to protect women from violence, to give women in the most remote area, access to vital health information, and to teach literacy. The cell phone is being used to provide small entrepreneurs and farmers with information on markets -- saving them from walking for miles needlessly -- or providing them with weather forecasts. Its greatest impact is mobile banking. The great majority of the poor are unbanked and through cell phone banking many will be able to save their earnings safely and engage in financial transactions as they want. There is a gender gap in cellphones. For some 200 million fewer women living in low- and middle-income countries owning a simple cell phone is still out of reach and in certain parts of the world, in South Asia, for example, it is larger than in other regions. But there is genuine good news here: strides are being made in digital financial services, such as digitizing of cash payments that are enabling financial inclusion for women and transforming their lives.

US COMMITMENT

The problem we are addressing today is multi-faceted as must be any solution. There is no single solution, nor program that can advance women's economic empowerment significantly. No one investment provides a comprehensive answer. Furthermore, many development investments are interrelated. Women's health, education, freedom from violence and legal rights are all critically important to their economic empowerment. A federal budget that drastically cuts USAID, PEPFAR, the Millennium Challenge Corporation and State Department programs is a budget that will not only shortchange women around the world but also shortchange the interests of the United States in advancing economic prosperity, peace and security. These programs comprise less than

1% of the federal budget. The U.S. commitment of \$50 million to the Women Entrepreneurs Finance Initiative to promote women's entrepreneurship in developing countries (that Ivanka Trump has promoted), responds to a need. I am hopeful that the World Bank will organize and target the resources in a way that will enable women, including those in the informal sector, to overcome many of the challenges to entrepreneurship. However, if at the same time deep cuts are enacted in crucial programs that support women's development, this will push back progress, for women and girls, including economic progress, not advance it.

APPOINTMENT OF A US AMBASSADOR FOR GLOBAL WOMEN'S ISSUES

I hope this committee will also urge the Administration to fill the position of Ambassador-at-Large for Global Women's Issues to strengthen US diplomatic efforts by integrating gender into the range of America's diplomatic and development interests. The issue on which we are focused today is an issue on which I was significantly engaged with my colleagues during my tenure at the State Department. It entailed working with the Bureau of Economics and Business Affairs to advance women's entrepreneurship and to promote issues like financial inclusion on the G20 and G7 agendas. It meant working with the Bureau of African Affairs on the African Women's Entrepreneurship Program to enable women on the continent to advance economically through AGOA, the Africa Growth Opportunity Act, and the benefits it afforded for expanding markets. It meant working with the US Ambassador to APEC to put the issue of women and the economy on the APEC agenda for the first time and to catalyze women-owned SME's and enable them to overcome the obstacles they confront. The UN has calculated that the Asia Pacific region loses in excess of \$42 billion a year in GDP because the potential of women in the region is not tapped. It also meant working in conflict areas from Afghanistan and Iraq to Colombia and Kosovo – and many places in between -- to promote women's economic opportunity and participation in peace-building. This position should not be viewed as partisan. It should not be considered merely a women's projects office, nor a "check the box" formality, but one that is integrated across the work of the Department to ensure greater effectiveness in achieving its mission, including women's economic participation and empowerment.

PUBLIC-PRIVATE PARTNERSHIPS

Today both governments and corporations increasingly recognize that women are key drivers of economic growth and social progress. In Latin America, for example, women's economic participation became a bulwark during the financial crisis of the late 2000s. Extreme poverty throughout the region would have been 30% higher by 2010 had it not been for women's contributions to the labor force in the previous decade. Some of the biggest and most farsighted companies in the world are recognizing that partnering with women brings a multitude of benefits both for society and for the companies themselves. One of the outgrowths of this awareness has been the creation of public-private partnerships or cross-sectoral collaborations that support women entrepreneurs. The State Department and USAID have encouraged what has been called the "golden triangle" – government, the private sector and NGOs partnering to advance women's

economic empowerment. No one sector has a monopoly on the competencies that are required, nor on the resources, but together much can be achieved.

During my time as Ambassador many such partnerships came to fruition, and rigorous evaluation and measurement of the results has since documented important strides for women's economic empowerment. Let me cite a few examples.

Today there are many.

5by20:

Coca Cola, with the strong support of its CEO who was at the forefront of partnering with women for growth, has utilized its corporate heft to better the lives of the world's poorest people, especially women. It created the 5by20 program to leverage its resources to reach and empower 5 million women entrepreneurs along its value chain by 2020, including farmers, shop owners and recyclers. It is designed to help women overcome three hurdles: the difficulty in obtaining capital, lack of business training and inadequate networks of mentors and peers. The program partners with NGOs, governments and multinational organizations to achieve its goals.

In Kenya and Uganda, to cite one example, Coca-Cola partnered with the Bill and Melinda Gates Foundation and TechnoServe on Project Nurture, which reached over 50,000 farmers --- a significant percentage were women. The farmers received skills training in fruit production, basic agricultural practices, farm management and business skills. They've also trained female farmers and their male peers, helping to increase women's representation in local farming groups and build their technical capacity. They linked women farmers with local banks to provide them with credit and with processors and exporters to expand their market. The women farmers saw their average incomes increase by 140% over a four-year period. Through Coca Cola's ongoing investment in fruit production in Kenya, two processors using produce from Project Nurture farmers now supply 100% of the fruit puree for Minute Maid in six countries. This is an example of a win-win for both the company and the economic empowerment of female farmers.

Women's Economic Empowerment Initiative:

In 2011, Walmart announced the Women's Economic Empowerment Initiative, one of the largest and most ambitious corporate women's initiatives to date. Walmart sought to empower nearly a million women through diversity and inclusion, comprehensive training programs, as well as through sourcing from women-owned businesses. The company pledged at least \$20 billion of spending on products and services from women-owned businesses in the US and committed to doubling its sourcing from women's businesses overseas. Walmart works with a range of partners from Care to WEConnect International, a non-profit with an expertise in bringing women-owned enterprises to global market standards. WEConnect identifies and certifies such enterprises and provides training in critical areas like quality control and scaling up production. Walmart joined with the US government, the Inter-American Development Bank and several other companies and NGOs at the Summit of the Americas in 2012 to launch the Women's

Entrepreneurship Initiative to address major barriers to training, capital and markets for women throughout the Americas.

FINANCIAL INCLUSION

Financial institutions and technology companies have partnered to promote women's economic empowerment and to close the gender gap in access to mobile and internet. MasterCard, for example, is using mobile payment technology to promote financial inclusion. The company has a technological system that safely transmits information between merchants and banks. Governments are taking advantage of this technology. The MasterCard Center for Inclusive Growth is leveraging learning from hundreds of MasterCard's public-private partnerships to enable women's economic growth. For example, in South Africa, the government – in one year – registered more than twenty million citizens, opened bank accounts and distributed ten million debit cards, mostly to women. This digitizing of financial services allows them to access government and social subsidy programs safely without the worry that the funds, which had been coming in cash, would be taken away and used for things unrelated to caring for the family. MasterCard is also working to enable very small women owned businesses to grow. With 85% of transactions still being done in cash, they are combining women's ambition and know-how with the data and technology to transform economies and change lives. One of the biggest obstacles for women is their lack of credit history that lenders can use to evaluate their ability to repay. With the technology the company is developing, women business owners will be able to use their transaction histories as a proxy for credit that will make it easier for them to get loans.

In another instance, the State Department and USAID came together with the GSMA, the mobile phone operators' association, and the Cherie Blair Foundation to reduce the gender gap in mobile technology. During the launch event an Indian micro-entrepreneur from the Self Employed Women's Association (SEWA) described how access to the simple cell phone had transformed her fledgling enterprise.

The gender gap in access to and use of the Internet reflects existing inequalities between men and women. For countries, it means that a large portion of the population is missing out on the myriad benefits of connectivity. For individual women it means less access to entrepreneurship opportunities and, to important information, and less independence. Intel-commissioned research -- the first Women and the Web report -- estimates that doubling the number of women otherwise coming online over the next three years, would bring an additional 600 million women online, and contribute between \$13-18 billion in annual GDP across 144 developing nations. One way Intel has been working to address the Internet gender gap is through a program called "She Will Connect" to train women and girls to be digitally literate, as well as to connect them to gender-specific online content.

GROWING ECONOMIC INDEPENDENCE IN POST-CONFLICT SOCIETIES

Economic opportunity for women is vital to strengthening peace and stability especially in fragile states and post conflict societies. Developing sustainable employment entails a strong partnership between the private and public sectors and well as multilateral organizations. In Rwanda, Kate Spade & Company created an innovative business investment to enable women to be part of its supply chain and to interest other companies in sourcing from the Rwandan women's business as well. The company recruited 150 of the village of Masoro's most talented and committed female artisans, helped them to develop their skills and set up their own worker-owned, for-profit business. This business investment is proving that it is possible to transform a relatively poor and marginalized community by growing women's economic participation. Georgetown University recently released a case study of the Kate Spade initiative. It found that it has already contributed to the empowerment of the women in Masoro who are flourishing economically and socially. The women have improved their spending on necessities and investing in the future. They are earning a decent and steady wage and receiving opportunities for training and development. On the business side, the Georgetown study found that Kate Spade & Company has created a financially viable business model for Rwanda. This investment was aided by support of the Rwandan government and also enabled by the Africa Growth Opportunity Act. It offers a model approach for creating sustainable economic opportunity in marginalized communities.

Partnerships such as these are growing and making a difference by creating sustainable impact. The US government should continue to catalyze, support and participate in innovative partnerships among all stakeholders. Working together, we can better tackle the obstacles that stand in the way of women's economic progress.

Mr. Chairman, thank you again for holding this hearing. Women's economic empowerment is clearly both the right thing to do and the smart thing to do. I know the work of this Committee will advance greater collective action.