

Women's Economic Opportunities in the Formal Private Sector in Latin America and the Caribbean



A Focus on Entrepreneurship

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Acronyms

BMZ	Federal Ministry for Economic Cooperation and Development, Germany
CEDAW	Convention for the Elimination of All Forms of Discrimination Against Women
CEDLAS	Center for Distributive, Labor, and Social Studies, Universidad Nacional de La Plata, Argentina
CIMO	Program of Comprehensive Quality and Modernization, Mexico
CONOCER	Standardization and Certification of Labor Competency Council, Mexico
CPMEN	Permanent Council of Women Entrepreneurs, Nicaragua
ECLAC	Economic Commission for Latin America, United Nations
ENAMIN	National Micro-enterprise Survey (Mexico 2002)
ENE	National Labor Survey (Mexico 2002)
GEM	Gender Equity Model (Mexico)
GTZ	German Technical Cooperation
IDB	Inter-American Development Bank
ILO	International Labor Office
IPA	Innovations for Poverty Action Survey (Puebla, Mexico)
JUNJI	National Association of Pre-Schools, Chile
LAC	Latin America and the Caribbean
LCTN	Labor Competency Technical Norms
LSMS	Living Standards Measuring Survey
NGO	Non Governmental Organization
PAC	Training Support Program, Mexico
PRODEMU	Foundation for the Promotion and Development of Women, Chile
PROGENIAL	World Bank Program to Mainstream Gender in Operations in LAC
PROMPERU	National Investment and Export Promoting Agency, Peru
PRONAF	National Program for Strengthening Family-Based Agriculture, Brazil
SEDLAC	Socio-Economic Database for Latin America and the Caribbean
SERCOTEC	Technical Cooperation Service, Chile
SME	Small and Medium Enterprises
USAID	United States Agency for International Development
VAT	Value Added Tax

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owners, small firm owners, and micro-entrepreneurs with backgrounds and activities as varied as the region itself. All of you are an endless source of enthusiasm, ideas, and inspiration. All of you came to our meetings with the firm conviction that things can be better for the next generation of male and female entrepreneurs. To each and all of you, our deepest gratitude.

Executive Summary

"In Latin America and the Caribbean, the great expansion in women's capabilities is not matched by an expansion of their economic opportunities."

Pamela Cox – Vice President, Latin America and the Caribbean Region – World Bank

Over the last decades, the Latin America and the Caribbean (LAC) region has made great progress in terms of promoting gender equality. In many countries in the region, girls have surpassed boys in education enrolment and completion. The ratio of girls' to boys' enrollment in primary school is 97% for the LAC Region, and girls' secondary school enrollment equals or exceeds that of boys in 80% of countries in the region. Gains are also being made in reproductive health. Maternal deaths have dropped, and deliveries attended by skilled health personnel have increased.

Progress in terms of institutional reform for gender equality has also been steady, following the Beijing platform and the signing of international conventions - such as the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW) - by most countries in the region. Institutional reforms have included: changes in National Constitutions, the creation of Women Affairs Ministries or Institutes, reforms to the Civil Code, penalization of Gender-Based Violence, and the implementation of gender equality policies. In politics, progress has been steady, although the share of women in local and national governments is still below 50 percent in most countries, and even lower at the local level.¹

There have been mixed results in translating this progress in rights and capabilities into greater economic opportunities for women in the region. On the one hand, there has been a sustained increase in female labor force participation in the last decades, and the employment gender gap, though significant, has been closing. On the other hand, there is segregation of women and men by sector and occupation, and an apparent lack of mobility that could have important costs in terms of efficiency and poverty reduction.

Moreover, in LAC, cultural norms tend to designate women as the primary household caretakers. As such, working women are still considered secondary wage earners and face a triple burden: juggling employment, household chores, and child-rearing duties.

Faced by the need for flexibility, and burdened by the wage gap and limited opportunities in the private sector, women in the region frequently turn to the informal sector and entrepreneurship. Shirking strict labor force regulations, the informal sector offers women some flexibility, but frequently at the cost of labor rights, pensions, and other benefits. Entrepreneurship often gives women flexibility in tending to household chores and

¹ World Bank (2010).

childcare duties while offering an opportunity for growth and advancement not found in the formal private sector.

However, gender-based inequalities between male and female entrepreneurs persist. Men are the majority of business owners and tend to have larger businesses than women². Women entrepreneurs are concentrated in micro- and small enterprises. This difference may be related to the link between gender-based inequalities and ownership of productive assets, such as land and capital, and its detrimental impact on women's ability to partake in the opportunities afforded by economic development.³ Or it could be a matter of women preferring the flexibility that running a micro or small enterprise offers.

Why Do Women Become Entrepreneurs?

Women's decisions to become entrepreneurs are influenced by a number of push-out factors from the labor markets and pull-in factors related to earnings expectations.

Push-out factors are those derived from necessity rather than opportunity. They often stem from lack of opportunities in the labor market and the need to supplement household income. Many of the push-out factors are specific to women, and are related to gender issues in asset accumulation and human capital accumulation or to intra-household allocation of resources and childcare responsibilities.

Pull-in factors are opportunity-based. They are often based on the desire for flexibility, following a life's calling, innate ability, starting or joining in a family business, and identifying a unique business opportunity. This report suggests that men are more likely to become entrepreneurs in response to a recognized economic opportunity than women.

² Whether measured by number of employees, revenues or business equity (OECD 1998; Thurik and Verheul 2001; Valenzuela 2004b).

³ Dollar and Gatti (1999).

Characteristics of Female-owned Firms

There are several characteristics that distinguish female-owned firms from male-owned firms. **In general, female-owned firms use less labor and physical capital, and in some countries exhibit lower levels of human capital.** These differences have an impact on a firm's productivity and profitability.

Women entrepreneurs in Latin America and the Caribbean are over-represented in micro-enterprises and small firms and under-represented in medium to large firms. Female-owned firms also tend to be concentrated in fewer economic sectors than male owned firms, operating mainly in the commerce, services and manufacturing sectors. In Guatemala, for example, more than 70 percent of businesswomen who are employers are in the commerce sector.

Women entrepreneurs who are able to overcome the barriers to firm growth successfully are able to compete as owners of medium to large size firms. Female-owned firms are less profitable than male owned firms and less productive at the micro and small-enterprise level. However, at the medium and large size levels, they are as productive as (or more productive than) firms owned by males.

Barriers Faced by Female Entrepreneurs

What prevents female entrepreneurs from scaling up their businesses? While some barriers are not gender-specific and present challenges for both male and female entrepreneurs, this report finds that others do affect women disproportionately and create additional barriers.

Regulatory burdens affect both male and female entrepreneurs. However, **female entrepreneurs tend to feel less equipped to maneuver complex procedures.** Female entrepreneurs report not having sufficient information on business registry procedures and the enforcement of other regulations. Analysis in this report also indicates that women feel more vulnerable to corrupt officials.

Female entrepreneurs have difficulty accessing networks and markets for their products. Having contacts who are knowledgeable about the steps to starting a business and labor regulations is important, particularly for women entrepreneurs who feel uninformed and/or intimidated by lofty processes. Furthermore, networks are often key to accessing trade channels, technology, and financing for businesses.

Female business owners do not have lower overall entrepreneurial ability than males, but **they are less likely to have access to training and business development services.** When training is available, it often follows traditional roles, shutting women out of more productive, high-growth sectors. Women also have more difficulty accessing networks for finding the right markets for their products.

Although there are no significant differences in access to credit between male and female entrepreneurs, **women seem to exhibit higher risk aversion or fear to apply for credit, as well as less familiarity and satisfaction with larger-size credit instruments.** Female entrepreneurs tend to use credit less often, take out smaller loans, and rely on more informal sources of financing.

Women's assets are consistently of lower value than those owned by men. However, they are often required to put up significantly more collateral than men to access credit. The ability to draw upon personal assets such as one's own home, consumer durables or a vehicle is a key factor in enabling entrepreneurs to establish a business.

Men entrepreneurs' use of hard collateral is twice the level of women entrepreneurs. Women tend to use signed documents and movable property as the main form of guarantee, which is more limiting in terms of financing through banks and other formal sources of credit.

Traditional gender roles continue to assign domestic and family responsibilities disproportionately to

women. Being a household head, having children under five years of age, having a business located in the home, and having lower returns on time invested in the business are all related to women's need to combine household responsibilities with business activities. These and other impediments continue to disproportionately affect women entrepreneurs in the formal private sector, posing challenges to releasing the full potential of women entrepreneurs.

Increasing Women's Economic Opportunities in the Formal Private Sector

This report suggests that a shift to placing more emphasis on promoting the growth of female-owned firms rather than on firm creation is needed. The analysis in this report leads to several policy recommendations to help increase women's economic opportunities in the formal private sector.

- **Target labor market reforms to alleviate barriers to women's participation in formal sector employment.** Improving women's access to and performance in formal sector employment are not only important from a labor market efficiency standpoint and from an equity standpoint, but also to reduce push-out factors that may be creating distorted incentives to seek self-employment as a last resort. This includes: introducing policies aimed at reducing the gender wage gap, providing flexible schedules through part-time and flex-time employment, and encouraging the targeted hiring of female employees in decision-making positions.
- **Provide a combination of services to help female entrepreneurs grow their businesses or become more productive.** Such services might include: facilitating access to financial services and business development training; promoting high quality business training, taking into account women's needs in SME business development services; and promoting access to networks and new markets for women entrepreneurs. The provision

of childcare services is another area of proven effect where improvements could be made.

- Promote good gender practices in the public and private sectors. Good gender practices have the potential of reducing some critical push-out factors which discourage women from seeking employment in the formal labor market. Firm certification, developed and tested in Mexico with World Bank support (Gender Equity Model - GEM), has proved to be a successful tool for promoting gender equity in the private sector under a participatory

approach that has gained support from workers and management alike.

- Use social marketing to promote gender equality in government programs for SME development, land titling, financial services, and other programs. World Bank-funded initiatives in land titling show that even the slightest change in communications, such as introducing radio messages or posters to highlight that both men and women can participate in the program can make a difference.

Introduction

Entrepreneurship contributes to a vibrant private sector and can stimulate broader economic growth. Not only do entrepreneurs generate income, but they often create new jobs and competition among firms, leading to increases in productivity and technology transfer. As innovators, entrepreneurs also bring knowledge and new ideas to the economy, another important element of growth. Promoting women entrepreneurs is increasingly viewed as an important lever for private sector development.

LAC countries have experienced an important growth of microenterprises led by women, but little is known about the factors that explain this trend. Attention has focused on the development of microenterprises by women in recent decades, both as a ladder out of poverty and as a means for the economic empowerment of women. Hence, most studies of women and entrepreneurship in Latin America focus on whether women's entrepreneurial activity is able to lift them out of poverty and/or on gender differences in earnings and productivity. Fewer studies have examined gender differences in factors affecting entrepreneurship and business growth between men and women.

This report focuses on **women's economic opportunities in the formal private sector in LAC with a special focus on female entrepreneurship.** The report considers the reasons behind women's decisions to become entrepreneurs,

and analyzes differences in the characteristics and productivity of male and female-owned firms. Barriers to entrepreneurship and their potential gender impact are discussed, with special attention to the issues of access to credit and asset accumulation.

The objective of this report is to explore if women are choosing size and sector for their micro and SME firms optimally, or if this is the result of multiple constraints, including gender constraints. What prevents female entrepreneurs from scaling up their businesses? Is there anything that can or should be done from a policy perspective to alleviate these constraints and foster female-owned firm productivity?

Although an important aspect of the economies of Latin America and the Caribbean, this report does not discuss women's participation in the informal sector. Nor does it discuss in detail gender gaps in employment and wages. Evidence of such gender gaps has been thoroughly documented elsewhere, and is the subject of ongoing reports by the World Bank, ECLAC, and IDB.⁴

This report focuses on entrepreneurship in the formal private sector. Although little is known about barriers and enabling factors for microenterprise and SME growth and productivity, policy interventions (some funded through World Bank, IDB, and other donors)

⁴ For further information, please see the references in Chapter 1.

emphasize entrepreneurship as a way to empower women economically.⁵ This report attempts to go beyond enterprise creation to tackle firm productivity and growth with a gender lens. **Microenterprises may be important in the short run from the point of view of women's economic empowerment or poverty reduction, but unless their natural progression to succeed and grow or fail and re-start is enabled, their link to macroeconomic growth remains tenuous.**

The report combines quantitative and qualitative data.

Data from World Bank Enterprise Surveys is used whenever it is possible to identify the owner's gender. Two household surveys with special modules on assets and businesses owned by household members are analyzed (Guatemala and Nicaragua). The analysis in this report is also based on in-depth interviews with female entrepreneurs and nine case studies of successful businesswomen in Argentina, Bolivia, Brazil, Chile, Jamaica, Mexico, Nicaragua, Peru, and Uruguay. The Case Studies are presented at the end of this report. In addition, four Focus Groups were conducted in Chile, which included participants from microenterprises and SMEs from sectors as diverse as agribusinesses, web

commerce, and other more traditional sectors. One of the Focus Groups included beneficiaries from two Government programs in Chile (SERCOTEC and PRODEMU) that are targeted to poor households.

The report is structured as follows: Chapter 1 provides the context for discussing women's economic opportunities in the region. It considers women's participation in the labor market and explores why women become entrepreneurs. Chapter 2 examines the performance and characteristics of male and female-owned firms. Chapter 3 examines barriers that may be affecting the performance and growth of female-owned firms. A more detailed analysis of access to credit and asset accumulation is discussed in Chapter 4. Chapter 5 summarizes promising approaches that support female entrepreneurs in the region. Concluding remarks and policy recommendations are presented in Chapter 6. Annex A provides a list of terms and definitions used in the report; Annex B provides more details on how the Case Studies and Focus Groups were conducted; Annex C gives details on the special analysis on asset accumulation in the Nicaragua Household Surveys; and Annex D presents a non-exhaustive list of Women's Business Associations in LAC.

⁵ The World Bank's Gender Action Plan includes several initiatives for female-owned businesses. See www.worldbank.org/gender. Since 2007 the Multilateral Investment Fund of the IDB has approved projects in Chile, Colombia and Peru to specifically support the creation and growth of female-owned enterprises.

Chapter 1

Women as Workers in the Formal Private Sector in Latin America and the Caribbean: Why do Women Become Entrepreneurs?

“... My motivation to start was to improve the quality of our lives, as my husband had lost his job, and I did not want to take a job that would deprive me from seeing my children...”

Participant – SERCOTEC and PRODEMU Focus Group, Chile

“... I knew what I liked, and saw what was missing in American brand-name stores. I realized that using Bolivia’s indigenous art and textile practices as well as the highly demanded alpaca wool from the Andes was a unique opportunity...”

María Claudia Méndez (Origenes Bolivia) – Case Study Bolivia

Summary

While important progress towards gender equality has been achieved in terms of increased female labor force participation and employment in general, challenges remain in terms of earnings and gender wage gaps, and other job quality issues, such as schedule flexibility. These factors are frequently cited by women as reasons to start a business (formal or informal). The quotes above highlight the two main forces driving women towards entrepreneurship: necessity and opportunity. Push-out factors driving necessity-based entrepreneurship include barriers in the labor market or need for supplemental income. Pull-in factors, on the other hand, are usually opportunity-based, related to earnings expectations or the desire for more flexibility. This chapter provides context for a discussion on women’s economic opportunities in Latin America and the Caribbean (LAC), with a focus on women’s participation in the labor market in the formal private sector. The first half outlines recent trends and remaining barriers faced by women, while the second half focuses on female entrepreneurship.

1.1 Women in the Labor Market in Latin America and the Caribbean

Female labor force participation, currently around 57 percent, has increased significantly in Latin America and the Caribbean over the last 20 years. In Brazil, for example, female labor force participation increased by 10 percentage points during the 1980s alone, from 38.3 percent in 1981 to 48.2 percent in 1990. By 2004, 2 in 3 Brazilian women were in the labor force.⁶ Similarly, while female labor force participation was already high in urban areas in Uruguay in 1989 (54.9 percent), it continued to climb over the following two decades and is currently

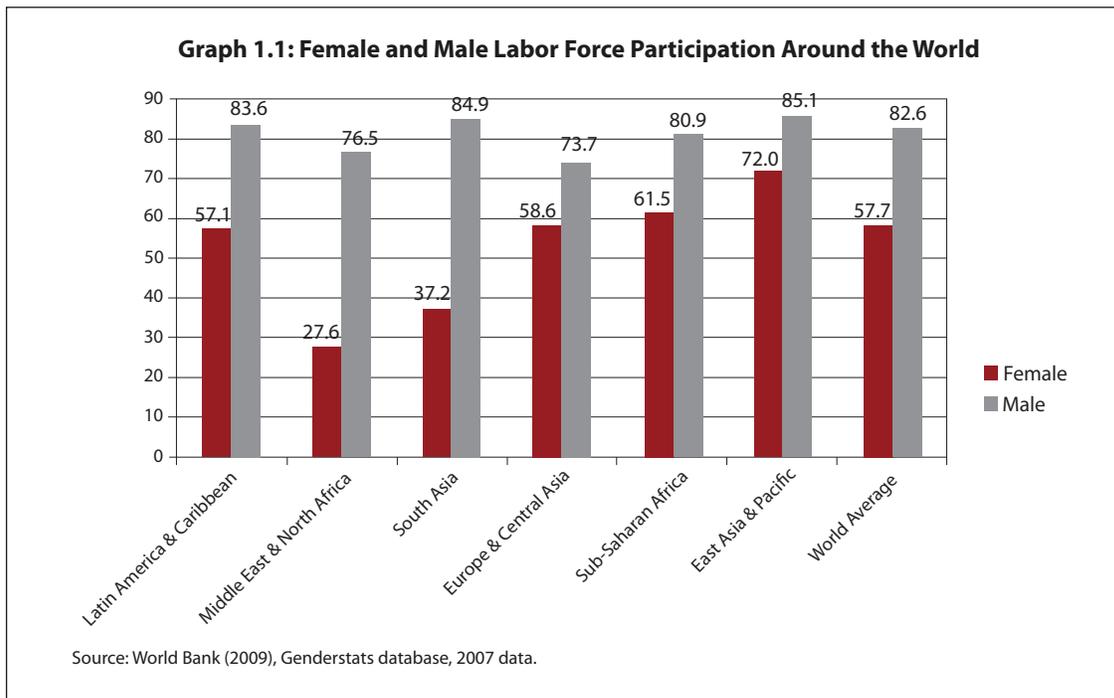
over 70 percent.⁷ At the lower extreme, Costa Rican women’s participation in the labor force was about 52.6 percent in 2007. However, this represents an increase from just over one-third in 1990.⁸

Despite significant progress, women’s participation in the labor force still lags far behind men’s participation. While female employment ranges from 40 percent to 70 percent in the Region, male employment is above 85 percent in all countries. As Graph 1.1 shows, female labor force participation in Latin America and the Caribbean is on par with the world’s average, but it remains lower than in other

⁶ CEDLAS and the World Bank (2009).

⁷ *Ibid.*

⁸ *Ibid.*



regions, especially East Asia and the Pacific, where women’s participation in the labor market is over 70 percent.

Gender wage differentials remain an important barrier for female economic advancement.

Atal, Ñopo, and Winder (2009) estimate that, in Latin America as a whole, men on average earn 10 percent more than women, though there is significant variation among countries and sectors.⁹ In fact, the authors note: “Men earn more than women at any age, for each level of education, in any type of employment (self-employed, employers and employees) and in both large and small firms.” The gender wage gap is even more apparent when looking at country-specific measurements. In Argentina, women earn on average 30 percent less than men in the same occupation, and average earnings for women with complete tertiary education are equivalent to only half the average earnings of their male counterparts. The percentage of employed women who completed secondary or tertiary schooling in Peru climbed

from 68 percent to 81 percent from 1986 to 2001. During the same period, male earnings were on average 28 percent higher than female earnings, even when controlling for education (45 percent higher without controls).¹⁰ In Brazil, controls actually *widen* the wage gap: Brazilian women earn 29 percent less than men; however, when controlling for education, age, and hours worked, female earnings are about 34 percent less than male earnings.¹¹

Women’s participation in the labor force tends to be concentrated in a few sectors – mainly commerce, education and health – making them more vulnerable to industry shocks.

In Jamaica, almost half of employed women are in low-paying, minimum-wage jobs.¹² In Guatemala, Honduras, Jamaica, Nicaragua and Peru, roughly one third of employed women work in commerce, while less than 20 percent of men work in that sector. Similarly, around 30 percent of women in Argentina and Uruguay, and roughly one-quarter of women in Chile, Jamaica and

⁹ Atal, Ñopo and Winder (2009). The study also finds that controls for education widen the wage gap for the region as a whole.

¹⁰ Ñopo (2004).

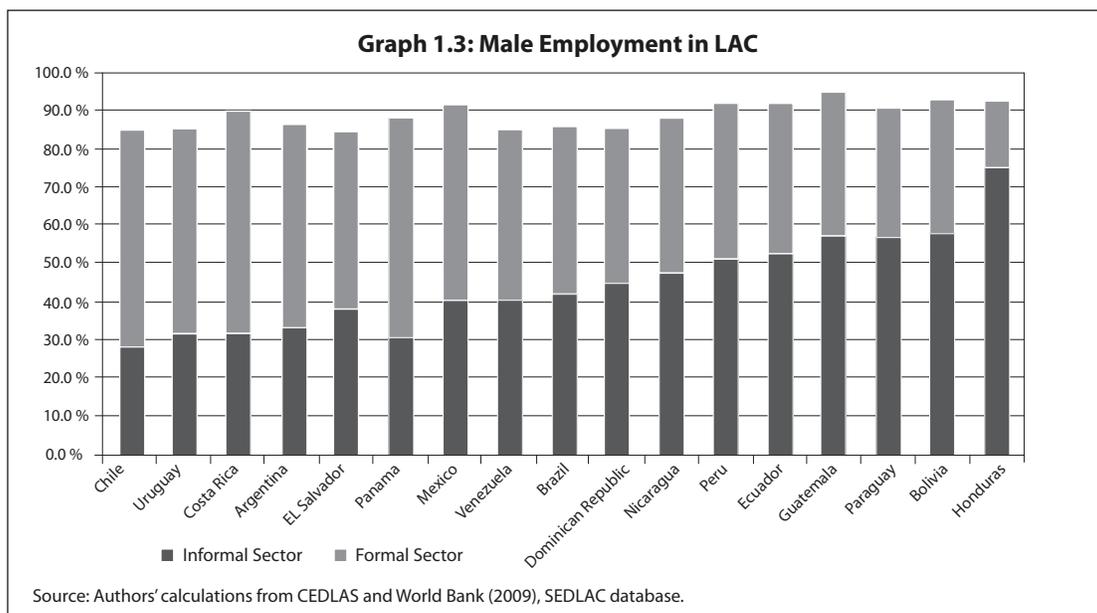
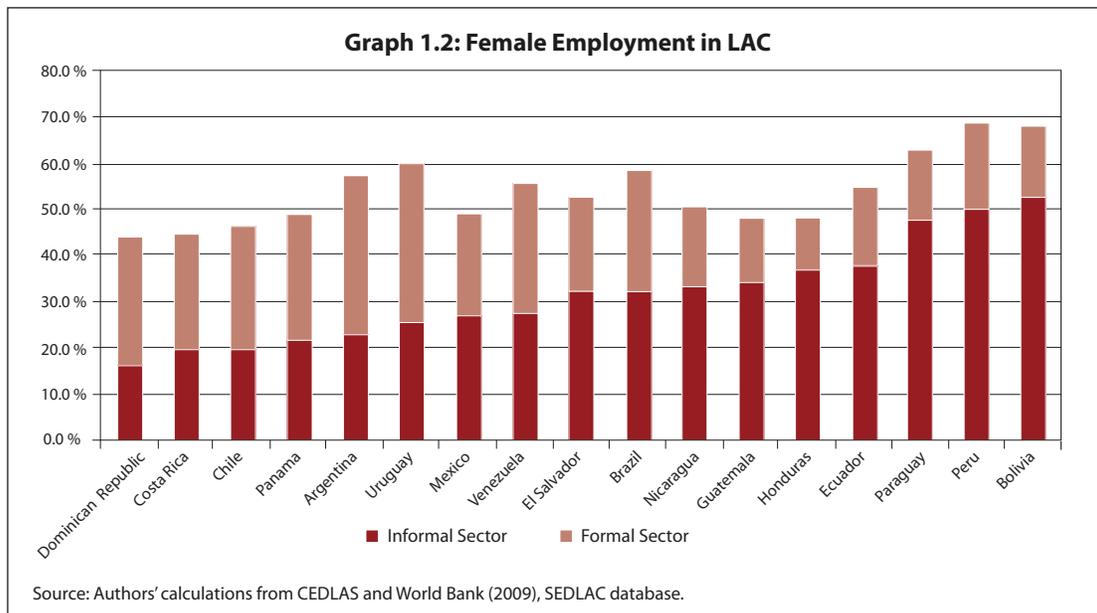
¹¹ World Bank (2003).

¹² Wyss and White (2004).

Panama are employed in health and education. In contrast, less than 11 percent of men are employed in these sectors.

A large proportion of women tend to work in the informal sector and thereby remain uncounted. As can be seen from the graphs below, with the exception of a few countries

such as Argentina, Uruguay, and Brazil, countries with the highest female employment rates tend to have a larger share of women in the informal sector. This pattern is in contrast to male employment, which hovers between 80 percent and 95 percent, even though informality ranges from as little as 28 percent to as much as 75 percent (Graphs 1.2 and 1.3).¹³

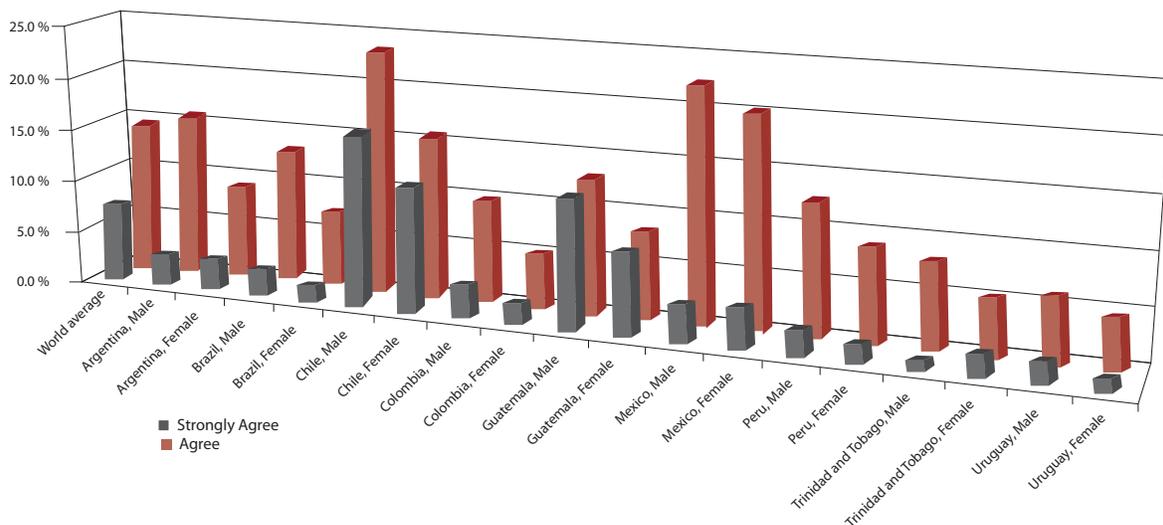


¹³ CEDLAS and the World Bank (2009).

Traditional household roles and cultural beliefs in LAC help explain higher unemployment rates and longer periods of unemployment for women. Secondary breadwinners may be unemployed for longer periods of time than primary breadwinners by choice (e.g., they have the freedom to “hold out” until they find a job they want) as well as by default (e.g., they are unable to search for a job full-time, as they have a larger burden of household duties to attend to). Cultural values may also play a role, as analysis from the World Values Surveys shows. In a survey question asking, within a context of job scarcity, if men have a greater right to jobs than women, around one-quarter

of individuals in Argentina, Mexico, and Trinidad and Tobago said men do have a greater right to jobs. In Chile, 34.7 percent of men and 26.0 percent of women agreed that men should be given priority for jobs.¹⁴ Furthermore, 29 percent of Mexicans believe that university education is more important for boys; 14 percent of Chileans and 10 percent of Guatemalans “strongly agree” with this statement. In Chile and Mexico, the share of *women* who “agree” or “strongly agree” that university education is more important for boys than for girls is 23.9, and 27.6 percent; higher than the combined world average for female and male respondents of 21.6 (see Graph 1.4).

Graph 1.4: Cultural Norms on Education: Is a university education more important for boys than for girls?



Note: Only “strongly agree” and “agree” responses to the question “Do you agree strongly, agree, disagree, or disagree strongly? A university education is more important for a boy than for a girl” are shown here.

Sources: World Values Surveys: Argentina (2006), Brazil (2006), Chile (2006), Colombia (2005), Mexico (2005), Peru (2006), Trinidad and Tobago (2006) and Uruguay (2006).

¹⁴ World Values Surveys: Argentina (2006), Chile (2006), Mexico (2005), and Trinidad and Tobago (2006). Question asked: “Do you agree or

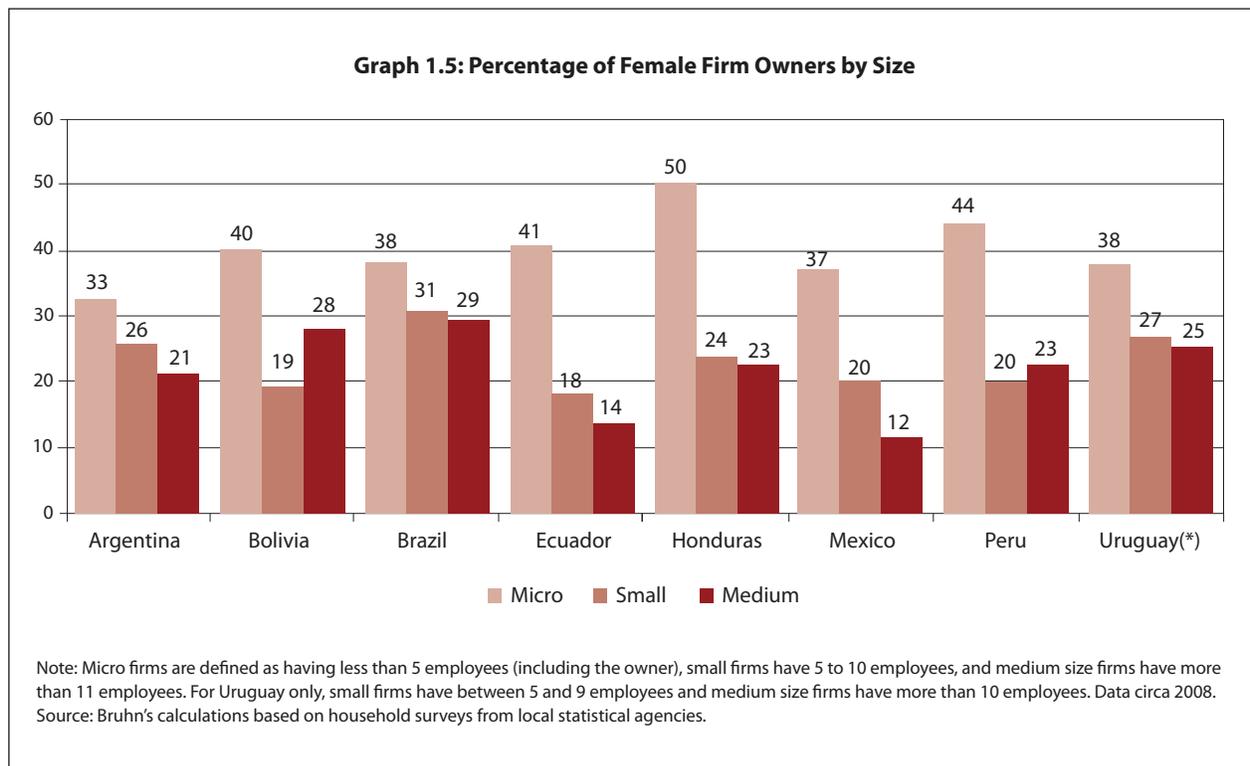
disagree with the following statements? When jobs are scarce, men should have more right to a job than women.”

1.2 Women Entrepreneurs in Latin America and the Caribbean

The LAC Region has higher rates of female entrepreneurship and a smaller gap in participation between men and women entrepreneurs than other regions.¹⁵ A study on female entrepreneurship prepared by the Global Entrepreneurship Monitor (Allen, 2007) found that, although men are more likely to be entrepreneurs than women world-wide – with the exception of a few countries, including Brazil and Peru – on average, the gender gap in LAC is smaller. This difference is especially marked when focusing only on new firms (less than 42 months), for which the gender gap in LAC is 24 percent, in contrast to 43 percent and 45 percent for Asia and Europe, respectively.¹⁶ This higher entrepreneurial activity among LAC women may reflect broader economic opportunities for women, resulting from political advancements on female

rights in the region. On the other hand, it may reflect limited labor options for women in salaried work or a greater need to supplement household income.

According to nationally representative household surveys from Latin America, most female-owned firms are classified as small enterprises¹⁷. The percentage of female firm owners is highest among firms with less than 5 employees (ranging from 33 percent in Argentina to 50 percent in Honduras). As firm size increases, the percentage of female business owners drops in all countries. Women make up only 18 to 31 percent of firm owners having 5 to 10 employees in the countries studied. Firms with more than 11 employees have the lowest percentage of female owners, ranging from 29 percent in Brazil to 12 percent in Mexico¹⁸ (Graph 1.5).



¹⁵ Gender gap in this section refers to the difference between men and women entrepreneurs.

¹⁶ Allen *et al.* (2007).

¹⁷ This pattern is similar in other regions around the world, where most female-owned firms also fall into the smallest size categories (see Livani 2007).

¹⁸ Bruhn (2009).

1.3 Why Women Become Entrepreneurs in Latin America and the Caribbean

The quotes at the beginning of this chapter highlight the two main forces driving men and women in the region towards entrepreneurship: necessity of supplemental income and vision of a unique business opportunity.

Push-out factors are those derived from necessity. They often stem from lack of opportunities in the labor market and the need to supplement household income.

Pull-in factors are opportunity-based, and are often related to the desire for flexibility, following a

life's calling, innate ability, and capitalizing on a business niche.

The decision-making process for becoming an entrepreneur differs between men and women. Determinants of entrepreneurship at the micro-level, such as education levels and having children in the household, affect men and women's decision to become an entrepreneur differently (see Box 1.1 and Table 1.1). Many of the push-out factors are specific to women, and are related to gender issues, such as women's traditional responsibility for family and child care, their roles as secondary wage earners, and glass walls and ceilings in the private sector.

Box 1.1: Differences in the Determinants of Female and Male Entrepreneurship: Evidence from a Special Household Survey Module in Guatemala

Using data from a credit module and a special module for firm owners included in a household survey (2006) in Guatemala, the authors explored the determinants of women's and men's decisions to become entrepreneurs, among individuals 21 to 60 years old who are working. As Table 1.1 shows:

While increased education raises the probability of men becoming entrepreneurs, it diminishes the chances of entrepreneurship for women. An additional year of schooling makes a woman more than 0.3 percent less likely to work as an entrepreneur, while it increases the probability of a man becoming an entrepreneur by almost 0.3 percent. This gender difference, albeit small, may signal that entrepreneurship in Guatemala is not a preferred option by educated women, in contrast to men, and may partly explain the underperformance of female-owned firms relative to male-owned firms, as documented in the next chapter.

Household wealth reduces the chance of women being self-employed entrepreneurs. The opposite is found for men. This is somewhat surprising, as we would expect to see a positive effect of wealth on the probability of being a business owner for women as well, since more property would be potentially available to use as investment or collateral for the business. Nonetheless, it reinforces the idea that for many women, entrepreneurship is not a preferred option, and those who have the means are less likely to undertake it.

The number of adult females in the household seems to be a relevant determinant for women but not for men. Having more women in the household reduces the probability of women being self-employed entrepreneurs by 2 percent and of becoming employers by 1 percent. This finding implies that the presence of more women within the household may indicate a greater availability of support for or division of domestic chores and childcare responsibilities, giving some women within the household more freedom to work as employees.

Source: The Guatemalan National Living Conditions Survey of 2006 was used for the study. It is a nationally representative household survey and includes a specific module on household businesses and another one on household credit, providing information on dimensions of businesses that are usually missing in traditional household surveys. It also covers both formal and informal firms. However, as it is a household survey rather than firm survey, it captures only a few large firm owners, limiting the analysis that can be done on this type of firms. Nevertheless, this may not constitute a severe bias, since Gutiérrez (2009) reports that in Guatemala over 95 percent of firms have less than nine workers (micro and small enterprises).

Table 1.1: Gender Differences in the Determinants of Entrepreneurship

Variables	(1) Female Entrepreneur (including self-employed)	(2) Male Entrepreneur (including self-employed)	(3) Female Entrepreneur (only employers)	(4) Male Entrepreneur (only employers)
Years of Schooling	-0.00336***	0.00273***	-0.001588***	0.000972***
Number of adult female household members	-0.0198***	0.00540	-0.00404***	0.00366*
Wealth of Household	-0.0162***	2.79e-07***	1.31e-07***	1.31e-07***
Observations	14369	14369	14369	14369

Significance level: *** p<0.01, ** p<0.05, * p<0.1

Source: Piras, Pérez and Tejerina (forthcoming).

Notes: Calculations are done using a bivariate probit model with all observations in the sample. The regression controls for gender, age and having children.

In the region, female entrepreneurship is influenced by women's position as a secondary income earner. A 1994 survey among urban women in Mexico, for instance, found that as many as 57 percent of female micro-enterprise owners run their business in order to *complement* rather than simply provide household income.¹⁹ Furthermore, Cunningham (2001) found that married women, single mothers, and single women without children in Mexico behave differentially with regards to employment and self-employment, according to their roles as primary/secondary breadwinners. For example, as married women are considered only secondary income earners, their labor force participation patterns differ during macroeconomic expansion and contraction periods, and they are more likely to start informal enterprises during an economic downturn.²⁰ In contrast, macroeconomic shocks do not appear to affect the labor force participation rates of single mothers, and single women with no children participate in the labor force at higher rates, near those of male labor force participation. Cunningham (2001) explains that, although entrepreneurship, particularly informal, is risky,

married women are better positioned to bear that risk, as they are not the primary breadwinner for their household.²¹

1.4 When Given Lemons, Open a Lemonade Stand: Push-out Factors

Push-out forces stemming from lack of opportunities in the labor markets play an important role in influencing women to become entrepreneurs, especially for poor women and those who become micro-enterprise owners. This sentiment was echoed by Focus Group participants and some of the women interviewed for the Case Studies in this report.

"...I was completely broke...I used to sell empanadas to survive, until a friend told me about the classes held by PRODEMU, which also offered seed capital for a new business. I felt as if getting out of a hole."

SERCOTEC and PRODEMU Focus Group Participant, Chile

"Given that my salary was not enough to meet my needs, a common problem in Nicaragua, I decided to start my own business. That would allow me to be my own boss, make my own schedule, and make more money..."

Ximena Ramírez (EuroAmericana) – Case Study Nicaragua

¹⁹ Sánchez and Pagán (2001).

²⁰ Cunningham (2001).

²¹ *Ibid.*

Although men are generally more likely than women to become entrepreneurs in response to a recognized economic opportunity, LAC has the lowest ratio of opportunity-to-necessity for female entrepreneurs.

In the region, only 7.5 percent of women become entrepreneurs to seize an opportunity, while another 5.3 percent do so for necessity. The ratio between the two (1.4), is lower than the ratio for male entrepreneurs in the region (1.6) as well as for women business owners in Europe and Asia (1.9) and in high-income countries (4.2).²²

Low returns to education in salaried work often push women towards entrepreneurship. In Peru, enterprise owners are more likely to be women, not poor, and to have secondary and even tertiary education.²³ This is in part explained by the fact that although Peru has a relatively high rate of secondary school completion, returns to education are low relative to other countries in the region. That is, many Peruvian women may become entrepreneurs in order to achieve higher rates of return to education, returns they cannot find in salaried employment despite their high educational achievement levels.

It is often more than just a matter of fixing the wage gap; lack of opportunities in the labor market and barriers to entry can influence women's decisions to become entrepreneurs. In the mid-1990s the wage gap shrank in Nicaragua. However, women still turned to self-employment at higher rates than men. Self-employed women in Nicaragua out-earned salaried women by 25 percent in 1993; by 1998, however, their earnings were around 2 percent lower than those of salaried women. Nonetheless, female participation in self-employment fell by less than a percentage point during the period and stood at 37 percent in 1998.²⁴ This implies women were choosing entrepreneurship based on need rather than opportunity.

Focus Group Participants also mentioned other push-out factors influencing their decision to become entrepreneurs. Among them, being older than 50 was seen as a limiting factor in the labor market and a major driver towards becoming entrepreneurs. The lack of childcare options and the traditional division of gender roles were also highlighted. Glass-ceiling type barriers to growth and to attain decision-making positions at the top of the corporate ladder were also frequently identified as having a push-out effect (see Bolivia and Jamaica Case Studies).

1.5 When You See an Opportunity, Seize It: Pull-in Factors

The flexibility afforded by self-employment is an important factor for entrepreneurs, and may even outweigh earnings differentials. In Bolivia, for example, self-employed individuals are less likely to *perceive* themselves as poor than non-self-employed individuals with the same socio-economic status, indicating perceived benefits to self-employment not captured by income alone.²⁵ One participant from Focus Group 2 (ComunidadMujer) stated: "I wanted to earn money, but also needed flexibility to spend a lot of time with my children." In Mexico, Cunningham (2001) found that married women with school-age children are more likely to go into the informal than the formal sector, and ascribes this pattern to the need for flexibility.²⁶ That is, even when full-time childcare is not needed, mothers look for work that is amenable to their need to tend to their children before and after school.

Female entrepreneurs also tend to run their businesses from within their homes. This provides greater flexibility as well as reduced costs and risks for owners. In Bolivia and Mexico, for example, female-owned businesses are two to three times more likely to be based

²² Allen *et al.* (2007).

²³ World Bank (2005a).

²⁴ Pisani and Pagán (2004).

²⁵ World Bank (2005b).

²⁶ Cunningham (2001).

within the home than male-owned businesses.²⁷ Notably, Sanchez and Pagán (2001) also found that in Mexico, while one in three female-owned micro-enterprises was run from within the home, about 25 percent did not have fixed premises. Only 40 percent of female-owned micro-enterprises are run from a separate fixed location.²⁸ This flexibility, however, comes at the expense of growth and earnings.

Other pull-in factors driving women's decision to become entrepreneurs include: a desire for flexibility, following a life's calling, innate ability, starting or joining a family business, and capitalizing on a business niche. In a survey conducted in Mexico, for example, as many as one-fifth of female microenterprise ownership cited a desire for independence

as the reason for starting their business.²⁹ Participants in Case Studies and Focus Group discussions articulated these opportunity-based factors, particularly Anne Marie Richard (Argentina) and Maria Elena Mendoza (Mexico).

1.6 Choices and Constraints Both Play a Role in Leading Women Towards Entrepreneurship

These pull-in and push-out forces differ considerably from those faced by men. Pull-in forces can provide a path for capable female entrepreneurs who are able to take advantage of business opportunities and/or flexibility and independence. However, push-out forces can result in self-employed women, who might prefer to work as employees if positions with a favorable environment and wage were available.

²⁷ Bruhn (2009).

²⁸ Sánchez and Pagán (2001).

²⁹ *Ibid.*

Chapter 2

Performance of Female-Owned Firms: Does Size Matter?

“... As of 2008, Grupo SyN employs 40 people and generates annual revenue of over 1 million USD...”

Anne Marie Richard (Grupo SyN) – Case Study Argentina

Summary

This chapter finds that gender differences in firms’ productivity diminish as a firm grows. At the micro and small enterprise levels, female-owned firms are less profitable than male-owned firms, and less productive. However, at the medium and large size levels, female-owned firms are as productive as (or more productive than) firms owned by males. Given the patterns observed in the case studies, differences in profitability or sales volume documented in survey data may be partly due to the fact that women entrepreneurs are disproportionately concentrated in start-up operations. They also use less labor and less physical capital, and, in some countries, female entrepreneurs have lower levels of human capital. Successful female entrepreneurs are able to advance to the next phase of business, or to abandon less successful operations. This chapter looks at differences in firm performance and characteristics among male and female-owned firms³⁰.

2.1 Why Size Matters

There are several possible explanations for why female firms are concentrated in small and micro enterprises. First, it could be the case that only a small fraction of women possess the entrepreneurial skills needed to successfully run a larger firm. Second, female-owned firms in Latin America could be constrained from performing well and from growing by certain obstacles that affect women disproportionately more than men. These obstacles could include childcare and household obligations, access to finance, or regulatory burdens and market conditions. It could also be the case that women simply have a preference for running smaller firms than men, or that the small size of female-owned firms reflects an efficient division of labor in the household. But does size matter?

Firm size is linked to the profitability of the firm and the income of the owner. Firm size and gender differences

³⁰ Estimations using Enterprise Survey data in this chapter are based on Bruhn (2009), which contains a more detailed explanation of the methodology. Estimations based on a household survey special module for Guatemala are based on Piras, Pérez, and Tejerina (forthcoming). Both background papers were prepared for this report.

should be a point of investigation. Gender parity (or disparity) in income levels could be explained by differences in firm size. Lack of access to finance and other obstacles to doing business could also be correlated to firm size, and often affect men and women differently. Better understanding these relationships can help lead to better informed policies.³¹

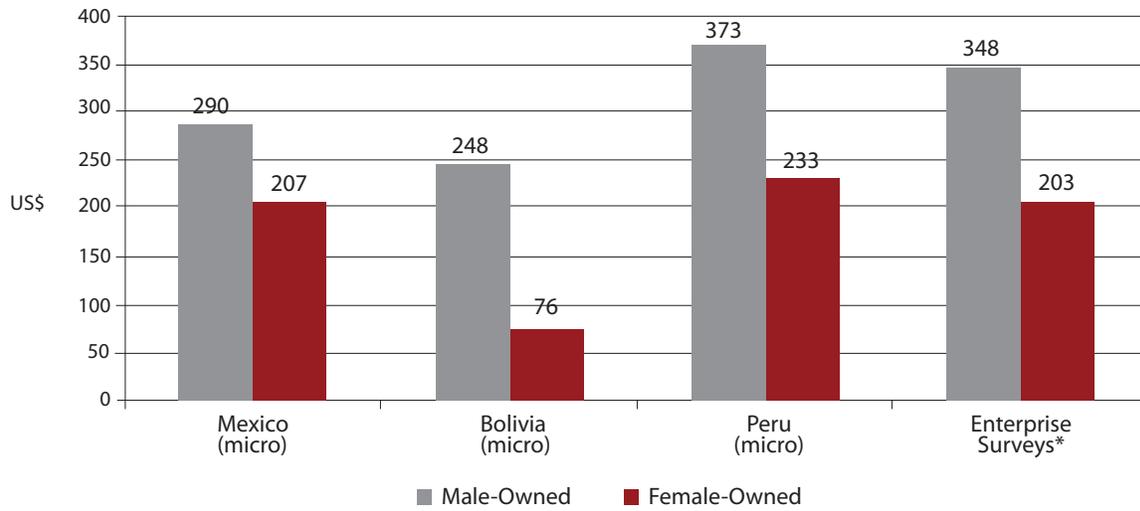
2.2 Performance of Female-Owned Firms

Female-owned firms have lower profits than male-owned firms. Graph 2.1 shows that median profits among female-owned firms are between 30 and 70 percent lower than median profits among male-owned firms, according to a number of firm surveys from Latin America³². In a similar analysis, Bruhn (2009) finds that female-owned firms’ average and median profits are between 15 and 20 percent of a standard deviation lower than male-owned firms. However, this does not necessarily imply that all female-owned firms are less productive than male-owned firms.

³¹ Amin (2010).

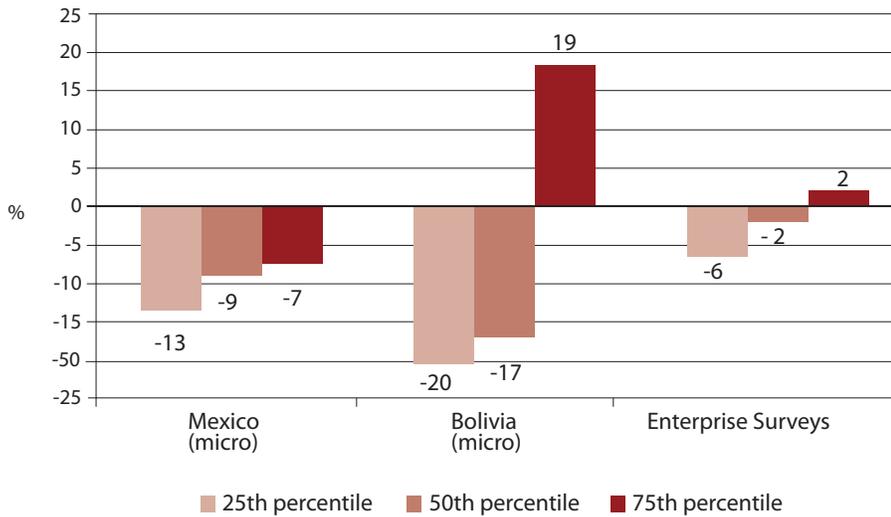
³² The fact that the differences between female-owned and male-owned firms vary across countries could be due to country-specific factors. However, the surveys for each country include different types of firms, which could also explain the different results. Also note that enterprise surveys cover only formal businesses.

Graph 2.1: Median Profits



Note: *The numbers for the Enterprise Surveys are in 100s of US Dollars. All other numbers are in US Dollars. Firms in Mexico, Bolivia and Peru were microenterprises, while the Enterprise Surveys covered larger firms.
 Source: Encuesta Nacional de Micronegocios (ENAMIN), 2002; Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003.

Graph 2.2: Differences in Productivity by Percentile of Sales (Female – Male)



Note: The figure displays the coefficients on the female dummy in separate productivity regressions that are based on a Cobb-Douglas production function of the form $Y = (AL)^{1-\alpha-\beta}H^{\alpha}K^{\beta}$, where A stands for technology, L stands for labor, H for human capital, and K for physical capital. The outcome variable is in sales. Firms in Mexico and Bolivia were microenterprises, while the Enterprise Surveys covered larger firms.
 Source: Encuesta Nacional de Micronegocios (ENAMIN), 2002; Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003.

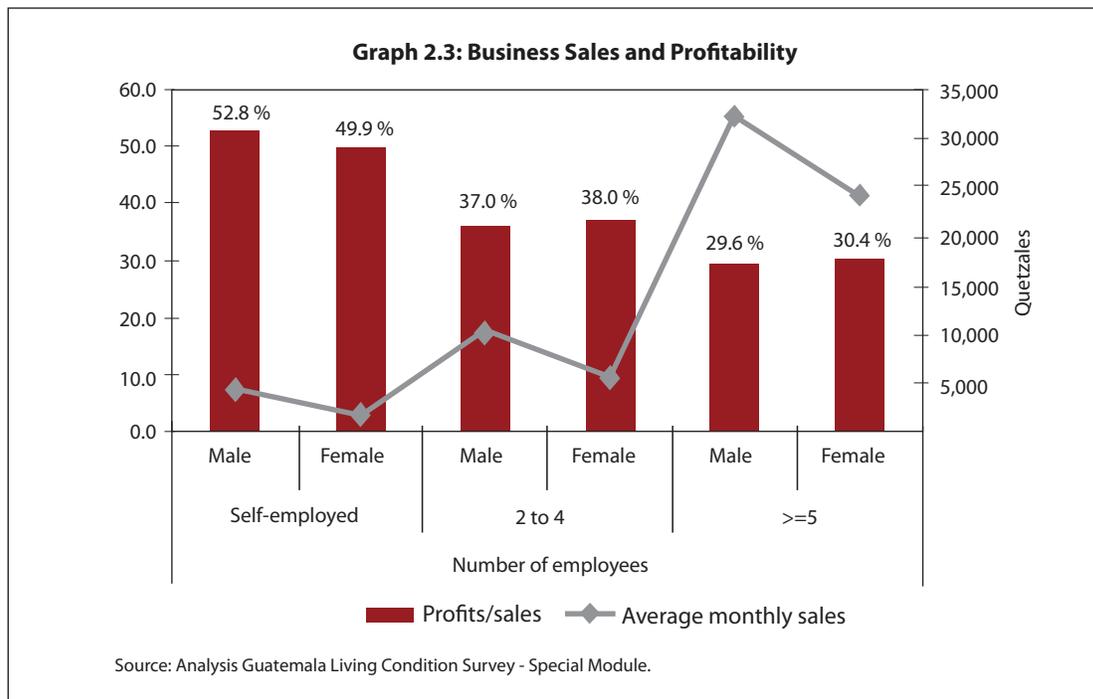
Micro and small female-owned firms are less productive than male-owned firms; the majority of female-owned firms fall into these size categories.

Graph 2.2 shows that firms at the 25th and 50th percentile of sales in the Bolivian data and all firms in the Mexican Micro-Enterprises Survey are less productive than male-owned firms. The firms included in the Mexican survey typically have only 1.4 employees on average, followed by 3.9 in the Bolivian survey and 85.6 in the Enterprise Surveys. The evidence across surveys suggests that differences in productivity are more pronounced among smaller firms, and can even be reversed among larger firms.

Medium and large female-owned firms are as productive as male-owned firms of the same size. A productivity analysis that compares sales across female- and male-owned firms, controlling for differences in the inputs to the production process, reveals that relatively large female-owned firms are as productive as male-owned

firms. This is true for the firms at the 50th and 75th percentile of sales in the World Bank Enterprise Surveys, where the difference in productivity is close to zero (see Graph 2.2). It is also true for firms at the 75th percentile of sales in the World Bank Survey of Bolivian Micro-Enterprises, where female-owned firms are more productive than male-owned firms; but this difference is not statistically significant.

In Guatemala, female-owned firms are smaller in terms of sales volume; but they are as profitable as male-owned firms. There are significant differences in the average volume of sales between female and male entrepreneurs, with self-employed female entrepreneurs showing the worst performance in terms of profitability. The sales volume of female businesses is on average 60 percent smaller than the sales volume of male-owned businesses, but their profitability, measured as the ratio of profits to sales, is similar for all employer-entrepreneurs, with slightly higher levels for bigger businesses, as can be seen in Graph 2.3.³³



³³ A productivity analysis requires information on the different inputs of the production function of the firm. The business module used from the Guatemala National Living Conditions Survey contains only some of the inputs, including labor and material costs, but does not

contain any question about the value of the physical capital. This lack of information limits the analysis that can be done in terms of productivity.

Table 2.1: Differences in Characteristics of Female- and Male-Owned Firms

	Percent Differences in Averages (Female - Male)			
	Mexico (micro)	Bolivia (micro)	Peru (micro)	Enterprise Surveys
Employees	-9.4***	-36.1***	-2.9	-31.9***
Property value	-60.9***	-79.4**		-54.5***
Machinery value	-121.3***	-227.3***		-74.8***
Owner's years of schooling (in years, not percent)	-0.74***	-1.81***	-32.3	
Owner participated in business training		-14.1***		
Hours worked	-26.5***	-22.7***	-3.7	
Number of firms	8,293	265	582	2,175

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent.

Source: Encuesta Nacional de Micronegocios (ENAMIN), 2002; Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003.

2.3 Characteristics of Female-Owned Firms

There are significant differences in the characteristics of female and male-owned firms. An assessment of business owners from our sample in Guatemala shows that similar percentages of women and men are entrepreneurs. Women constitute the majority of business owners in Guatemala, with 53 percent of entrepreneurs being female (47 percent being male). But this is where the similarities end. As Table 2.1 illustrates, there are significant differences in the human and physical capital of female and male-owned firms. Female entrepreneurs tend to have fewer employees, own property of lower value, participate less frequently in business training, and work fewer hours. These characteristics may help explain the differences in performance and size. (Physical capital and assets will be discussed in Chapter 4.)

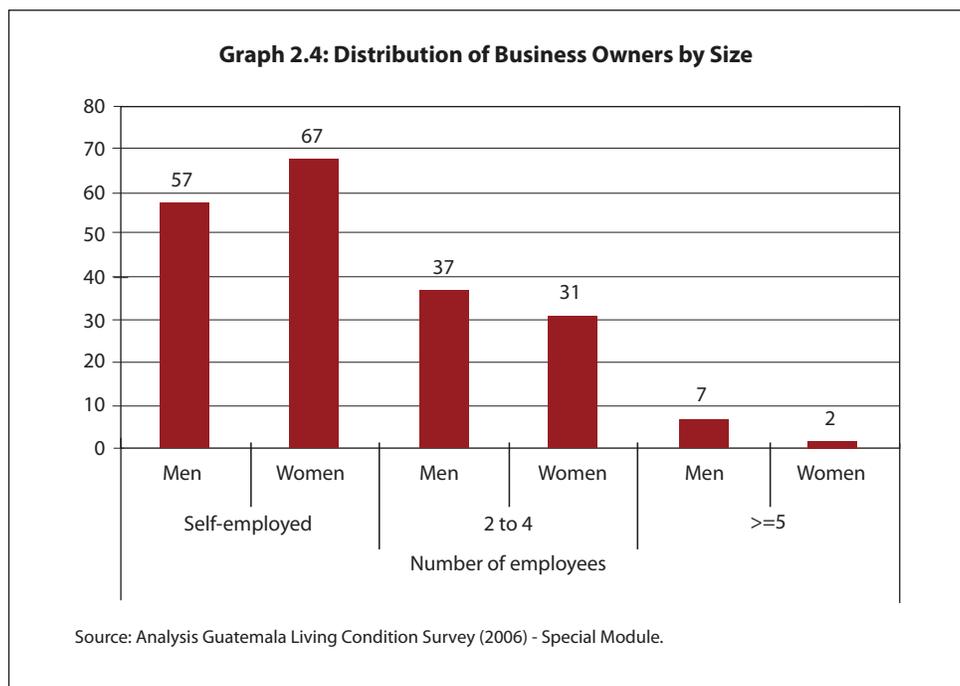
Female-owned firms have fewer employees than male-owned firms. Enterprise surveys show that female-owned

firms have between 9 to 36 percent fewer employees than male-owned firms, even at the micro level.³⁴ Household survey data from Guatemala supports this finding.

Although the vast majority of businesses in Guatemala are very small in terms of the number of employees, the size distribution is even more skewed in the case of female business owners. As is the case in other Latin American countries, as firm size increases, the percentage of female-owned businesses drops. Graph 2.4 shows that as many as 67 percent of female entrepreneurs in Guatemala have no employees (self-employed), while 57 percent of men entrepreneurs are self-employed. There are relatively similar percentages of micro firms (between 2 and 4 employees) owned by men and women. For businesses with more than 5 employees, the gender difference is significant. They represent 7 percent of all male-owned businesses and less than 2 percent of female-owned businesses.

³⁴ The fact that the differences between female-owned and male-owned firms vary across countries could be due to country specific factors. However, the surveys for each country include different types of firms, which could also explain the different results. For example, the firms

in the Mexican survey only have 1.4 employees on average, while the firms in the Bolivian, Peruvian, and Enterprise Surveys have 3.9, 7, and 85.6 employees on average, respectively.



Female entrepreneurs have lower human capital than male entrepreneurs. As noted above, Enterprise Survey data for formal firms show that female firm owners have significantly less formal education than male firm owners, and that they work fewer hours. This includes years of schooling and the business owner’s participation in training over the last 12 months. Table 2.2 shows that self-employed and small-firm female entrepreneurs in Guatemala have 2.4 fewer years of education than their male counterparts. The gender difference increases to 2.6 years for business owners

with more than 5 employees. There are also significant gender gaps in participation in training. The gap is larger among small entrepreneurs, where the percentage of women owners that took some training in the last year is 45 percent lower than the percentage of male owners. The gender gap is 33 percent among those self-employed and 23 percent in the case of businesses with more than 5 employees. Both variables are statistically significantly smaller for female owners than for male owners.

Table 2.2: Differences in Human Capital of Business Owners in Guatemala

	Entrepreneurs by number of employees								
	Self-employed			2 to 4			>=5		
	Male	Female	Self-employed Gender Difference	Male	Female	2 to 4 Gender Difference	Male	Female	>=5 Gender Difference
Years of schooling	7.3	4.9	2.4***	7.3	4.8	2.4***	9.3	6.7	2.6***
Took training courses in the last 12 months	11.5	7.7	3.8***	14	7.6	6.4***	11.0	8.4	2.6***

Significance levels: *** p<0.01, ** p<0.05, * p<0.1
Source: Analysis Guatemala Living Condition Survey- Special Module.

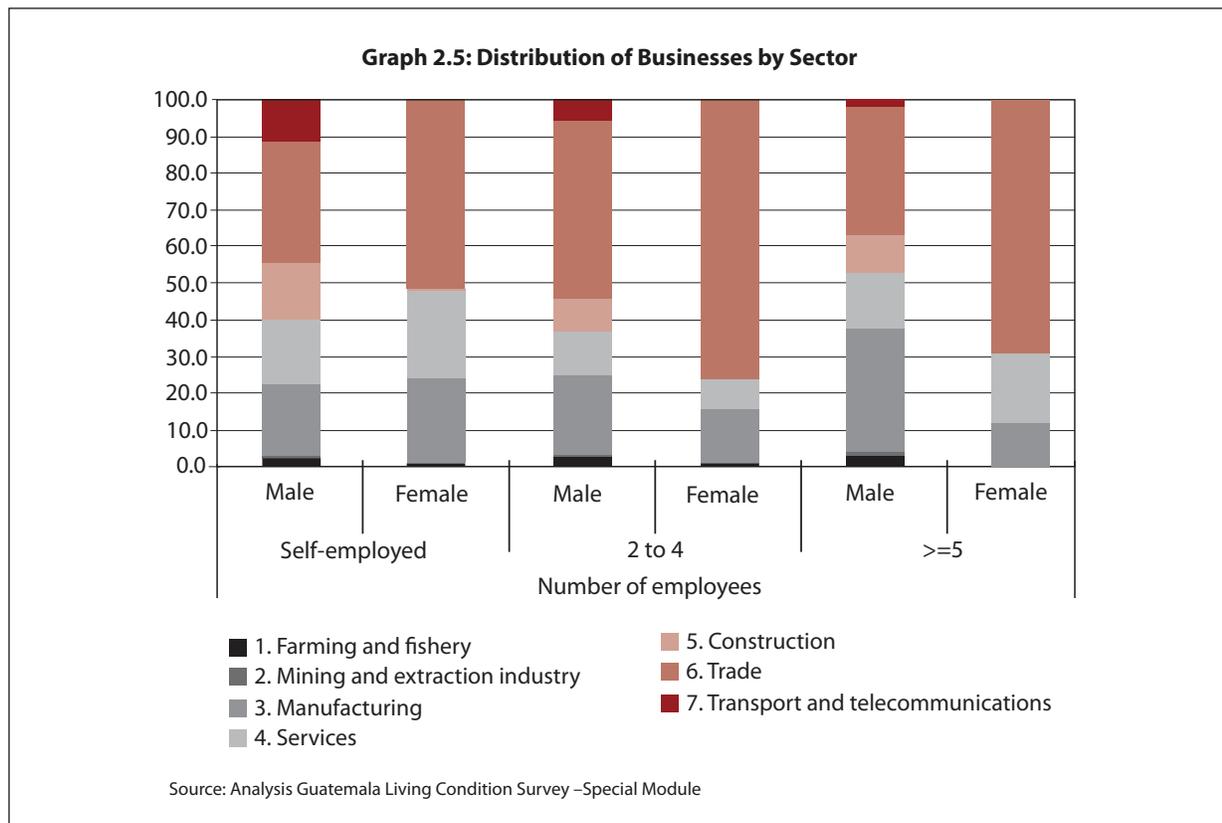
2.4 Sector Concentration

Female-owned firms tend to be concentrated in fewer economic sectors than male-owned firms. Graph 2.5 shows the distribution of male and female-owned businesses across sectors of the economy. While male firms are distributed among a variety of 7 aggregated sectors, female businesses operate mainly in trade, services and manufacturing, with a significant concentration in commerce. In Guatemala, among those women business owners who are employers, more than 70 percent are in the commerce sector. Graph 2.6 shows the distribution of female-owned firms by sector in seven countries, showing that most female-owned firms are concentrated in trade, followed by manufacturing and services.

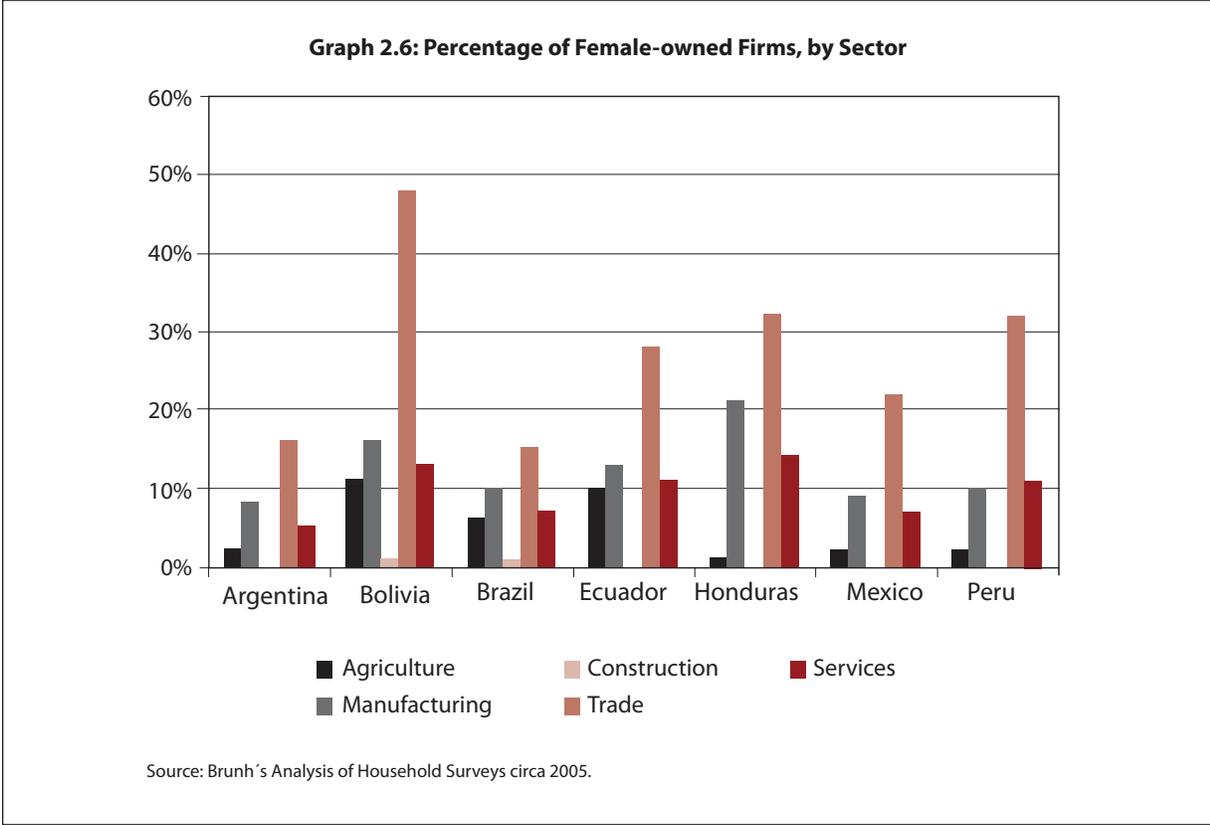
Women entrepreneurs are disproportionately concentrated in start-up operations. According to the

Global Entrepreneurship Monitor, LAC countries exhibit a gender gap of 24 percent between male and female early stage entrepreneurs. This gap widens to 47.1 percent for established business owners³⁵. One reason why women remain in start-up operations and do not abandon them for new and potentially more profitable opportunities may be that they are more risk-averse than men. Differences in risk aversion related to credit behavior have been documented by private banks, but this hypothesis could not be formally tested using nationally representative enterprise or household survey data.

Most of the Case Studies were selected based on successful entrepreneurs who could shed light on ways in which women can overcome different barriers from start-up to growth. They have captured female-owned businesses at the top of the profit/sales distribution within the SME



³⁵ Allen et al. (2007).



sector and large firms. All these female entrepreneurs have proven entrepreneurial ability and human capital. For example, in the Brazil Case Study, our featured female entrepreneur is a meat exporter, and in the Mexico Case Study, we feature the owner of the largest funeral services company in LAC. However, some entrepreneurs had experienced failure (or lower profits) in previous smaller

operations and had used these experiences for learning valuable business lessons (see the Peru and Argentina Case Studies). In a way, being an entrepreneur entails a lot of learning by doing. It is possible that the rates of firm failure and success are similar for men and women, once they overcome the start-up phase.

Chapter 3

Why are Female-Led Firms not Scaling-Up?

“.. I needed to get validation in my role as an entrepreneur, as it is traditionally a male role. ... Women usually are worse at charging for services and try to argue less with clients about money”

Participant - Second Focus Group with members from ComunidadMujer, Chile

“If I had been a man, the company would have probably grown a lot more. I would have made it much bigger and reached out to more clients.”

Karina Von Baer (Saprosem, GranoTop, AvenaTop, OleoTop and TreeTop) – Chile Case Study

Summary

While some barriers to micro and small enterprise growth are not gender-specific, and present challenges for both male and female entrepreneurs (such as regulatory burdens), other barriers affect women disproportionately. Findings from enterprise surveys and household surveys indicate that some doing business and human capital issues may have a gender bias, such as vulnerability to corruption or access to business training. Similarly, there is evidence of the impact of childcare and other household chores, in terms of limiting female-owned business growth. Furthermore, household survey data from Guatemala sheds light on more subtle gender differences that warrant further research and closer attention. It finds that not only are female entrepreneurs concentrated in a few, less profitable sectors, but that many of their operating costs may be unaccounted for, thereby affecting the profitability of their businesses. This chapter draws on enterprise surveys, a special household survey module in Guatemala, and qualitative data to take a closer look at the barriers to female-owned firms' growth.

3.1 Barriers to Female-Owned Businesses' Growth

Enterprise surveys, household surveys, and focus group discussions bring to light the barriers to scaling up micro and small enterprises that may affect women disproportionately. It must be noted that the data used has its limitations. Enterprise Surveys cover only formal businesses, thereby leaving out a large portion of female entrepreneurs. The Focus Group discussions and Case Studies, on the other hand, are also imperfect, as they tend to involve particularly successful, well-known, or well-

connected entrepreneurs, or self-selected beneficiaries of Government programs in Chile. Furthermore, they do not include men, so in some cases it is difficult to discern if the issues raised are gender-based, or if men also face similar barriers. Nevertheless, results confirm those of previous sections and bring to light more subtle gender differences that are worth probing further. The barriers to entrepreneurship and firm growth examined in this chapter are summarized in Table 3.1. Issues related to access to credit or building on assets are presented in Chapter 4.

Table 3.1: Barriers to Entrepreneurship and Scaling-Up Micro and Small Enterprises

	Affect both Men and Women	Affect Women Disproportionately	Affect Mostly Women
Doing Business Environment	<ul style="list-style-type: none"> • Lack of information about firm registry and permits • Cumbersome procedures and sometimes extremely high taxes • Burdensome labor law 	<ul style="list-style-type: none"> • Exposure to corruption through high regulation 	<ul style="list-style-type: none"> • Legislation still requires husbands to approve personal assets and business transactions (Chile)
Individual Skills and Human Capital	<ul style="list-style-type: none"> • Differences in entrepreneurial ability • Lack of quality training and courses 	<ul style="list-style-type: none"> • Female entrepreneurs have lower human capital (some countries) • Lack of quality training and relevant courses 	
Asset Accumulation, Use of Collateral, and Finance	<ul style="list-style-type: none"> • Insufficient asset accumulation • Problems with land and real estate registry and titling • Incipient financial systems • Lack of financial products for SMEs 	<ul style="list-style-type: none"> • Use of collateral • Problems with land and real estate registry and titling • Lack of financial products for SMEs 	<ul style="list-style-type: none"> • Asset ownership (land and real estate) by husbands and fathers only still prevails (in some countries) • Women accumulate assets of less market value • Business is located at home
Intra-household Allocation and Gender Roles		<ul style="list-style-type: none"> • Concentration in sectors and occupations by gender 	<ul style="list-style-type: none"> • Childcare responsibilities (elderly care and sick care) • Business is located at home
Other Social Factors	<ul style="list-style-type: none"> • Access to networks limited by social class 	<ul style="list-style-type: none"> • Access to networks limited by social class 	

3.2 Doing Business Environment – Regulatory Burdens and Market Conditions

Regulatory and market-based obstacles to operating and growing a business affect both male and female owners. Many of the regulatory burdens and market conditions listed in Table 3.1 are equally perceived as obstacles by female-owned and male-owned firms. There are three exceptions. First, female firm owners in the Bolivian survey were less likely to perceive corruption as an obstacle than male firm owners. Second, female firm owners in the Peruvian data were significantly less likely to

report the level of skills and education of available workers as an obstacle than male firm owners. Finally, female firm owners in the Enterprise Surveys were 4.1 percent more likely to say that macroeconomic instability is an obstacle to firm operation and growth than male firm owners³⁶. However, this difference is small in magnitude, considering the fact that close to 90 percent of firm owners consider macroeconomic instability as an obstacle.

³⁶ Piras, Pérez, and Tejerina (forthcoming).

Table 3.2: Regulatory and Market-Based Obstacles to Firm Operation and Growth

	Percent that perceive (...) as an obstacle					
	Average for Female-Owned Firms			Difference (Female - Male)		
	Bolivia (micro)	Peru (micro)	Enterprise Surveys	Bolivia (micro)	Peru (micro)	Enterprise Surveys
Access to land	59.5		45.1	-6.5		3.9
Labor regulation	31.4	61.9	65.2	-2.6	4.4	-2.5
Skills and education of available workers	55.4	62.5	77.4	-3.0	-9.0**	2.1
Business licensing and operating permits			53.3		-2.7	-3.6
Economic and regulatory policy uncertainty	83.5	91.1	88.4	-6.1	-0.5	-1.2
Macroeconomic instability	89.3	94.6	92.2	-1.7	-0.8	4.1**
Corruption	80.2	92.3	88.1	-9.4**	1.0	3.1
Crime, theft and disorder	91.7	93.5	81.5	4.9	-2.7	1.1
Anti-competitive or informal practices			84.3			3.2
Legal system/conflict resolution	32.2	54.2	65.2	-7.4	0.8	-2.0

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent.

Source: Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003.

Formalization could lead to more frequent visits from corrupt government officials. Some female business owners running informal enterprises in Bolivia express concern that by registering their business they would make themselves more vulnerable to corruption and bribery. Notable comments include: “The police always extort us and put pressure on us for the smallest things. If we register, this will surely get worse.”³⁷ In Bolivia, female *formal* business owners exhibit higher levels of confidence with regard to corruption than men. This is likely not mirrored by those in the informal sector. Half of all employed women in Bolivia are self-employed in the informal sector, as compared to one-third of working men.³⁸

Female entrepreneurs feel less equipped to maneuver complex procedures than their male counterparts. In Chile, Focus Group participants mentioned regulatory burdens as one of the most important barriers to start a

business, especially in the food sector, due to additional sanitary regulations. Bureaucratic procedures for permits were perceived as cumbersome and information for the public less than clear. Specifically, participants cited variations in different regions and municipalities that hindered their firms’ geographic expansion.

Labor legislation and labor inspections are a challenge for SMEs. Participants did not express a preference for hiring men or women, even though complying with post-natal permits and lactation regulations could be costly. Some participants favored cost sharing schemes with the government or among several microenterprises or SMEs to reduce the cost of providing maternity benefits or day care services. However, in Bolivia, strict labor regulations discourage small businesses from formalizing, and non-wage benefits can amount to up to 8 percent of profits (World Bank, 2005b and Bolivia Case Study). Entrepreneurs navigate these difficulties by keeping their staff small and contracting work as needed (as seasonal workers). In the Bolivia Case Study, María Claudia Méndez found a creative

³⁷ World Bank (2009a).

³⁸ *Ibid.*

way of working with artisans through an affiliation legal agreement in which each workshop regulates their own hours and payment and sells their crafts to Orígenes Bolivia under fair trade pricing practices.

In general, LAC registers high tax rates, cumbersome manual processes, and a high number of payments and hours devoted to taxes per year. In Chile, participants of Focus Groups commended the tax administration for being well-organized and disseminating clear information through several media, including the internet. Participants did not mention the tax rate as a burden for the development of their businesses. In Mexico, taxes can be paid online and tax administration has improved significantly, according to María Elena Mendoza (Case Study Mexico), but there is still room for improvement with the number of tax payments per year at 27 and the total tax rate at 51.5 percent of net profits. In Argentina, although in appearance the situation is similar to Mexico, taxation burdens are worse; the value-added tax is 21 percent and may affect women disproportionately (concentrated in SMEs and retail commerce). Anne Marie Richard (Case Study Argentina) describes this tax burden, specifically the multiplicity of different taxes she must pay and keep track of, as a significant obstacle for her business. This is not surprising, as the total tax rate incurred by a sample of formal enterprises was more than 100 percent over net profits, making tax evasion almost a necessity.³⁹

3.3 Individual Skills and Human Capital

a) Training Opportunities

Access to training and business development services was cited as an important enabling factor by women entrepreneurs. Participants from Focus Groups placed a high value on opportunities to improve their managerial skills and business practices, including one-on-one mentorship opportunities.⁴⁰ Several

³⁹ World Bank (2006). Enterprise Surveys: Argentina.

⁴⁰ Chapter 5 presents more information on mentorship programs such as *ComunidadMujer* in Chile and international business networks.

entrepreneurs interviewed for our Case Studies benefited from international programs such as Endeavor and Vital Voices that offer access to networks and mentorships.⁴¹ Participants of the Focus Group comprised of micro-entrepreneurs who are beneficiaries of government programs in Chile targeted to poor households (SERCOTEC and PRODEMU), emphasized the importance of the training received through those programs. Beneficiaries of government programs in Chile and Peru also noted that sometimes the quality of training is lacking or training is not relevant to market demands or the current business environment.⁴² The female entrepreneur in the Brazil Case Study also noted that training for women, when available, too often emphasizes traditional roles, focusing on skills such as sewing and cooking.

Table 3.3: Provision of Business Training by Region

Region	Average Score
High-income countries	4.36
Latin America and Caribbean	2.94
Europe and Central Asia	2.83
East Asia and Pacific	2.80
Middle East and North Africa	2.53
Africa	2.22
South Asia	1.75

Note: The score runs from 1 to 5, with 5 indicating the highest level of business training. The factors considered in constructing the score are “existence of government or non-government programs offering Small- and medium-enterprise (SME) support/development training.” Source: “Women’s Economic Opportunity Index” database by the Economist Intelligence Unit.

⁴¹ The women interviewed for the Argentina, Bolivia, Nicaragua, and Peru Case Studies are members of Vital Voices. The Chile Case Study was organized by *Mujeres Empresarias* in Chile.

⁴² Results for Chile stem out of Focus Group 4 (SERCOTEC and PRODEMU), where entrepreneurs suggested stronger Government supervision and a streamlined supply of more personalized and sector specific courses. Results from Peru are taken from informal consultations with a women’s business association. Chapter 5 describes promising approaches on business training provision, including a program in Mexico that takes into account the business demand side for SMEs.

More could be done to improve the provision of SME training in LAC in general. According to the Economic Intelligence Unit, LAC ranks highly in an international comparison of the existence of small- and medium-enterprise (SME) training programs (Table 3.3). The mean score for LAC, however, is only 3 out of 5, suggesting that there is room for improvement in the provision of SME training. Moreover, the data from Bolivia indicate that female firm owners are less likely than male firm owners to participate in business training programs, implying that more research is needed to determine how women's participation in business training courses can be improved.

b) Access to Networks, Markets, and Technology

Female entrepreneurs have difficulty accessing networks and markets. Some of the entrepreneurs in our Case Studies and Focus Group participants emphasized the importance of networks in accessing markets, technology, and financing. Having the right contacts, as well as friends and colleagues who are knowledgeable about the steps to starting a business and labor regulations was an important element for success for the entrepreneurs featured in the Bolivia, Argentina, and Mexico Case Studies. Some entrepreneurs from one of the Focus Groups conducted with members of ComunidadMujer mentioned the importance of social networks in expanding their business. Old friends and colleagues were key to obtain financing, find the right logistical support and/or market their products and services, provided these were of good quality. Participants of the Focus Group that included beneficiaries of public programs targeting poor women in Chile cited severe difficulties regarding access to markets and trade channels, starting out with simple door-to-door strategies that were not always effective.

c) Education

Female entrepreneurs tend to have significantly lower levels of education and training, relative to male business owners. This lower human capital can limit the productivity and growth of a business. Recent studies find

that, for the entire Guatemalan population, males from recent cohorts are more educated than females.⁴³ However, Ñopo and Gonzales (2008) report that, for employed individuals, women spent more years in the educational system than men. Our findings, that women entrepreneurs have lower levels of education than men, could reflect the fact that the selection of males and females into entrepreneurship in Guatemala does not differ by gender, as opposed to the non-random selection that takes place in the labor market in general.

d) Entrepreneurial Ability

Female firm owners do not have lower overall entrepreneurial ability than male firm owners.

Box 3.1 compares several measures of entrepreneurial ability across female and male firm owners and concludes that female firm owners do not have lower measured ability, nor do they lack the self-confidence needed to run a business, compared to male firm owners. Female firm owners also score similarly to male firm owners on other measures of entrepreneurial ability. A possible way of fostering female firm owners' ability and self-confidence, as needed to run a business, would be to provide them with business training⁴⁴.

3.4 Intra-Household Allocation and Gender Roles

Gender roles may have an impact on the characteristics and performance of female- and male-owned businesses. Traditional gender roles continue to assign domestic and family responsibilities disproportionately to women. As María Elena Mendoza (Jardines del Recuerdo) expressed in the Mexico Case Study: "...*Here in Mexico, there is no ideology that men should help women around the house....*

⁴³ Duryea et. al. (2007) report that Guatemala is one of the countries in LAC with the highest disparities in educational attainment and attendance.

⁴⁴ Karlan and Valdivia (2006) find that female entrepreneurs who are microfinance borrowers in Peru improved their business knowledge, practices and revenues after being randomly selected to receive business training as part of their regular banking meetings.

Box 3.1: Differences in Entrepreneurial Ability

Few firm surveys measure the firm owner's entrepreneurial ability. The Bolivian Micro-enterprise Survey, however, asked whether any of the firm owners' parents have ever run their own business. This measurement has been linked to greater entrepreneurial ability in economics and psychology literature. The first row of the Table below shows that about 6 percent more female firm owners than male firm owners have parents who have run their own business, although this difference is not statistically significant. The Bolivian survey also included a series of questions that measure the ability and self-confidence needed to run a business. A recent World Bank report found that female firm owners score lower on an index based on these questions than male firm owners (World Bank, 2009a).

In order to further investigate whether there are differences in the entrepreneurial ability of female and male firm owners in other countries, this box draws on data from an Innovations for Poverty Action Survey (IPA) of micro, small, and medium-sized enterprises conducted in Puebla, Mexico, in 2007. This survey attempted to measure the "entrepreneurial spirit" of the firm's principal decision maker (in many cases, the owner) by asking the principal decision maker to which extent they agree with a series of statements, such as "If I don't reach a goal in the way I aspired to, I try again." The answers to these questions were aggregated into an entrepreneurial spirit index with mean zero. About 30 percent of principal decision makers surveyed were women. The Table below shows the average values for this index, separately for women and men. Women scored slightly higher on this index, but the difference is not statistically significant.

The IPA survey also measured the principal decision maker's level of risk taking, through a series of questions that are based on questions asked in the German Socio-Economic Panel survey. It is sometimes argued that an increased willingness to take risks reflects higher entrepreneurial ability. The Table below shows that women scored slightly higher on the risk-taking measures than men, but the differences are, again, not statistically significant.

Note that the IPA survey was conducted among firms that applied for a government-subsidized mentorship program, suggesting that the sample consists of motivated entrepreneurs and is not necessarily representative of all firms. In general, more research is needed to establish whether female firm owners in Latin America have lower entrepreneurial ability than male firm owners on average. The data from Bolivia and Mexico discussed in this Box provide mixed evidence on this issue.

Measures of Entrepreneurial Ability			
	Women	Men	Difference (Women - Men)
Parent had own business (percent)	50.4	44.1	6.3
Entrepreneurial spirit index	0.14	-0.05	-0.19
General risk taking	8.04	7.87	0.17
Financial risk taking	6.23	6.01	0.22

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent. Source: Bolivian World Bank Micro Enterprises Survey, 2007; Innovations for Poverty Action SME Survey for Puebla, Mexico, 2007.

all working women still have to come home, clean, and prepare food for the next day, regardless of whether they are executives or secretaries." The non-remunerated work done by women entrepreneurs in terms of domestic chores and caring for their family may influence the amount of effort and time that they are able to dedicate to the business. In fact, these two factors are not isolated, since women may decide to enter into a type of business where it is easier for them to combine work and family responsibilities. Furthermore, women may have different motivations and expectations about their businesses than men.

a) Childcare Responsibilities and Household Chores

Female firm owners are much more likely to report having to care for small children and having to fulfill other family obligations and household chores as an obstacle to firm operation and growth than male firm owners. Data from the Bolivian Micro-Enterprises Survey indicates that 59.5 percent of female firm owners perceive child and family care responsibilities to be an obstacle to firm operation and growth. This number is much lower for male firm owners (36.1 percent). Similarly, 71.1 percent of female firm owners see family obligations or household chores as an obstacle to firm operation and growth, as opposed to only 49.3 percent of men (see Table 3.4). Other firm surveys

considered in this chapter did not explicitly ask firm owners whether childcare and household responsibilities represent obstacles for their firms. It is, however, possible to link the Mexican firm data to a household survey and to investigate the correlation between the presence of children in the household and firm performance.

Childcare responsibilities often translate into fewer employees and lower profits for female-owned firms.

Female-owned firms in the Mexican survey have 5.3 percent fewer employees than male-owned firms when no children are present in the household of the firm owner (Graph 3.1). When children are present in the household, this difference is much larger (8.7 percent). The difference in the median profits of female- and male-owned firms also increases from US\$44 to US\$69 when children are living in the household. These findings are consistent with the evidence from Bolivia that women are more likely to report childcare responsibilities as an obstacle to firm operation and growth than men. The findings also suggest that providing childcare facilities could help female entrepreneurs grow their business and improve the performance of their business, although more research is needed to investigate the effect of providing childcare facilities on the performance of female-owned businesses⁴⁵.

Table 3.4: Childcare and Household Chores as an Obstacle to Firm Operation and Growth

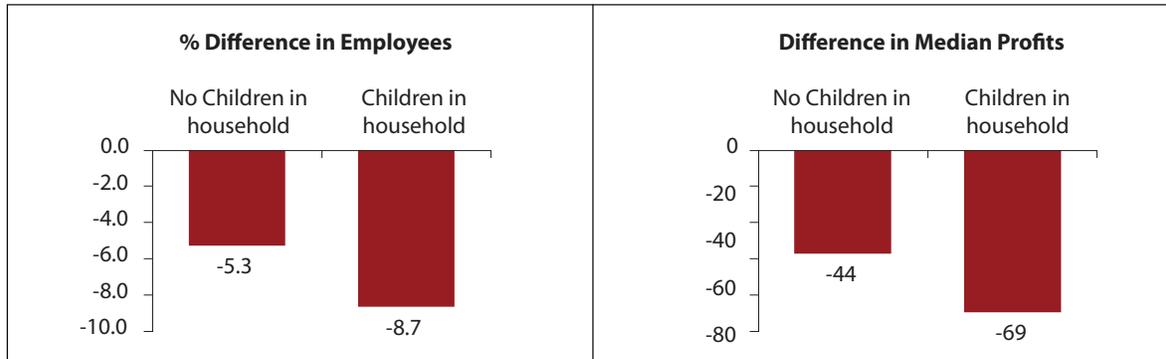
	Percent that perceive (...) as an obstacle		
	Women	Men	Difference (Women-Men)
Having to care for small children or family	59.5	36.1	23.4***
Family obligations or household chores	71.1	49.3	21.8***

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent.
Source: Bolivian World Bank Micro Enterprises Survey, 2007.

⁴⁵ A study on the effects of providing childcare centers on female labor force participation is currently in progress for the Mexican Childcare Program *Guarderías*. There is also another study underway that

examines the effects of introducing childcare programs in Rio de Janeiro.

Graph 3.1: Childcare Responsibilities and Differences in Firm Characteristics



Source: Encuesta Nacional de Micronegocios (ENAMIN); 2002, and Encuesta Nacional de Empleo (ENE), 2002-I (Mexico).

Table 3.5: Family and Domestic Responsibilities in Guatemala

VARIABLES	(1) Ln Employees	(2) Ln Employees	(3) Ln Sales	(4) Ln Sales	(5) Ln Profits	(6) Ln Profits
<i>Female entrepreneur</i>	-0.0832*** (0.0282)	-0.0365 (0.0257)	-0.618*** (0.0794)	-0.436*** (0.0713)	-0.529*** (0.0693)	-0.406*** (0.0659)
<i>Children < 5 years old</i>	-0.00274 (0.0298)	-0.00311 (0.0271)	-0.0216 (0.0751)	-0.0308 (0.0676)	-0.0277 (0.0647)	-0.0342 (0.0610)
<i>Female entrepreneur * Children < 5 years old</i>	-0.00031 (0.0366)	0.0120 (0.0339)	-0.250** (0.107)	-0.208** (0.0982)	-0.155 (0.0953)	-0.128 (0.0910)
<i>Percent family employees</i>		-0.728*** (0.0484)		-2.032*** (0.106)		-1.328*** (0.0969)
<i>Business at home</i>		0.0678*** (0.0192)		-0.176*** (0.0552)		-0.140*** (0.0505)
<i>Observations</i>	2028	2028	2027	2027	2026	2026
<i>R-squared</i>	0.078	0.226	0.297	0.421	0.290	0.360

Robust standard errors in parentheses. Significance levels: *** 1 percent, ** 5 percent, *10 percent

Source: Analysis Guatemala Living Condition Survey (2006) – Special Module.

Household survey data from Guatemala supports the inference that having young children negatively impacts women entrepreneurs' sales. Female-owned firms in Guatemala have sales that are 62 percent lower than male-owned firms, in households with no children under 5 years old. The gap increases to 87 percent if there are young children in the household. In the case of number of employees and profits we see a similar pattern, with a difference of 8.3 percent in number of employees and 53 percent difference in profits. However, for these two indicators the gap between female- and male-owned businesses is not affected by having young children.

Table 3.5 shows that, even if women business owners are as likely to have children as men entrepreneurs, there seems to be a differential effect of young children on female-owned businesses in terms of sales, number of employees and profits. In the analysis, Bruhn's exercise is emulated and the number of employees, sales and profits in their natural logarithms are regressed on dummy variables representing female entrepreneurship, having children under the age of 5, as well as an interaction of the first two. To mitigate bias in the regressions, there are controls for age, years of education, marital status, regional dummies and sectoral dummies.

Access to childcare in Latin America is more restricted than in other regions of the world. The Economic Intelligence Unit scores the "availability, affordability and quality of childcare services, as well as the role of the extended family in providing childcare," for a large number of countries around the world. Latin American countries have an average score of 3 (out of 5) on this indicator. In the international comparison, this positions the region behind high-income countries, behind East Asia and Pacific, as well as behind Europe and Central Asia (Table 3.6). This indicates there is room for improvement in access to childcare in Latin America. Such improvements could benefit female entrepreneurs by helping them balance childcare responsibilities with running successful businesses.

Table 3.6:

Access to Childcare Scores by Region and LAC Country

Region	Average Score
High-income countries	3.91
East Asia and Pacific	3.80
Europe and Central Asia	3.33
Latin America and Caribbean	3.06
Africa	2.78
Middle East and North Africa	2.67
South Asia	2.50

Country	Average Score
Chile, El Salvador, Honduras, Nicaragua	4
Argentina, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Uruguay, Venezuela	3
Bolivia, Dominican Republic, Paraguay	2

Note: The score runs from 1 to 5, with 5 indicating the easiest access to childcare. The factors considered in constructing the score are "availability, affordability and quality of childcare services, as well as the role of the extended family in providing childcare."

Source: "Women's Economic Opportunity Index" database by the Economist Intelligence Unit (forthcoming).

In Latin America, Chile, El Salvador, Honduras, and Nicaragua score the highest in terms of access to childcare (including public and private centers as well as intra-household provision). These four countries have a score of 4 for access to childcare, which is on par with the average score for high-income countries (Table 3.6). Chile, for example, has recently made significant progress in the provision of public childcare, through the expansion of the Chile Crece Contigo Program. Starting in 2006, this program

Table 3.7: Percentage of Firms Operating Inside the Owner's Home

	Female-Owned Firms	Male-Owned Firms	Difference (Female - Male)
Bolivia	23.2	10.1	13.1***
Mexico	30.3	11.1	18.8***

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent.

Source: Bolivian World Bank Micro Enterprises Survey, 2007; Encuesta Nacional de Micronegocios (ENAMIN), 2002 (Mexico).

has focused on providing childcare to households in the lowest four income deciles of the population. Between 2006 and 2010, the government built 3,500 new public childcare centers that are free-of-charge for these households, and that have the capacity to care for 70,000 children between 0 and 2 years of age.⁴⁶

Household chores, other than caring for children, could have an impact on the location and performance of female-owned businesses. More than twice as many female-owned firms as male-owned firms operate inside the owner's house. Only about 10 percent of male-owned businesses operate inside the owner's home. For female-owned firms, this number is twice as high in Bolivia and three times as high in Mexico (Table 3.7). The difference in the Mexican data remains unchanged even after controlling for whether children are present in the household.

Locating a business in the household can lead to lower returns, particularly for women, especially if they are also expected to be taking care of the children or doing domestic chores. An important difference between women and men entrepreneurs is that women are more likely to locate their business in the household. This allows women to carry out their work in the business and attend their family and domestic responsibilities. The data from the Guatemala survey show that 57 percent of female businesses with 2 to 4 employees are located in the

household, 20 percent more than the percentage of male businesses. This gap is 5 percent for firms with more than 5 employees. If the decision about the location of the firm is based on considerations beyond business reasons, it can have adverse consequences on the performance of the firm. Analysis using the Guatemala data suggests that having the business in the dwelling is associated with a reduction in sales of more than 17 percent, 7 percent less employees and a profit level that is 14 percent lower⁴⁷ (Table 3.5).

b) Unaccounted Costs

Employing family members could represent a significant subsidy to the business, if those family members do not receive payment for their work. Female business owners in Guatemala with more than 2 employees have more family members helping in the business than male business owners⁴⁸ (Table 3.8). Indeed, a significantly higher percentage of women entrepreneurs' total employees are family members, compared with male-owned businesses. While the share is 67 percent in the case of men business owners, the percentage is 86 percent in the case of women entrepreneurs. This factor is very significant statistically and

⁴⁶ Junta Nacional de Jardines Infantiles (JUNJI) website: http://www.junji.cl/junjijoomla/index.php?option=com_content&task=section&id=7&Itemid=178

⁴⁷ To test the effect of this characteristic, we include a dummy variable that measures if the business is in the household in columns (2), (4) and (6) from Table 3.5. These characteristics are more prevalent among female business owners. The inclusion of these variables in the model makes the coefficient for female entrepreneurs fall in all three dependent variables, but they still have significant and sizeable effects on all measures of performance. Although the results presented are correlations and do not necessarily imply causality, these strong relationships warrant further research.

⁴⁸ Although the survey does not distinguish paid and unpaid family members, we assume that family members are less likely to receive payment than non-family members.

Table 3.8: Differences in unaccounted costs

	Entrepreneurs by number of employees								
	Self-employed			2 to 4			>=5		
	Male	Female	Self-Employed Gender Difference	Male	Female	2 to 4 Gender Difference	Male	Female	>=5 Gender Difference
Number of family members with or without a salary				1.9	2.2	-0.3***	3.1	3.7	-0.6*
Household consumed goods from the firm	20.1	44.5	-24.4***	38.7	69.2	-30.5***	33.4	62.4	-29.0***
Value of consumed goods from the firm	284.7	224.8	59.8***	506.8	403.7	103.1	1031.2	711.0	320.3

Significance level: *** p<0.01, ** p<0.05, * p<0.1

Source: Analysis Guatemala Living Conditions Survey – Special Module

in magnitude, and is associated with lower levels of sales, employees and profits (Table 3.5). The reason could be that family employees are not as productive as non-family employees, or that they dedicate less number of hours to the business. Unfortunately, the data does not allow for testing of these hypotheses.

The Guatemala survey also measures if the household consumed goods from the business. As seen in Table 3.8, **members of the household are twice as likely to consume products from female owned businesses than from male firms.** The difference is statistically significant across all firm sizes. Interestingly, the value of such private consumption is higher in the case of male owned firms, in particular among the self-employed. This may be the result of the segregated nature of the sectors of activity of women and men entrepreneurs, where women tend to work in sectors related to consumer goods, such as food and clothing.⁴⁹ In sum, we can conclude that these unaccounted costs make the measurement of profitability of small businesses very complicated and that there is a gender dimension of these costs that comes into play.

⁴⁹ Allen *et al.* (2007) note that Latin America and the Caribbean countries show the highest level of women in consumer industries.

c) Sector Concentration

The fact that women entrepreneurs are concentrated in fewer sectors than men could help explain the differences in size, as well as some other characteristics of the business, such as lower sales and use of credit. In the analysis of the relative performance of female-owned businesses, we control for the sector of activity to take into account the significant sector segregation by gender among entrepreneurs.

Why are women concentrated in commerce in Guatemala? Some possible explanations are that activities in this sector demand less specific training and do not require higher levels of education, that they allow more flexibility in terms of location and operating hours, and that social conventions consider trade an acceptable area of activity for women. An additional factor that might come into play is that the commerce sector may require lower levels of investment to start a business. We do not have information to test these hypotheses. However, evidence from enterprise surveys coincides in terms of the high concentration of women in commerce (48 percent of business owners in commerce are women). Female micro-entrepreneurs in Mexico are concentrated in services and retail, which have one of the smallest earnings gaps among sectors.⁵⁰ That is, as women

⁵⁰ Sánchez and Pagán (2001).

turn to micro-entrepreneurship, they select sectors with the least earnings bias against them. Therefore, encouraging female entrepreneurs in Mexico to move into other sectors would not in itself address, and might in fact increase, the earnings gap between female- and male-owned businesses.

3.5 Other Social Factors

Latin America's racial and ethnic diversity is linked to a history of social, political and economic imbalances.

Approximately 30 percent of Latin America's population is Afro-descendant, ranging from a low of around 1 percent in Argentina to a high of over 47 percent in Brazil and 61 percent in Cuba. Approximately 10 percent of Latin America's population is indigenous, ranging from less than 1 percent in Brazil to over 60 percent in Bolivia. Afro-descendant and indigenous populations are generally the most economically vulnerable and socially marginalized ethnic groups in the region and Afro-descendant and indigenous women face the compounded barriers of racial and gender discrimination.

Because of their higher poverty rates and compromised access to labor markets, Afro-descendant and indigenous women have strong incentives for entrepreneurship, but they are also more likely to encounter barriers. In some cases, their unique cultural background and location in underserved areas help them tap into or even monopolize new markets. On the other hand, they are more likely to experience rejection or resistance from lenders or the broader business community. Social bias shapes lenders' assessment of loan applicants,

and targeting an underserved community or market can be viewed as high-risk. The social exclusion of Afro-descendant and indigenous women can also cut them off from the contacts and potential business linkages needed to be competitive in a market. In countries with high Afro-descendant or indigenous populations, such as Brazil and Bolivia, women's economic empowerment is linked to strategies to reduce social barriers and promote racial equality.

As the region becomes more aware and more proactive with regards to racial and ethnic equality, public policies have been formulated to nurture educational opportunities and protect productive resources for marginalized groups. Non-governmental organizations have assumed a central role in empowering economic opportunities for Afro-descendant and indigenous women. Criola (Brazil) and Mujeres en Acción (Guatemala) work with Afro-descendant and indigenous women, respectively, in designing and marketing artisan products.

Social class can play a similarly powerful role in complicating women's access to networks or financing.

In Chile, a participant from a Focus Group that included both members and non-members of ComunidadMujer was explicit about the role of social networks: "Here in Chile we know each other based on our last names and the school we went to." In LAC, addressing poverty and inequality remains an important task for supporting high productivity female entrepreneurship.

Chapter 4

External Financing, Access to Credit and Asset Accumulation

"...In Nicaragua, access to credit is determined by the availability and use of collateral....traditionally, men have inherited land [and real estate] ...putting women at a disadvantage."

Ximena Ramírez (EuroAmericana) – Nicaragua Case Study

Summary

Enterprise Survey data analysis for several countries concludes that there are no significant differences in access to credit between male and female entrepreneurs, controlling for firm size and sector of operation. However, male and female entrepreneurs use credit very differently; women tend to use credit less often, have smaller loans, and rely more frequently on informal sources of credit. Women seem to exhibit higher risk aversion or fear to apply for credit, as well as less familiarity with larger-size credit instruments. Asset ownership is also a limiting factor in accessing credit, as women's assets are consistently of lower value and smaller in size. Furthermore, men and women tend to invest in different assets and accumulate assets in ways that are affected by their gender roles within the household and the socially determined gender roles in commerce and service provision. To better understand these differences in credit use, this chapter looks at female entrepreneurs' demand for credit and asset ownership and accumulation.

4.1 Access to Credit in Enterprise Survey Data

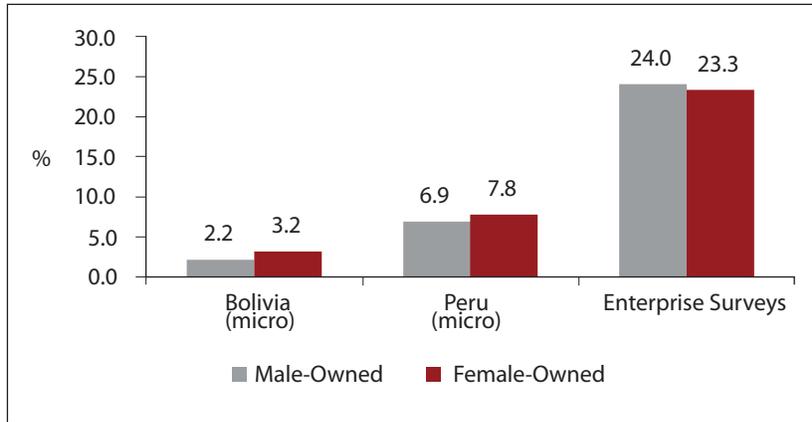
There are no significant differences in access to credit between men and women. Enterprise survey data reveals that there is little difference in the use of external finance by female- and male-owned firms.⁵¹ The percentage of working capital financed by banks is almost the same for female- and male-owned firms (Graph 4.1). Similarly, in the Mexican and Peruvian data sets, there is no significant difference in the share of firms that have a loan from a financial institution (Graph 4.2). In fact, female-owned firms are somewhat more likely to have a loan than male-owned firms. Based on the Bolivian and Peruvian data, there is no difference in loan size across female- and male-owned firms after controlling for region, size, and industry of the firm. It must be noted, however, that these results only cover formal firms; and, as women are more likely to be in the informal sector in LAC,

the access to credit faced by *all* female entrepreneurs in the region may be much lower.

Data also suggests that female business owners are equally (or less) likely to perceive access to finance as an obstacle to firm operation and growth than male business owners. Table 4.1 shows that there is no significant difference in the percentage of female- and male-owned firms that perceive access to finance as an obstacle to firm operation and growth in the Peruvian data and in the Enterprise Surveys. In Bolivia, women are less likely to report access to finance as an obstacle. This finding was echoed in the Peru Case Study, where Flora Reátegui stated, "The Banks are coming to us. Today the banks have so many different options for entrepreneurs." Overall, the surveys do not provide strong evidence that female-owned firms have less access to external finance than male-owned firms.

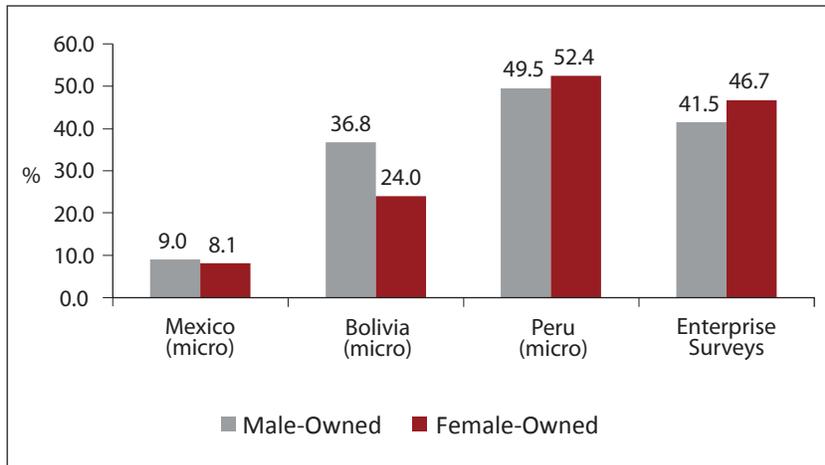
⁵¹ This finding is consistent with the literature for LAC and recent work commissioned by the IDB (Galiani, 2009).

Graph 4.1: Percentage of Working Capital Financed by Banks



Source: Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003. Bolivia and Peru data refer to microenterprises.

Graph 4.2: Percentage of Firms that Have a Loan from a Financial Institution



Note: In the Mexican data, this measure refers to ever having had a loan since starting the business, rather than currently having a loan. The percentage of firms that have a loan in Mexico is low compared to the other countries, but the data is from 2002, pre-dating the opening of Banco Azteca, a bank targeted toward low-income households and microenterprises. The same survey was not conducted in later years.

Source: Encuesta Nacional de Micronegocios (ENAMIN), 2002; Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003. Mexico, Bolivia and Peru data refer to microenterprises.

Table 4.1: Access to Finance as an Obstacle to Firm Operation and Growth

	Percent that perceive access to finance as an obstacle		
	Women	Men	Difference (Women-Men)
Bolivia (micro)	71.1	81.9	-10.9**
Peru (micro)	75.6	78.3	-2.7
Enterprise Surveys	76.2	75.2	1.0

Note: Statistical significance levels: *** 1 percent, ** 5 percent, * 10 percent.

Source: Bolivian World Bank Micro Enterprises Survey, 2007; Peruvian World Bank Micro Enterprises Survey, 2008; World Bank Enterprise Surveys for Brazil, Ecuador, El Salvador, Guatemala, Honduras, and Nicaragua, 2003.

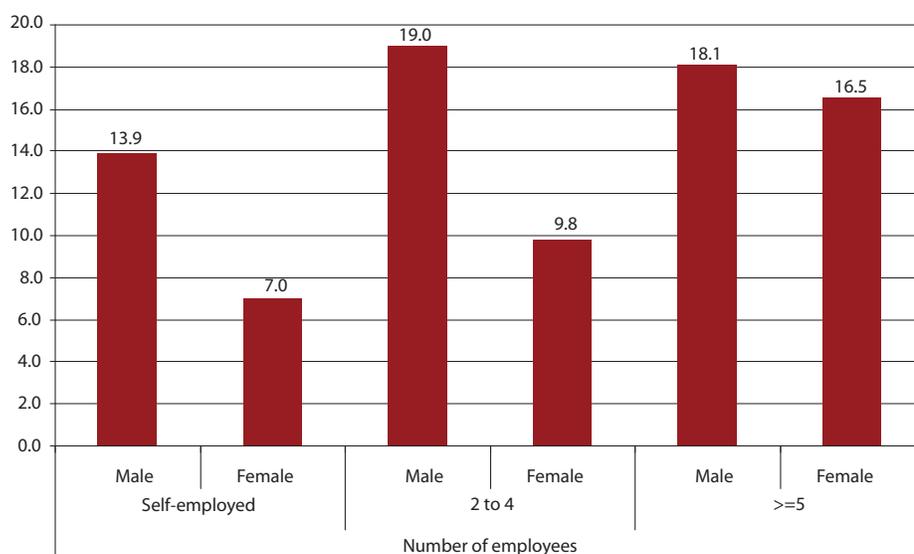
4.2 Use of Credit

While there may not be major gender differences in access to credit in many countries in LAC, differences do appear in how men and women entrepreneurs use credit. Analysis of household survey data from Guatemala and the Case Studies suggests that female entrepreneurs tend to use credit less often, take out smaller loans, and rely on more informal sources of financing.

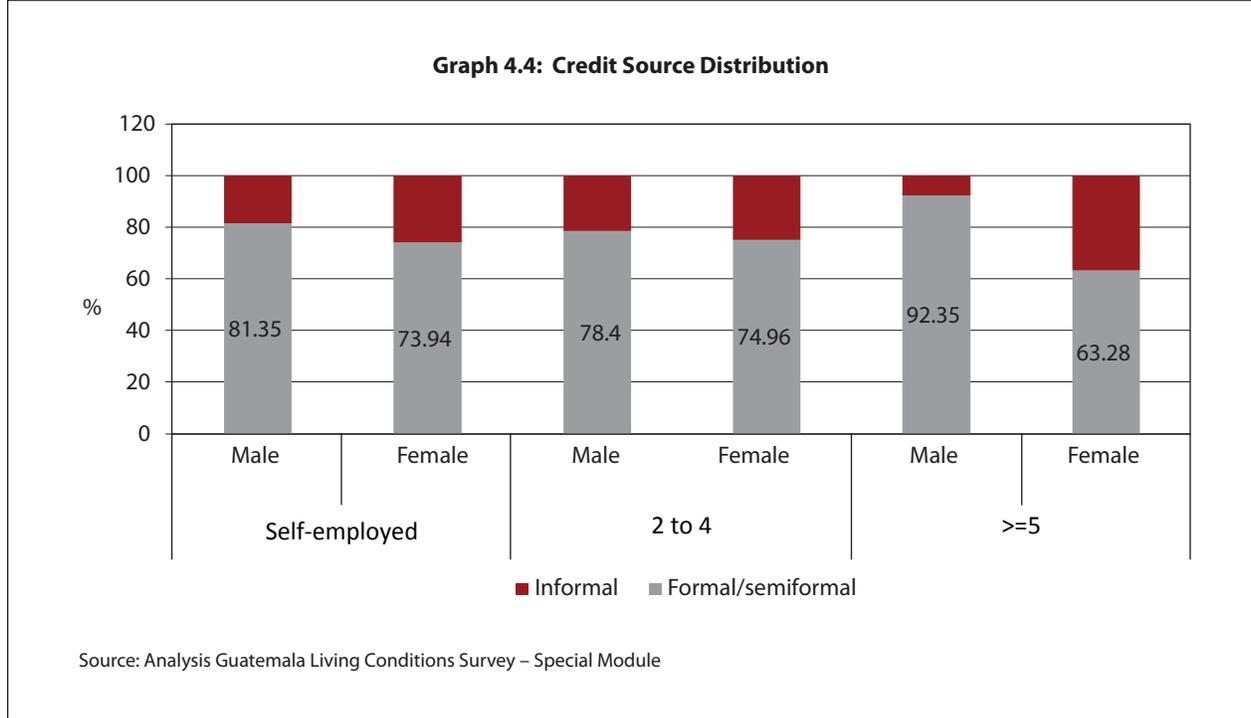
The percentage of female entrepreneurs in Guatemala that use credit is significantly lower than male business owners, particularly among the self-employed and

microentrepreneurs. As Graph 4.3 illustrates, the difference between male and female entrepreneurs' use of loans for firms with 5 employees or more is less than 2 percent. This difference increases to over 10 percent for firms with 2-4 employees. This is consistent with Tejerina and Westley (2007), which finds that men use credit more frequently than women, except in the case of accessing informal credit. There are also significant differences in the size of the loans obtained by business owners according to their gender. **Loans to male business owners are on average between 2.2 and 2.5 times larger than loans to female business owners.**

Graph 4.3: Percentage of Entrepreneurs with a Loan, by Size of Business



Source: Analysis Guatemala Living Conditions Survey –Special Module



Female entrepreneurs use different sources of credit than male business owners. Analysis of household survey data from Guatemala on the source of credit used by those businesses that were granted a loan reveals a significant gender gap (Graph 4.4). Male-owned businesses have greater access to formal/semi-formal sources of credit, in particular to private banks, while a higher share of female-owned firms use informal sources of credit, such as family and friends. Among firms with 5 or more employees, the main source of credit for 25 percent of female entrepreneurs is relatives and friends, while this is only the case for 7 percent of male business owners of the same size. Similarly, in Bolivia, Enterprise Survey data found that female-owned firms are about 12 percent less likely to have a loan from a financial institution than male-owned firms. However, they are 16 percent more likely to participate in a Rotating Savings and Credit Association (an informal financing scheme).

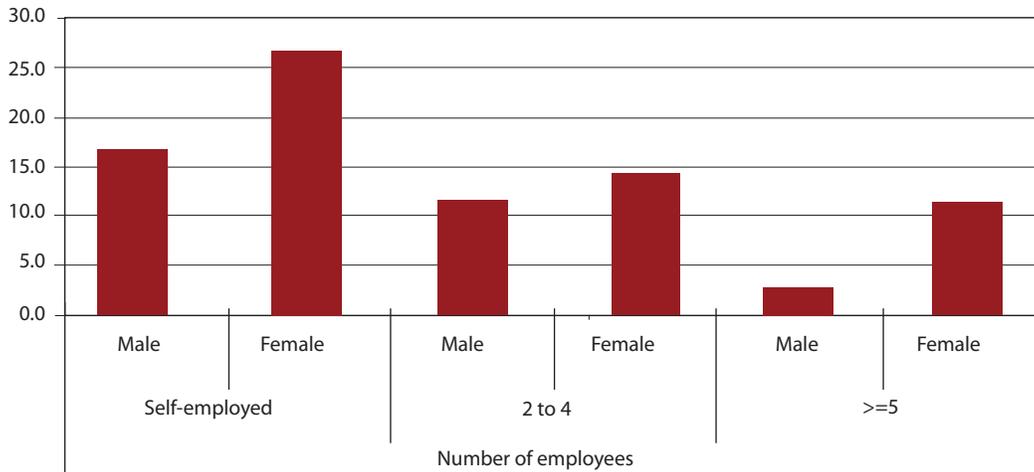
In the Case Studies, female entrepreneurs emphasize the relative abundance of microcredit for women, in

comparison with the scarcity of credit of a scale and interest rate appropriate for SMEs. **The main issue may be the availability of appropriate credit products for the micro to SME business transition rather than gender-specific concerns.**

4.3 Demand for Credit

There are several factors that may explain gender differences in use of credit. When we analyze the funding source used to start the business it becomes clear that personal savings are the main source of financing for more than 73 percent of business owners, regardless of the size of the business and the gender of the owner. However, **the importance of savings is even larger for self-employed and small female-led firms. This could be explained by lower access to finance or higher levels of risk aversion. There are gender differences in the way men and women initially finance their businesses, with women more likely to use their own resources.** The 1992 National Survey of Microenterprises revealed that the majority of Mexican male and female urban entrepreneurs rely on their

Graph 4.5: Perception of Discrimination in Access to Credit as the Main Reason for Not Applying for a Loan



Source: Analysis Guatemala Living Conditions Survey –Special Module

own resources (principally, personal savings) to start a business. The reliance on own resources and the differences by gender were greater among rural entrepreneurs compared with those in urban areas⁵². Nevertheless, women lack financial resources and may have limited start-up capital due to their lower level of wage earnings and ability to save, the patterns of discontinuity in the labor force, and because household/family property tends to be registered in the names of their husbands.⁵³ The latter might limit both women’s ability to access household wealth, and their ability to use it, for example, as collateral for loans.

There are also significant gender gaps in the demand for credit among business owners. Given that gender gaps in financing are not necessarily caused by discrimination from the supply side, differences in demand for financing between men and women entrepreneurs have been explored. The Mexican data reveals that the percentage of male business owners that applied for a loan

in the last 12 months was 2.1 times the share of female entrepreneurs. The gender gap tends to close as the size of the business increases, but a gap remains, even among the largest firms.

To help understand the reasons for the lower demand for credit among self-employed and very small female entrepreneurs, we examined a question in the survey about the main reason for not applying for a loan. The most frequent answer given by both men and women business owners is the preference to work with their own resources, which is consistent with the use of personal savings reported above. However, a particularly relevant gender difference is their perception of discrimination in access to finance. Over 27 percent of self-employed women report that “people like them do not receive credit” as the main reason for not requesting a loan, 10 points above the percentage reported by self-employed men (see Graph 4.5). Although the percentage of respondents that perceive discrimination by lending institutions also diminishes with the size of the business, there is a significant gender gap across all business sizes. Over 11 percent of female entrepreneurs with 5 or more employees perceive discrimination by lending

⁵² Sánchez and Pagán (2001).

⁵³ Thurik and Verheul (2001).

institutions, versus only 2.9 percent of male entrepreneurs.⁵⁴ Studies show very high levels of loan approvals among individuals requesting credit, which could indicate that individuals are self-discriminating.⁵⁵ Further research is needed to understand if there are actual regulations and/or practices among financial institutions that restrict the access to finance of female entrepreneurs and what interventions could be put in place to correct this perceived bias.

Many entrepreneurs use consumer credit products to speed things up. They report that requirements for a business line of credit are still more difficult for women in micro and SMEs and include, in many cases, co-signature by husbands or other relatives. Ximena Ramírez, the focus of our Nicaragua Case Study, for example, reported: “In our country’s patriarchal system, like many other Latin American countries, the man inherits the business, the title, and, consequently, the property, so they asked my husband to come sign with me.”

4.4 Asset Ownership by Gender

Asset ownership affects access to credit and a firm’s level of earnings and permanence in the market.

Access to assets and asset accumulation patterns may help explain female entrepreneurs’ relatively small firm size. Antonopoulos and Floro (2006) explore the relationship between the ownership of assets and the economic empowerment of women. The type of assets individuals choose or are able to acquire and to save may be influenced by intra-household gender dynamics and will have impacts beyond the household when engaging in market activities⁵⁶.

⁵⁴ A similar situation of self-discrimination has been documented in the labor market, where to some extent gender gaps in wages can be explained by expectations of lower wages by women compared to men in similar jobs (Moreno et al., 2004).

⁵⁵ Tejerina and Westley (2007) and Galiani (2009).

⁵⁶ The authors give the example of Bangladeshi women, who refrain from having assets in the form of large sums of cash, since this is likely to attract the attention of male household members who then take control of those assets. In Ghana, access to an informal savings program enables women to save money without other household members knowing the amount.

The ability to draw upon personal assets such as one’s own home, consumer durables or a vehicle is a key factor in enabling women to establish a business.⁵⁷

In her review of the informal economy in Latin America, Valenzuela (2004) observes that women’s access to assets is generally lower than men’s, and that this influences both the rate of business formation and the size of the businesses with which women initiate independent economy activity.⁵⁸

Women tend to draw on signed documents⁵⁹ and movable property as their main sources of collateral.

In Guatemala, household survey data show that male entrepreneurs use hard (immovable) assets twice as frequently as female entrepreneurs. Collateral most frequently used by women, such as signed documents and movable property, is more limiting for obtaining financing through banks and other formal sources of credit (see Box 4.1). Similarly, the Nicaragua Living Standard Measurement Survey (LSMS) reveals that women rely more often on machinery and equipment for collateral than men. This category of capital accounts for more than 35 and 41 percent of collateral used by medium and large female-owned firms’, respectively. In contrast, male-owned firms’ use of this type of collateral is ten percentage points less for medium-size firms and twenty percentage points less for large firms.

Despite significant progress in establishing women’s formal land rights, significant gender gaps persist. In LAC, women make up less than one-third of land owners.⁶⁰ Legal barriers to women’s ownership of land persist,

⁵⁷ Grasmuck and Espinal (2000), Valenzuela (2004).

⁵⁸ Of the six country case studies of the micro and small enterprise sector presented in Valenzuela (2004), only one study reported data on household wealth or business assets by gender, and this was by household head, not business owners. In Peru in 2000, the business assets in male-headed households were over twice the value of those of female-headed households, among those households with microenterprises. The value of the home was 27 percent higher and the value of consumer durables was twice as great in male-headed as compared to female-headed households with businesses (Trivelli and Cotler, 2004).

⁵⁹ Signed documents include promissory notes, IOUs, private contracts and predated checks.

⁶⁰ Deere, Alvarado, and Twyman (2009).

including marital or inheritance laws, as well as cultural norms. Box 4.2 describes some of these barriers in the case of Nicaragua. Gaps in home ownership, however, are less

persistent, as seen in Graph 4.6. Home-ownership is near gender parity in Panama and Nicaragua and joint ownership is around the 40 percent level in Argentina and Ecuador.

Box 4.1: Evidence from the Guatemala Household Survey

As in most developing countries, collateral in Guatemala is generally needed to secure bank financing. In fact, 86 percent of business owners in the survey declared using some type of guarantee for their credit. Under these circumstances, a gender gap in asset ownership may limit the ability of female business owners to access credit. While the lack of collateral was not offered as an option in the question about the reasons for not requesting a loan, information was gathered on the type of collateral used to obtain a loan. **Female business owners, particularly those with less than 4 employees, report less use of collateral, which is consistent with women's higher participation in microcredit schemes with solidarity groups that do not require a guarantee. Another interesting result is that women business owners tend to use signed documents and movable property as the main form of guarantee,** which are more limiting in terms of financing through banks and other formal sources of credit.

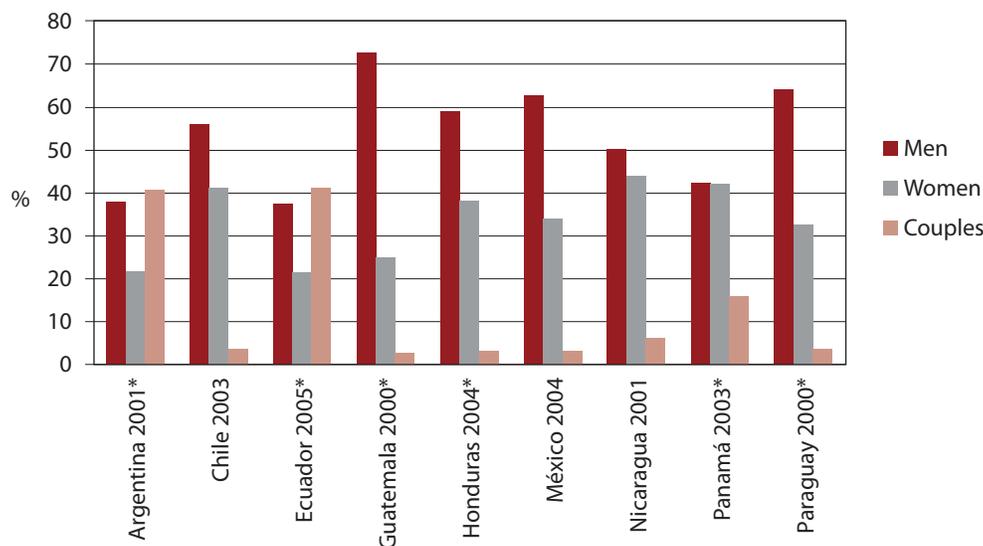
We used the Guatemala Household Survey to construct an index of household wealth and explore the use of "hard" collateral among nascent male and female business owners.¹ We look only at businesses less than two years old, to reduce the problem of endogeneity of access to credit on family wealth. Since we have no information on the value of the collateral, we define as "hard" collateral those assets that on average have higher market values, such as real estate properties, including land, houses and buildings.

Nascent female business owners have significantly lower wealth indices than male entrepreneurs, particularly among the self-employed and those with 2 to 4 employees. However, women entrepreneurs who employ 5 or more employees exhibit the opposite situation, with higher wealth than their male counterparts. This could be signaling a higher proportion of entrepreneurship due to necessity among women with very small businesses compared to men, and a higher share of female entrepreneurs due to opportunity among larger businesses.

To control for the differences in wealth, we compare the use of hard collateral by female and male business owners in the same wealth bracket. Although we have no specific information on individual levels of asset ownership from this survey, **the results are consistent with traditional gender norms, where most immovable asset titles are registered or controlled by the husband or male in the household.** The disparity is striking, with 38 percent of male business owners in the lower third of wealth using real estate as collateral for their loans, while only 7 percent of female business owners in the same wealth bracket do. The gender gap tends to close as wealth increases. **Nevertheless, even among the wealthier, male entrepreneurs' use of hard collateral is twice the level of female entrepreneurs. This simple exercise suggests that the lack of hard collateral is a potential barrier women have in accessing credit.**

¹ Unfortunately, data on individual property is limited. The household wealth index is computed as the sum of the values of the household assets. This index is an imperfect measure of individual wealth in terms of decision-making over the assets. However, the use of hard assets as collateral implies that the asset is registered under the name of the business owner.

Graph 4.6: Ownership of household dwelling by sex in selected countries in Latin America



Source: Deere, Carmen Diana (2009) based on LSMS surveys
 Note: * Includes only those with titles

Box 4.2: Legal Barriers to Asset Ownership for Women in Nicaragua

Nicaragua ratified the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1981. Over two decades later, parts of CEDAW, particularly those related to the economic rights of women, have been recognized by the Nicaraguan Constitution. However, they have not yet been incorporated into the Civil Code. In some areas, the outdated Civil Code does not reflect current laws; in others, it has become an amalgam of rules that are incoherent or confusing.

In Nicaragua, social and cultural norms dictate that real estate be registered under a man’s name. In the event of divorce or separation, a woman must show proof of the marriage or union in order to assert her stake on the asset. Legal efforts to protect women have failed to fully address these practices. Law 38, for example, seeks to protect women in the event of divorce, but excludes homes bought under the man’s name from the settlement.

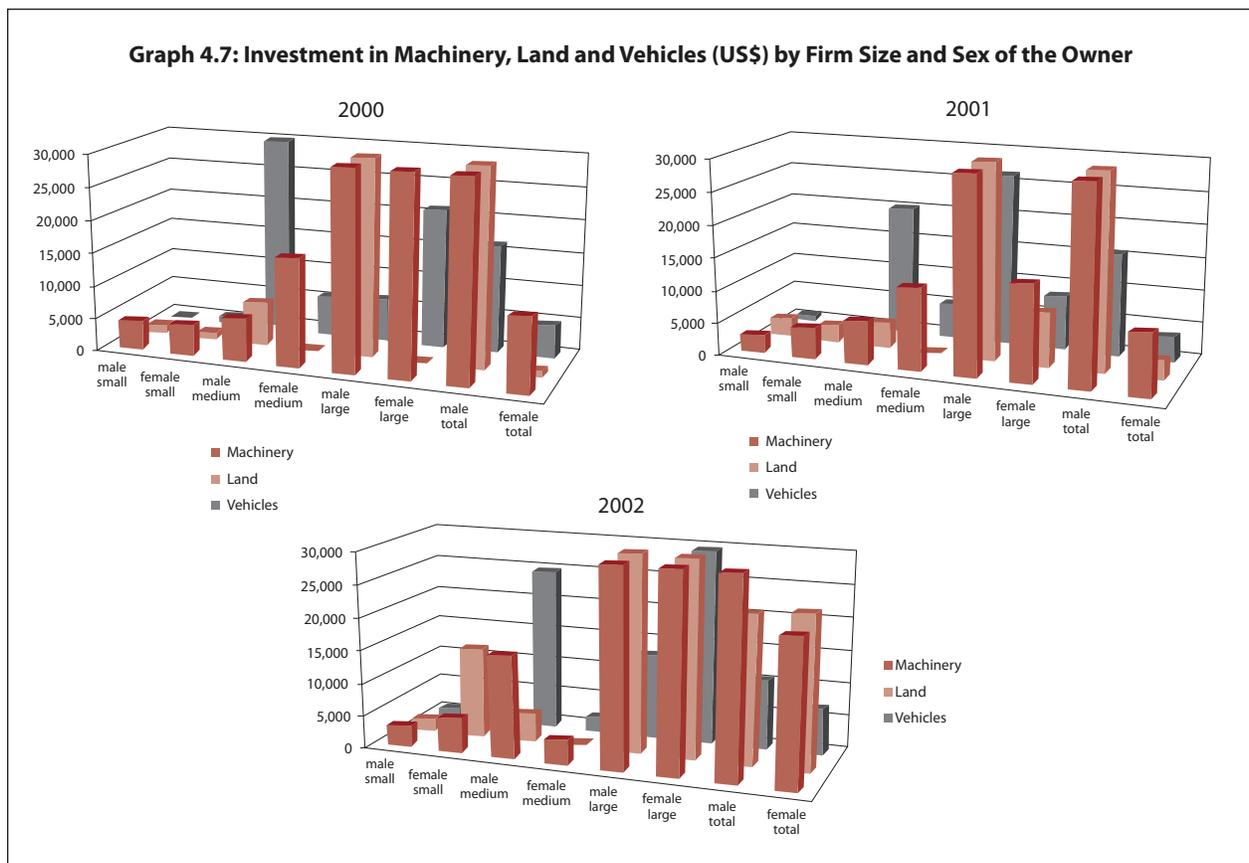
Public land titling programs further reinforce these practices. These programs tend to apply to the household head, assuming the land will be under his/her name and he/she will be responsible for decisions regarding that land. However, the Civil Code designates the husband as the “family representative.” Furthermore, the Civil Code does not define joint ownership. As a result, despite a law establishing joint ownership (Law 209) for land titles introduced in the mid-1990’s, only 13 percent of land is registered under a woman’s name, either individually or jointly.

Source: Tijerino, Nordlund, and de Atrip (2008), *La Función del Marco Jurídico en la Promoción de la Equidad de Género. Serie Cuadernos de Género para Nicaragua*. World Bank and Inter-American Development Bank.

4.5 Asset Portfolios and the Value of Business Assets

The value of women’s assets is lower than men’s. Few surveys collect data on asset ownership at the individual level and disaggregated by gender. Nicaragua’s LSMS surveys were one of the few in Latin America gathering data on assets. The 1998, 2001 and 2005 versions of these surveys have data on individual ownership of assets, including modules on business ownership. When looking at business assets according to the sector of business activity in Nicaragua for both 1998 and 2001, the value of men’s business assets exceeds that of women’s. There is also evidence that females in Nicaragua are more entrepreneurial than men⁶¹, but women in 2001 owned only 36 percent to 41 percent of the value of household physical wealth, as estimated by Deere, Alvarado and Twyman (2009). Please see Annex C for a more detailed analysis of asset accumulation in Nicaragua.

Male business owners on average invest more in business assets than female business owners. Graph 4.7 draws on Enterprise Survey data to show that, regardless of the year and size of the business, overall male entrepreneurs invest more in assets than female business owners. Small female-owned firms invested more in machinery in 2001 and 2002, almost double the investment in male-owned firms. Only in 2002 did female-owned firms invest more in land. The difference suggests some government policy in favor of land registration and/or titling. Women business owners did not invest in vehicles at all in 2001 or 2002. At the medium size level, nevertheless, female owners invested more in machinery in 2000 and 2001, but the situation reversed in 2002. Women-owned medium sized firms show no investment in land, and almost none in vehicles (with men investing 10 times more than women in this last item).



⁶¹ Tejerina (2006).

There may be a correlation between asset values, investment and credit that operates differently for women and men. According to the same survey (Nicaragua LSMS), men experience less barriers and requirements when deciding to borrow to invest. 56.5 percent of medium size firms owned by women report that they required collateral or a deposit in order to obtain financing, while only 39.5 percent of male-owned firms of the same size faced that requirement. For large firms, the demand for women's collateral raises to 80 percent, while it stays at 42 percent for male-owned firms. Judging by the kind of assets women

rely on for collateral, it is possible to identify some gender differences in their portfolio (and value) of assets. Female small business owners rely mostly on land and buildings as collateral (41.4 percent, compared with 29.5 percent of male owners), in line with their larger investment in this asset. The situation is reversed for medium size firms, where 50 percent of the collateral of male-owned firms is land and buildings. For small firms, male owners rely much more on personal assets than female owners (26.3 percent versus 3.6 percent) which may point to gender inequalities in asset ownership.

Chapter 5

Promising Approaches

"...While Ximena has prospered, her impression remained the same: If opening a business was difficult for her, it must be extremely difficult for other women in Nicaragua who have less education and resources....Ximena was determined to do something and in 2000 she started dedicating over half of her time to advocating for business opportunities for women in Nicaragua"

Case Study Nicaragua

Summary

For those female entrepreneurs who were able to grow their businesses, overcoming gender barriers was an important personal triumph. Although more research and rigorous impact evaluations are needed to generate sound empirical evidence on the effectiveness and impact (or lack thereof) of gender-focused policies and programs, there are some promising approaches in the region. Investing in childcare (either publicly provided or by subsidizing privately provided care) and promoting good gender practices in the public and private sectors have the potential of reducing some critical push-out factors which prevent women from seeking employment in the formal labor market. Promoting high quality business and professional training, taking into account women's needs in SME business development services, and promoting access to networks and new markets for female entrepreneurs can open new paths for firms' productivity growth and scaling-up. This chapter highlights some of these promising approaches.

5.1 National Gender Equality Policies and Plans

Several countries in the region have been successful at establishing a gender equality policy platform as a result of the 1995 Beijing Platform of Action following the Fourth World Conference of Women. Policies include strategies and plans with specific goals and indicators, as well as commitments for different line ministries. Brazil's Secretariat for Policies for Women, for example, has devised a plan and coordination mechanisms with line ministries and state and local level governments (Box 5.1). In Chile, the National Service for Women works with other agencies on specific projects to support female labor force participation and has promoted "equal pay for equal work" legislation.⁶²

⁶² World Bank, Inter-American Development Bank, and SERNAM (2007).

5.2 Targeted Interventions

a) Firm Certification on Good Gender Practices: The Power of Positive Incentives and Disseminating Good Practice.⁶³ The traditional way of improving labor standards for women has been through regulation. However, enforcement of regulations that were supposed to help women, such as precluding women from night shifts, forcing firms to provide childcare centers, extending maternity leave benefits and anti-discrimination laws, have often had unintended negative impacts on women's employment and professional advancement⁶⁴ (see also Bolivia and Chile Case Studies).

⁶³ This section is based on Castro (2007) and on a recently commissioned ex-post evaluation of the Gender Equity Model (GEM).

⁶⁴ World Bank (2006) and World Bank, Inter-American Development Bank, and SERNAM (2007).

Box 5.1: A National Plan for Women in Brazil

While many governments voice a commitment to gender equality, Brazil has made significant progress in integrating gender equality into the broader policymaking agenda. In 2003, the Secretariat for Policies for Women was created, under the Presidency of the Republic. It functions like a Ministry, advising the Presidency and coordinating with governmental bodies at the federal, state and municipal levels on issues of gender equality. The Secretariat for Policies for Women is charged with mainstreaming gender and, along with several partners, outlining the nation's course for improving gender equality within National Plans for Policies for Women.

Since the establishment of the Secretariat, two National Plans for Policies for Women have been implemented. Under the First National Plan, covering 2004-2007, eleven different campaigns were carried out with implementing partners, including the Ministry of Labor, the Secretariat for Policies for Racial Equality, the Ministry for Agrarian Development, the Secretariat for Human Rights and the Ministry for Social Development. Through mass media and local events, these campaigns touched on issues ranging from sexual assault to International Labor Office (ILO) Conventions and from civil documentation to land deeds to racial discrimination. The focus of these initiatives was to raise public awareness, stimulate discussion, and, over time, contribute to changes in social mores.

The establishment of the Second National Plan for Policies for Women coincided with the enactment of the Multi-Year Plan for the Country (2008-2011), which, for the first time, incorporated racial and gender equality into the federal government's official strategic objectives. The Second National Plan for Women outlines nearly 400 policies over eleven programmatic axes to be executed during 2008-2011 with the support of twenty-two federal agencies. Goals for the current Plan include:

- Increase the number of children aged 0-6 in publicly-funded or -supported day-care or pre-school institutions by 12 percent
- Build 1,714 day-care and pre-school facilities
- Maintain the national average for women's participation in training and workforce development programs developed by the Ministry of Labor and Economy at a minimum of 50 percent
- Increase the social security coverage of domestic workers by 30 percent
- Provide credit to 58,000 women rural workers through the National Program for Strengthening Family-Based Agriculture (PRONAF) between 2008-2011
- Increase women's participation in PRONAF to 35 percent
- Reach 29,000 women with gender-specific technical assistance between 2008-2011

Aside from furthering programs supported by the previous plan, the Second National Plan introduces some innovative approaches to improve women's productivity. Through the Women Constructing Autonomy Program, the Ministry of Mines and Energy expects to introduce more women into construction, generating employment for women in a non-traditional field and contributing to infrastructure and local development. The program will target lower-income, Afro-descendant and less educated women.

The Women's Labor and Entrepreneurship Project, also introduced through the Second National Plan for Women, supports female entrepreneurship through public policy, capacity building and strengthening of business and social networks. The program was launched as a pilot in 2007, as a cooperation between the Secretariat for Women, the Brazilian Institute of Municipal Training, the Brazilian Agency for Micro and Small Business Support, and the Federation of Business and Professional Women. Potential beneficiaries are nominated by partner institutions and undergo training in business management, as well as in broader themes of leadership and gender empowerment.

Sources: Secretariat for Policies for Women: First National Plan for Policies for Women, 2004-2007, and Second National Plan for Policies for Women, 2008-2011. Interview with Eunice Moraes, Secretary for Women, June 22, 2009.

Gender firm certification, such as the Gender Equity Model (GEM) that was developed and tested in Mexico with World Bank support, has proved to be a successful tool for promoting gender equity in the private sector and has gained support from workers and management alike. Firm certification is a process to validate and recognize gender equity actions in private firms, civil society organizations, and, in some countries, public institutions. Participation is voluntary and a firm's commitments are based on a self-assessment and diagnosis conducted with the technical assistance of the implementing agency. An impartial, independent agency, selected through a process set up by the implementing agency, assesses compliance with the steps set out in the firm's own action plan. Once the selected actions

have been certified, the firms can receive a certification seal that can be used in their products and marketing campaigns.

Preliminary results from an evaluation of the Mexico GEM program point towards an important reduction of gender gaps in employment, access to training, promotions, and wages. Results are also promising in terms of improved self-awareness of workers and management, improved working conditions and work environment. Several firms mentioned increased productivity and competitiveness, although sound quantitative data on these dimensions is not available (see Box 5.2). Firm certification is being replicated using different modalities in Brazil, Uruguay, Argentina, Chile, Colombia, Egypt, and the Dominican Republic.⁶⁵

⁶⁵ Uruguay and Brazil started independently, and without World Bank Support. UNDP is promoting a similar approach in Central America. In June 2008, the World Bank organized a regional conference on

firm certification. Presentations are available at www.worldbank.org/lacgender.

Box 5.2: Firm Certification: GEM Mexico – Preliminary Results of Evaluation

The evaluation of Mexico's Gender Equity Model (GEM) Firm Certification program is based on firm surveys and interviews with key informants, which were conducted during the 6 years of program implementation. In the absence of a baseline or ex-ante impact evaluation design, the evaluation consists of comparisons between certified firms and firms who participated in the program and dropped out at some point. Non-participant firms would not be a valid comparison group as there is strong self-selection in program participation. The table below describes the 255 firms and organizations that have participated in the program. GEM includes NGOs and public entities as well as private firms.

Number of Firms and Organizations Participating in GEM by Sector (2003-2009)

	2003	2004	2005	2006	2008	2009	Total
Manufacturing	6	3	7	12	8	7	43
Commerce or Services	14	17	12	50	60	59	198
Total	20	20	19	62	68	66	255

Participant firms implemented management systems for continuous improvement, including work environment surveys in medium and large size organizations. These surveys provide organizations the information needed for adjustments in their adopted action plan and a continuous evaluation of progress. Some firms have reported improvements in overall management systems beyond specific gender equality aspects just by implementing the periodic surveys. During the implementation of the GEM, a 350-400 employee firm invested an average of 450,000 Mexican Pesos, including events, training, and performance awards. Firms invest on the following:

- Training
- Flexible schedule schemes
- Paid maternity, paternity or marriage leave
- Adapting or building facilities apt for female employees such as restrooms, changing rooms, and lactation rooms
- Events
- Support services
- Communications
- Wage scale adjustments
- Promotion
- Talent promotion
- Work-life balance actions

All workers in certified firms exhibit greater knowledge of organizational procedures regarding wages and promotion opportunities, as seen in the Table below. However, the percentage of women who report they do not have knowledge of this information is higher than for men in all firms, with the exception of knowing about performance evaluations.

Knowledge of Employees about Organizational Procedures by Type of Firm in 2002

	Certified Firm	Comparison Group	Total
Promotion Opportunities			
Women	42.5 %	47.1 %	44.6 %
Men	58.3 %	51.6 %	53.5 %
Criteria to Obtain a Promotion			
Women	48.8 %	51.4 %	50.0 %
Men	69.2 %	46.9 %	53.3 %
Existence of Performance Evaluations			
Women	66.7 %	64.7 %	65.8 %
Men	66.7 %	56.7 %	59.5 %
The firm has transparent mechanisms for promoting employees			
Women	47.1 %	41.2 %	44.1 %
Men	64.3 %	44.4 %	53.1 %

Workers in certified firms are more likely to have been victims of some form of harassment, or are more aware that some behaviors are forms of harassment that are inappropriate in the workplace. Certified firms are much more likely to have processes in place to deal effectively with harassment cases.

Harassment and Sexual Harassment in the Workplace

	Certified Firm	Comparison Group	Total
Received at least one unwelcome invitation or sexual proposal in the workplace	8.5 %	3.2 %	5.7 %
Was subject to pressure to take on tasks outside of the terms of reference of your contract or job description	4.8 %	3.2 %	4.0 %
Knows someone in the company who has been harassed	25.4 %	29.9 %	27.7 %
There is a process in the firm to file harassment complains	59.6 %	36.1 %	47.5 %

Source: Ramírez (2009). First Report Ex-Post Evaluation GEM, commissioned for this report and in collaboration with the Women's Institute Mexico, based on firm surveys and in-depth interviews with key informants. The final report will be available in mid - 2010.

b) Networks - Women's Business Associations

While not as acclaimed or widely promoted as credit, social networks are one of the most pivotal resources an enterprise can leverage for growth. Market information, linkages to suppliers and investors, and even access to financing are all impacted by an entrepreneur's social networks. Box 5.3 highlights some efforts to help women create and use networks. Chambers of commerce and industry associations have been male-dominated for many generations, and in some cases retain vestiges of gender bias and resistance to women's participation. Nevertheless, women are increasingly engaged, and assuming leadership roles within them. Business incubators and business development service providers also fill a key role in building capacity, boosting performance and creating linkages. They rarely have a gender focus, but, in targeting micro and small enterprises, they reach a substantial proportion of women entrepreneurs. Women's business associations⁶⁶ are another vital ally, facilitating firm-level cooperation and in many cases, helping leverage for more responsive public policies.

Women's Business Associations are blossoming everywhere in the region and are an important advocate for needed policy reform and improvements of public programs. The Chile and Peru Case Studies highlight the importance of access to both mixed and women's networks, including women's business associations and organizations such as ComunidadMujer Chile and Mujeres Empresarias Chile. As discussed in Chapter 3, access to networks is important to counteract gender barriers linked to ethnicity and social class. Networks can provide access to information and contacts that are vital to tapping into new distribution channels and supply chains and useful in obtaining credit and access to technology.

⁶⁶ See Annex D for a non-exhaustive list of women's business associations in LAC.

Box 5.3: Networks: Women to Women

Some NGOs currently provide opportunities for women entrepreneurs to expand their social and business networks. These programs aim to provide opportunities for women to build their capacity, expand their networks, learn from successful business women, and share experiences.

CPMEN (Congreso Permanente de Mujeres Empresarias de Nicaragua) is a national movement aimed at supporting Nicaraguan businesswomen in the national economy. It helps women entrepreneurs find business opportunities and solutions at the local and national level. CPMEN provides capacity building and public policy advocacy.

Endeavor is a non-profit organization that supports 'high-impact' entrepreneurs. Its programs are not specifically geared toward women entrepreneurs, but provide training, operational support and access to financial networks to selected scalable entrepreneurs at the base of the pyramid. Endeavor has programs in Chile, Brazil and Argentina. Endeavor Chile is one of the executing agencies of the Chile Emprendedoras program supported by the Inter-American Development Bank.

Vital Voices is a non-profit organization that invests in leadership training for women entrepreneurs and offers opportunities for networking and mentorship for businesswomen. There activities include: hosting trade fairs, providing opportunities for business women to meet and exchange experiences, and supporting mentorships between women entrepreneurs in the United States and those around the globe.

www.euram.com.ni/Empresarias/index.htm

www.chileemprededoras.cl

www.endeavor.org.br

www.endeavor.org.ar

www.vitalvoices.org

Another important contribution of women's networks is access to one-on-one mentoring opportunities. The Bolivia and Argentina Case Studies feature entrepreneurs who had the opportunity of benefiting from mentorship from seasoned female entrepreneurs in other countries.

c) Financial Services and Business Development for SMEs that Integrate a Gender Perspective

There is a need in the region for financial services and business development training that targets micro-enterprises and SMEs with growth potential to help them scale-up and improve productivity. For greater impact, training services should escape traditional roles and provide women with relevant skills for productive, high-growth sectors as well. SERCOTEC in Chile offers a range of services and benefits, including training and seed

capital for start-ups, as well as business development services. This government agency pays special attention to female entrepreneurs and has adapted its services to their needs, especially focusing on their need for accurate information regarding how to access credit or markets. The Chile Case Study provides more information on SERCOTEC.

Female entrepreneurs often criticize business training services in the region because of their lack of quality and relevance. In fact, this critique is common to publicly provided job training in general, especially training targeted to microenterprises and SMEs. Mexico's CIMO program provides incentives to SMEs to provide high quality and relevant training (Box 5.4) and could be adapted to the needs of female entrepreneurs.

Box 5.4 : Incentives for SME training : Mexico's Program of Comprehensive Quality and Modernization (CIMO)

In Mexico, there are over 200 Government programs for SMEs. Although every program includes a mix of goals and interventions, two types of programs deserve special mention.

The first is assessment-consulting programs, which subsidize assessments that determine an individual firm's weaknesses, and then provide consulting, training or technology appropriate to remedy those weaknesses. One example of this type of programs is CIMO (founded in 1987 with the name Program of Comprehensive Quality and Modernization and re-named Training Support Program, PAC, in 2001).

The first attempt to analyze and compare the net impact of the largest SME programs was a World Bank study in 2004. Impact evaluation studies found statistically significant impacts of CIMO participation on intermediate outcomes—such as investments in training, capacity utilization, use of quality control systems, workplace organization, changes in production processes, and job retention—that are believed to lead to productivity improvements. There is also evidence that the CIMO program tends to attract firms that are on average less productive than non-participants (the control group) with broadly similar characteristics.

The second type is knowledge-sharing programs, which subsidizes shared research programs, organizes industry fairs, encourages industry partnerships, and develops economy-wide standards that do not target any individual firms. An example of this type of programs is CONOCER (Standardization and Certification of Labor Competency Council), which funds committees to establish labor standards and identifies certifying agencies and evaluation centers that are accredited to certify workers that satisfy labor competency technical norms (LCTN). Impact evaluations of CONOCER indicate that LCTN workers received more incentives and benefits and had significantly more promotions than non-LCTN workers. They were also more multi-skilled.

Source: World Bank (2004), Tan and Acevedo (2004) working paper, World Bank (2007).

**d) Expanding Access to Markets for Women:
Trading across Borders**

Increased trade and economic globalization have coincided with women's increased levels of education, labor market participation, and professional achievements. While increased trade certainly brings new opportunities, resources, and linkages to all entrepreneurs, its impact upon women entrepreneurs, specifically, is more complex. Many of Latin America's key exports are derived from male-dominated industries, such as the extractive industry, agriculture and manufacturing. Women's presence in these industries trends towards smaller-scale firms and lower professional positions. Simultaneously, there is an influx of more competitive products and services. Since women are concentrated in micro and small enterprises, their firms may be edged out by the lack of economies of scale. In Peru, the national investment and export promoting agency (PROMPERU) is highlighting the contributions of businesswomen who are also exporters.

While international trade has expanded women's opportunities in the labor market, greater effort is needed to integrate women entrepreneurs into global supply chains. Social networks and business development services have been vital in this process, with growing support from governments and international donors. WEConnect International, for example, certifies businesses that are at least 51% women-owned, managed, and controlled, making this information available to larger businesses looking to diversify their supply chain (see Jamaica Case Study). The United States Agency for International Development's (USAID) Global Development Alliance, on the other hand, is an initiative aligning the bilateral donor with multinational

corporations and local producers. It is a partnership between the private and public sectors aimed at leveraging capital, investments, skills, knowledge and access to markets to collaboratively improve social and economic conditions. A similar model could be adopted to foster more gender-responsive international trade linkages, which could benefit micro and small enterprises.⁶⁷

e) Childcare

Latin American countries are stepping up early childhood education efforts. Some programs provide government support and supervision to community and intra-household provided childcare (Colombia's Familias en Acción, and Mexico's Guarderías program). Other programs, like the Chile Grows with You (Crece Contigo) program, include direct public provision and subsidies for private childcare that adheres to strict quality standards. Uruguay and Brazil are also building pre-school facilities and, since the mid-nineties, Uruguay has instituted mandatory attendance for pre-school.

Most of these programs have an explicit early childhood development goal or even an equality of opportunities from early childhood goal. However, they are also likely to contribute to the freeing of women's time for labor force participation or entrepreneurship. Results from program evaluations will clarify what impact these programs have on women's labor force participation. The Mexico Guarderías program had the explicit goal of increasing female labor force participation and a similar program in Rio de Janeiro is also being evaluated in terms of impact on women's work. Chile's program evaluation included measuring the impact on female labor force participation and women's time allocation.

⁶⁷ For more information see USAID Global Partnerships at www.usaid.gov/our_work/global_partnerships/gda/

Chapter 6

Conclusions and Recommendations

"[policies should focus on] ...developing, not promoting, microenterprises led by women. Latin America has been particularly successful at creating self-employment for women through microenterprises... However, only a few have evolved from that micro stage. Policies and programs [targeting women] continue to focus on small units of operations to the point that it may be more convenient to have several microenterprises than a single larger firm, distorting natural economies of scale..."

Marcelo Giugale – Sector Director, Poverty Reduction and Economic Management, LAC, World Bank

Summary

Fifteen years after the Fourth World Conference on Women in Beijing, the issue of women's economic empowerment and how a favorable policy environment can help advance gender equality remains a challenge. Previous chapters highlighted the choices and constraints that influence women's decisions to become entrepreneurs in the region. Pull and push forces differ for men and women, and often create additional barriers for female-owned firms' growth. This final chapter attempts to draw out policy recommendations to help women entrepreneurs reach their potential in the formal private sector in LAC.

6.1 Releasing the Full Potential of Women Entrepreneurs: Remaining Challenges

This report acknowledges the improvements that have been made in the rights and resources available to women over the past two decades. It notes that these improvements have led to more women participating in the labor force and more women becoming entrepreneurs. In its analysis, the report finds that, despite significant progress, the work of promoting gender equality in the private formal sector is not yet complete. Being a household head, having children of less than five years of age, having the business located in the home, having assets of lower value, or that are less likely to be accepted as collateral, and having lower returns on time invested in the business are all related to a woman's need to combine household responsibilities with business activities. These and other impediments continue to disproportionately affect women entrepreneurs in the formal private sector, and pose challenges to releasing the full potential of women entrepreneurs.

Policies too often focus on firm creation rather than on improving the operation and promoting the growth of female-owned firms. This report finds that medium-sized and large female-owned firms are as productive as male-owned firms of the same size, but most female-owned firms are concentrated in micro and small firms that are less productive than male-owned firms. These findings suggest that an important question for the policy agenda is how to help female-owned firms to either grow (from microenterprises to SMEs) or perish, thus freeing resources and the entrepreneur so she can undertake more productive investments. At this stage, this issue is perhaps more important than fostering the creation of female-owned firms, since the percentage of female-owned firms is already high among micro-enterprises, reaching up to 50 percent in some countries.

Improving women's access and performance in formal sector employment is important from a labor market

efficiency standpoint and from an equity standpoint, but also to reduce push-out factors that may be creating distorted incentives to seek self-employment as a last resort (necessity entrepreneurship). Reducing the gender wage gap and removing the glass ceilings that prevent women from making progress in the formal sector have been highlighted as an important step. Some well-intended policies, such as requiring businesses to provide childcare for female employees or barring women from working at night should also be re-evaluated for potential negative consequences (see Chile and Bolivia Case Studies).

In addition to reducing employment and wage discrimination, important challenges remain on the labor supply side. Early childhood development interventions and public policies aimed at improving quality and affordability of childcare often offer a win-win solution. Countries like Chile, Mexico, Colombia, and Brazil are actively pursuing this road. Women in LAC have a strong preference for schedule flexibility that formal labor markets are often unable to provide. Modern telecommuting technologies and innovations on part-time work regulation and practice should help women, as well as men, achieve a better work-life balance.

Improving the “Doing Business” climate helps both male and female entrepreneurs, but can also even out the playing field from a gender perspective. Tried and true interventions to reduce the costs of starting a business, enforcing contracts, and complying with labor and tax regulations may have the additional benefit of reducing barriers that affect women disproportionately. Similarly, improving the quality of Business Development Services for microenterprises and SMEs helps both men and women; yet, since women are overrepresented in these sectors, improving the quality and impact of these services implies taking into account women’s needs. Improving information flows and transparency in business registry procedures, paying taxes, and enforcement of other regulations seem to benefit women in particular, as they reportedly feel more vulnerable to corrupt officials and to the lack of information.

More than lack of access to credit *per se*, women in the region exhibit higher risk aversion or fear to apply for credit, as well as less familiarity and satisfaction with larger-size credit instruments. Thus, in Latin America and the Caribbean there is room for *developed country style* innovations in products and services to tap into the underserved market of formal large size credit for female entrepreneurs. However, more information and research are needed in terms of what has prevented credit suppliers for SMEs and large firms from taking on these innovations or marketing their products in ways that appeal to female entrepreneurs. Also, women in some countries, namely Nicaragua and Guatemala, still have less asset accumulation or tend to use less collateral than men. The acceptance of movable assets could also broaden women’s access to credit (see Bolivia Case Study).

Asset accumulation has specific gender dimensions that need to be addressed to reinforce continuity and improvements in programs that promote gender equality in land ownership and real estate ownership.

For both men and women, the value of individually owned consumer durables is important, as important as the value of the home or the land. Household durable goods are both consumer durables and ‘productive durables’ and can provide immediate use value—whether for consumption or productive/business purposes—to its owners. Men are able to accumulate more value in land and real estate assets than women. In terms of consumer durables, women tend to accumulate value in appliances and furniture, while men tend to accumulate more value in cars and trucks.

Gender social norms affect businesswomen negatively and intra-household allocation issues are present throughout all the themes examined in the report.

Addressing these issues directly as a policy priority has been the subject of great debate in the region. However, at the very least, it is essential to take these issues into account for policy and program design to improve the quality and impact of SME development policy. In addition, evidence from women entrepreneurs’ narratives shows

that initiatives that showcase the positive role of successful female entrepreneurs (business magazines, special articles in the media, prizes from public sector agencies) are having tangible demonstration effects.

6.2 Releasing the Full Potential of Women Entrepreneurs: A Program for Action

As noted above, steps taken to improve the business climate will benefit all entrepreneurs and may have added returns for women entrepreneurs; but such reforms alone are not enough to level the playing field. Gender equality needs to be integrated into the overall policy agenda and targeted interventions are needed to meet the specific needs of women entrepreneurs. The analysis in this report leads to several policy recommendations which could be combined to develop a comprehensive plan for promoting female entrepreneurship or as part of broader policy actions to address specific barriers.

- **Target labor market reforms to alleviate barriers to women's participation in formal sector employment.**

Improving women's access and performance in formal sector employment is important from a labor market efficiency standpoint and from an equity standpoint, but also to reduce push-out factors that may be creating distorted incentives to seek self-employment as a last resort. These include introducing policies aimed at reducing the gender wage gap, providing flexible schedules through part-time and flex-time employment, and encouraging the targeted hiring of female employees in decision-making positions.

- **Provide a combination of services to help female entrepreneurs grow their businesses or become more productive.** Such services might include: facilitating access to financial services and business development training; promoting high quality business training, taking into account women's needs in SME business development services; and promoting access to networks and new markets for women entrepreneurs. The provision of childcare services is another area of proven effectiveness where improvements could be made.
- **Promote good gender practices in the public and private sector.** Good gender practices have the potential of reducing some critical *push-out* factors from seeking employment in the formal labor market. Firm certification, developed and tested in Mexico with World Bank support (Gender Equity Model -- GEM), has proved to be a successful tool for promoting gender equity in the private sector under a participatory approach that has gained support from workers and management alike.
- **Use social marketing to promote gender equality in government programs for SME development, land titling, financial services, and other programs.** World Bank-funded initiatives in land titling (such as the program to mainstream gender in operations in LAC -- PROGENIAL) show that even the slightest change in radio messages or posters to highlight that both men and women can participate in the program, can make a difference.

Annex A

Terms and Definitions

Term	Definition	Qualification
Entrepreneur	An individual initiating economic activities in the formal sector under a legal form of business	
Formal enterprise	A firm that is officially registered and pays taxes.	Enterprise Survey data does not include the agricultural sector – it does include the following sectors: manufacturing, services, construction and transport, and storage and communications.
Micro-enterprise*	A firm having less than 5 employees	This definition is used by Household surveys used in this study and by Enterprise Survey data
Small enterprise	A firm having 5-10 employees	Enterprise survey data uses a threshold of 5-19 employees and household survey data uses a threshold of 5-10 employees.
Medium enterprise	A firm having 11 employees or more	Enterprise survey data uses a threshold of 20 – 99 employees
Self-employed	Working for oneself, as opposed to for another individual or company	Self-employed could include both formal and informal sector activities
Informal sector	Economic activity that is not regulated, registered, or taxed.	

* The Guatemala background paper uses a different definition, identifying as microenterprises those businesses with 2-4 employees.

Annex B

Focus Group Discussions and Case Studies

Focus Group Discussions

The women contacted for the Focus Groups include self-employed women and business owners (micro, small, and medium firms). Large firms were not included, as there is a scarcity of women owners or women in high management positions in large firms. All firms are within the formal sector of the economy.

Each Focus Group included women with different age, sector, or type of firm characteristics. The samples were selected from the data bases of SERCOTEC, PRODEMU, and ComunidadMujer. In addition, some women with special entrepreneurship experiences were included.

There were four Focus Groups:

- Focus Group 1: Database ComunidadMujer
- Focus Group 2: Database ComunidadMujer
- Focus Group 3: Database ComunidadMujer
- Focus Group 4: Databases SERCOTEC and PRODEMU

The focus group discussions took place between May 18 and June 1, 2009. The main difference between the participants in the first three groups (from the ComunidadMujer database) and the fourth (from the SERCOTEC and PRODEMU databases) is the educational level of the participants. Women in the first three groups generally had tertiary education, while the women in the fourth Focus Group were mostly secondary school graduates, and lived in communities of lower socioeconomic status.

Case Studies

The Case Studies were based on interviews of self-made female entrepreneurs, with a focus on understanding the barriers they had faced in establishing their businesses. The main criteria used in selecting the women to be interviewed included: heterogeneity between micro, small, medium, and large firms; heterogeneity between sectors and countries; and non-traditional gender roles.

The first set of interviews was conducted during an entrepreneurship conference in Buenos Aires organized by Vital Voices, and other interviews were conducted later, with help from the World Bank country offices.

Interviews were conducted with women entrepreneurs from nine countries:

- Argentina: Anne Marie Richard (Grupo SyN)
- Bolivia: María Claudia Méndez (Orígenes Bolivia)
- Brazil: Nara Fauth Pereira (Estância Boa Vista da Quinta)
- Chile: Karina Von Baer (Saproseem, GranoTop, AvenaTop, OleoTop, and TreeTop)
- Jamaica: Audrey Hinchcliffe (Manpower and Maintenance Services), and Dr. Sandra Palmer-Peart (SSP APTEC)
- Mexico: María Elena Mendoza (Jardines del Recuerdo)
- Nicaragua: Ximena Ramírez (EuroAmericana)
- Peru: Flora Reátegui (Aranza Joyas)
- Uruguay: Mónica Avila (Costumbres Uruguayas)

Annex C

Special Analysis of Nicaragua Household Surveys – Asset Accumulation

In Nicaragua, there are links between the individual wealth of business owners, combined with certain individual, household, and business characteristics, and their ability to accumulate business assets. It is expected that being male, older, a household head and married is positively related to the level of gross business assets of the owner. The same can be said for higher levels of educational attainment. The number of workers in the business, the number of months that the business has been in operation, and the number of hours worked weekly by the business owner should also have a positive impact on business asset accumulation. To test this hypothesis, a set of regressions were performed. Results confirmed these assumptions.

The value of consumer durables and the number of hours worked per week by the owner were key factors in asset accumulation for all entrepreneurs in 1998.

When looking at all entrepreneurs (Table C.1), being female appears to be negatively associated with asset accumulation. All other things being equal, the value of women's business assets are on average 5,154 córdobas lower than that of male entrepreneurs. However, when adding variables related to business characteristics, being female loses significance, and new variables emerge. An additional worker in the business explains an increase of 5,607 córdobas in the value of business assets. The age of the business and the number of hours worked by the business owners also have positive effects on the value of business assets.

Interestingly, having a business located in the home has a negative impact in the value of business assets in Nicaragua; as is having a business in a predominantly female sector. The former is not supported by findings from Peru, nor is the latter consistent with findings in Mexico. In Peru, poor households own businesses with lower profitability and are

less likely to have a business run within the home. Just over a quarter of businesses owned by the Peruvian poor are run from within the home, a share statistically significantly smaller than the 30.3 percent found among non-poor entrepreneurs.⁶⁸ Along similar lines, Sánchez and Pagán (2001) found that, in Mexico, female micro-entrepreneurs are concentrated in sectors in which their earnings ratio is *highest*. That is, women are selective in their sector choices, and female-dominated sectors tend to have higher female-male earnings ratios (e.g., in urban areas, .58 and .54 in services and trade, respectively, compared to .30 in manufacturing).⁶⁹

In the survey data from Nicaragua, once the value of other assets owned by the entrepreneur (mostly household goods) is also controlled for, the education level of the business owner and the weekly hours worked are the variables with the strongest positive relationship with the total value of business assets.

The same exercise for female entrepreneurs shows that both the value of the woman's home and of the consumer durables that she owns are positively and significantly associated with the level of her business assets. After controlling for individual and business characteristics, a unit increase in the value of consumer durables explains an increase of .67 units of the variance in the value of business assets. Being older, having at least some high school education, and the number of hours worked are the variables that impacted the value of women's business assets positively and significantly in 1998. In 2001, age was a positive factor for men. Being the household head, having the business in the home, and all

⁶⁸ World Bank (2005a).

⁶⁹ Sánchez and Pagán (2001).

Table C.1: Total Value of Business Assets Regressed on Individual Characteristics of the Owners, Characteristics of the Businesses and Value of Other Assets Owned by the Business Owner. Nicaragua 1998

	Model 1: Individual Characteristics	Model 2: Business Characteristics	Model 3: Value of other assets
Female	-5,153.47 ***	-2,216.90	-2,495.08
Age	160.91 **	130.74 *	97.83
Household head	-1,746.47	-2,775.13	-3,876.63 *
Married	5,698.92 ***	3,476.04 *	3,352.03
Education Technical	17,705.68 ***	17,710.44 ***	14,797.15 ***
Education University	32,198.29 ***	28,880.67 ***	23,509.23 ***
With children 5 or younger	594.59	418.47	654.62
Workers		5,607.25 ***	5,098.14 ***
Months		615.23 ***	535.98 **
Hours		144.85 ***	141.69 ***
Location (in the home)		-4,513.52 **	-4,564.99 **
Predominantly female sector		-6,788.64 ***	-6,192.46 ***
Value Durables			0.51 ***

Number of observations: 1,599

Source: Nicaragua LSMS, 1998

the sector variables are negatively associated to female's business assets' value.

Education, the hours invested in the business, and the value of the consumer durables in the hands of the owner are important for the asset accumulation of both female and male entrepreneurs.

A comparison between male and female entrepreneurs for 1998 and 2001 suggests that there are important gender differences in the process of accumulating business assets and that these factors are not constant over time. For two years of analysis, following model 3,⁷⁰ Table C.2 shows:

- Of all individual factors, *age* was a more important factor for female business owners in 1998, but in 2001 it lost relevance (although it did become important for men). Being a *household head* is always negatively correlated to the value of assets, but female household heads in 1998

were the ones at a disadvantage in the accumulation of business assets.

- *Women benefit from any level of education* above primary school, whereas men benefit primarily from university-level education.
- Having children of any age is less of a factor than expected for women. The presence of children aged five or less had a negative effect on business assets only for female business owners in 2001.
- For men, *adding one worker and having the business working an extra month explains a large share of asset value*. For women, the number of workers is only significant in 2001. Each additional hour worked by the owner contributes positively to the value of business assets, although less for women than for men.
- *Sector concentration was a negative factor*, but it is significant only in 1998 for women.
- *The value of consumer durables is positive and significant for both men and women for both years.*

⁷⁰ This model controls the influence in the total value of business assets by individual characteristics of the owners, characteristics of the business, and the value of other assets owned by the business owner.

Table C.2: Total Value of Business Assets Regressed on Individual Characteristics of the Owners, Characteristics of the Businesses and Value of Other Assets Owned by the Business Owner by Sex and Year

	1998		2001	
	Female	Male	Female	Male
Individual Characteristics				
Age	128.57 *	60.71	74.05	360.6 ***
Household head	-6089.95 **	-3819.29	-4,061.66	-7,744.02
Married	431.02	4834.81	854.64	3,982.63
Education				
Primary	3336.32	-6688.01	3,568.89	8,255.70
Secondary	6488.51 ***	-5279.8	6,613.70 *	19,495.90 ***
Technical	21684.57 ***	3823.53	11,158.73	12,299.11
University	20868.55 ***	20257.86 ***	27,663.76 ***	29,147.58 ***
Household characteristics				
Urban	2633.98	5690.57	359.48	1,741.99
With children 5 or younger	2972.21	-2110.54	-6,840.73 **	-1,232.86
With children 6 or older	2523.87	2192.98	-1,710.59	3,673.51
Business characteristics				
Workers	493.96	6727.27 ***	6,073.94 ***	5,565.37 ***
Month	119.04	949.45 **	354.73	950.14 *
Hours	179.62 ***	110.88 **	56.9	276.01 ***
Location (in the home)	-5214.54 ***	-3721.28	-1,620.04	-319.1
Predominantly female sector	-9718.05 ***	-4591.12	4,907.54	-2,039.96
Mixed sector	-8270.18 ***	1501.87	1,265.53	-3,164.00
Other sectors or businesses in two or more sectors	-7324.16 **	452.2	9,799.08	4,480.65
Assets value				
Value Farm	0.28	0.03	-0.01	0.13 ***
Value Home	0.08 **	0	0.04	-0.06
Value Durables	0.67 ***	0.42 ***	0.44 ***	0.54 ***
Credit received			-1,854.38	18,398.94 ***
Number of observations	834	764	873	778

Source: Nicaragua LSMS 1998, 2001

- Credit has an important positive value for men, but is negative and not significant for women⁷¹.

In 2001, the only individual characteristics of female entrepreneurs that contributed positively and significantly to the value of business assets once other

controls were introduced, is secondary or higher level of education (Table C.3). For women, having a child five years of age or younger significantly and negatively affects the level of business assets. When including the role of credit, the amount of credit has a positive and significant impact on the value of men's business assets; but not for women, for whom the value of consumer durables has a larger impact.

⁷¹ Credit is only measured in the 2001 survey.

Table C.3: Total Value of Business Assets Regressed on Individual Characteristics of the Owners, Characteristics of the Businesses and Value of Other Assets Owned by Female Business Owners. Nicaragua 2001

	Model 1: Individual characteristics	Model 2: Business characteristics	Model 3: Value of other assets
Household Head	-594.55	-2,500.01	-4,061.66
Secondary Education	9,090.94 ***	8,622.35 **	6,613.70 *
Technical Education	14,097.14 **	12,302.21 *	11,158.73
University Education	41,727.97 ***	36,321.56 ***	27,663.76 ***
With children 5 or younger	-4,719.44	-7,076.60 *	-6,840.73 **
Workers		6,584.96 ***	6,073.94 ***
Credit received		-1,334.71	-1,854.38
Location (In the home)		-990.66	-1,620.04
Value Durables			0.44 ***

Number of observations: 873
Source: Nicaragua LSMS, 2001

Annex D

Women's Business Associations in Latin America and the Caribbean

Name	Acronym	Country	Website
Mujeres, Oportunidades y Negocios		Argentina	http://www.mujiynegocios.com/default1.htm
Asociación Argentina de Empresarias	ASEM	Argentina	
Asociación de Mujeres en Política y Empresa		Argentina	
Asociación de Mujeres de Negocios y Profesionales - Buenos Aires	BPW Buenos Aires	Argentina	http://www.bpwbuenosaires.com.ar/home.htm
Asociación de Mujeres de Negocios y Profesionales - Recoleta	BPW Recoleta	Argentina	http://bpw-recoleta.blogspot.com/
Asociación Femenina de Ejecutivas de Empresas Turísticas	AFEET	Argentina	http://www.afeetargentina.org.ar/home.html
Cámara Mujeres en Carrera		Argentina	
Cámara de Mujeres PYMES	CMP	Argentina	http://www.cdeb.com.ar/cmp/servicioseven.htm
Fuerza Empresaria	FE	Argentina	http://www.cdeb.com.ar/fe/
Organización Argentina de Mujeres Empresarias	OAME	Argentina	http://www.oame.org.ar/
Red de Mujeres Empresarias del Programa Bolívar		Argentina	
Asociación Mujeres Empresarias y Ejecutivas	AMEE	Argentina	http://www.cdeb.com.ar/amee/
Asociación de Mujeres Empresa de Familia		Argentina	
Foro Empresarial de la Mujer Argentina para el Libre Emprendimiento	FEMALE	Argentina	http://www.redfemale.com.ar/
Asociación de Mujeres y Profesionales del Sur		Argentina	http://www.amnypdelsur.com.ar/
Federación Argentina de Mujeres de Negocios y Profesionales	FAMNYP	Argentina	http://www.bpwargentina.com/asociaciones/
Asociación Civil de Empresarias y Profesionales de San Martín	ACEP	Argentina	
Cámara de Mujeres PYME - Pilar	CMP	Argentina	http://www.cdeb.com.ar/cmp/
Asociación Argentina de Mujeres de Negocios y Profesionales	AAMEP	Argentina	http://www.aamep.com.ar/
Emprendedoras en Red		Argentina	http://emprendedorasenred.com.ar/quienes.php
Business & Professional Women	BPW Barbados	Barbados	
BPW Bermuda	BPW Bermuda	Bermuda	
Movimiento Femenino Indo-Iberoamericano Senti-Pensante	MOFISP	Bolivia	
Federación Boliviana de Mujeres Empresarias y Profesionales		Bolivia	
Conselho Nacional da Mulher Empresária	CNME	Brazil	http://www.cacb.org.br/acao/con_mul_empresaria.htm
Organização Brasileira de Mulheres Empresárias	OMBE	Brazil	
Conselho da Mulher Empreendedora	CME	Brazil	http://www.acminas.com.br/conselhos_sub.php?s=13
Associação de Mulheres Empreendedoras	AME	Brazil	http://asmulheresempreendedoras.blogspot.com/ , http://www.amedf.org.br/

Federação das Associações de Mulheres de Negócios e Profissionais	BPW Brasil	Brazil	http://www.bpwbrasil.org/principal/50.html
ComunidadMujer		Chile	
Mujeres Emprendedoras Chile		Chile	http://mujeresemprendedoras.cl/links
Foro de Mujeres Empresarias y Profesionales		Costa Rica	http://foroempresariascr.blogspot.com/
Federación de Mujeres Empresarias Dominico-Internacional Inc.	FEM	Dominican Republic	
Asociación Nacional de Mujeres Ejecutivas, Empresarias y Profesionales	ANMEPRO	Dominican Republic	
Asociación Dominicana de Mujeres Empresarias	ADME	Dominican Republic	
Unión de Mujeres Micro Empresarias Lencas de Intibucá		Honduras	
Women Business Owners		Jamaica	
Asociación Mexicana de Mujeres Empresarias	AMMJE	Mexico	http://www.ammjenacional.org/
Comisión de Mujeres de la Industria de la Alta Tecnología	COMIAT	Mexico	
Mujer Emprende		Mexico	http://www.mujeremprende.com.mx/sobre-mujer-emprende.html
Ex-A-Tec Mujeres Empresarias y Ejecutivas		Mexico	http://portal.exatec1.itesm.mx/portal/page?_pageid=53,448296,53_460310&_dad=portal&_schema=PORTAL&l_asoc=1090
Congreso Permanente de Mujeres Empresarias de Nicaragua	CPMEN	Nicaragua	http://www.euram.com.ni/Empresarias/index.htm
Mujeres de Negocios y Profesionales de Panama	BPW Panama	Panama	
Asociación Paraguaya de Empresarias, Ejecutivas y Profesionales	APEP	Paraguay	
Asociación de Mujeres Empresarias del Perú	AMEP	Peru	
Asociación Peruana Mujeres Industriales del Sur	MISUR-PERU	Peru	
Asociación Femenina de Ejecutivas de Empresas Turísticas del Perú		Peru	
Asociación de Mujeres Industriales, Empresarias y Profesionales del Perú		Peru	
Organización Internacional de Mujeres en Negocios	OWIT Perú	Peru	http://www.owitperu.org/default.php
Asociación de Ejecutivas de Empresas Turísticas del Perú	AFEET Peru	Peru	http://www.afeetperu.org/home.htm
Union de Mujeres Empresarias del Perú	UMEP	Peru	
Instituto Empresarial para la Mujer	IEM	Puerto Rico	http://www.mujeryempresas.org/cms/
Hispanic Business Women's Alliance	HBWA	Puerto Rico	
Women's Business Group		Suriname	
Caribbean Association Women Entrepreneurs	CAWE	Trinidad & Tobago	
Cámara Empresarial de Mujeres de Uruguay	CEMU	Uruguay	http://www.cemu.org.uy/esp/
Federación de Mujeres Empresarias de Venezuela	FEDEMEV	Venezuela	
Federación Interamericana Empresarial	FIE		http://www.fiepymes.com/espanol/home/
Asociación Iberoamericana de Mujeres Empresarias	AIME		http://www.aime.org.ar/
Federación Iberoamericana de Mujeres Empresarias	FIDE		http://www.empresariasfide.org/
Foro de Mujeres del Mercosur			
Federación Internacional de Ejecutivas de Empresas Turísticas	FIASEET		
International Association of Caribbean Women Entrepreneurs	IACWE		http://iacwe.com/about/

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CASE STUDIES

Anne Marie Richard

Transforming an Underserved Profession into a Business Opportunity

Anne Marie Richard remembers when she first learned the word “entrepreneur”: the word perfectly summed up her vision of creating a life based on her own ideas, creativity, and skills. She recalls, “In Argentina, being a girl was liberating. No one had any expectations from me, and I could do whatever I wanted – innovate, fail, run my own business.” Unlike her brothers, she did not feel pressured to take on a profession like medicine, law, or engineering. She tried out a few business ventures before founding Grupo SyN in 1998. Her firm quickly became a go-to group for secretaries. Anne Marie estimates it has reached 100,000 women over the last decade, despite barriers posed by economic instability, a difficult tax environment, and problems with accessing much-needed finance.

Country Context

Argentina is highly urbanized, with only 11 percent of its population living in rural areas.¹ Throughout most of the 1990s, Argentina had the highest GNI per capita in Latin America, retaining that status even during the 1994-1997 economic crisis.²

But the crisis that rapidly unfolded in the country in 2001-2003 brought growth to a dramatic halt. The poverty rate soared from 28 percent in 1998 to 37 percent in 2001, and to a staggering 58 percent by the end of 2002. Unemployment rose to 22 percent, with 90 percent of losses in the formal sector.^{3,4} Middle-class households became part of the “new poor.” Employment in the informal sector served as a cushion: non-working household members, especially women, entered the labor force and families



started producing goods in the home.⁵ The Argentine government’s workfare program *Jefes y Jefas* also played a critical role in preventing a steeper downward spiral of unemployment and poverty.⁶

Since the end of the 2001-2003 crisis, Argentina has experienced annual growth rates of at least 7 percent. Bolstered by fiscal and external surpluses, in 2008 GDP surpassed pre-crisis levels and reached an historic high.⁷ Poverty and unemployment have more than halved during

GDP per capita (current USD):
8,236
Population, total:
39,882,980
Female Headed Households (% of total):
34
Total Fertility Rate:
2.2 births per woman

Sources: World Bank (2010), World Development Indicators database, most recent year available. World Bank (2009), Genderstats database, most recent year available.

¹ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

² World Bank (2009), World Development Indicators database.

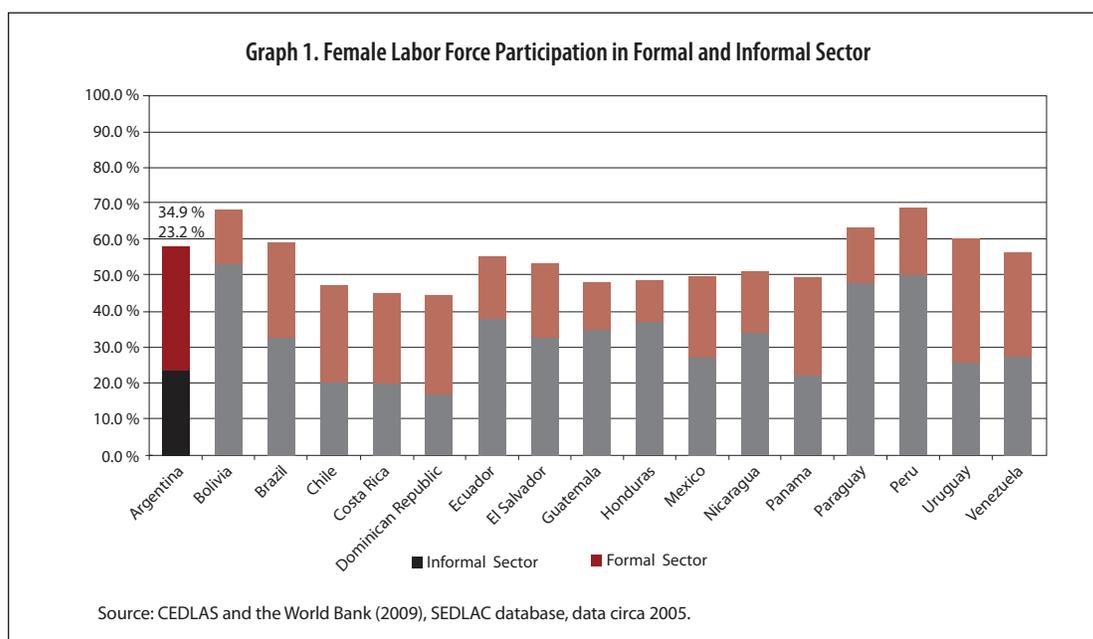
³ World Bank (2003). Argentina: Poverty Assessment: Crisis and Poverty.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

⁷ World Bank (2009). World Development Indicators database.



the recent period, reaching 23 percent and 8 percent, respectively, in 2007. But in spite of these important achievements, current poverty rates are still higher than they were in the 1970s.⁸ The 2008-2009 world financial crisis is expected to push Argentina's annual growth rate down to 0-1 percent in 2009 and 2010.⁹

In terms of social welfare, the United Nations Human Development Index ranks Argentina second in Latin America.¹⁰ But the country lags behind otherwise comparable middle-income countries in several social indicators. For example, 20 percent of Argentines do not have access to piped water and only 48 percent have piped sewage; deprivation is significantly higher in indigenous communities.¹¹ Net secondary school enrolment is currently 78 percent (on a par with other Latin American countries such as Brazil and Peru), but this masks

the disadvantage faced by indigenous people, many of whom drop out as early as primary school.^{12,13} And while female enrollment in secondary and tertiary education is higher than male enrollment, girls are more likely to be pulled out of school during a crisis.

Women in Argentina

The Argentine government has actively pursued gender equality. The Women's Quota Act, which requires that women comprise at least 30 percent of representatives in both National Congress houses, was instituted in 1991 and extended in 2000.¹⁴ Similar acts have been passed for labor unions and the National Supreme Court. Today, 44 percent of national Senate members and 35 percent of representatives in the Chamber of Deputies are women.¹⁵ In 1992, a National Women's Council was established to create and execute

⁸ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

⁹ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

¹⁰ UNDP (2008). Human Development Indices: A Statistical Update 2008 – HDI Rankings (<http://hdr.undp.org/en/statistics/> [last accessed September 2009]).

¹¹ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

¹² World Bank (2009). World Development Indicators database.

¹³ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

¹⁴ Government of Argentina (2004). Responses to the United Nations Division for the Advancement of Women's Questionnaire to Member States on the Implementation of the Beijing Platform for Action (1995) and the Outcome for the Twenty-Third Special Session of the General Assembly (2000).

¹⁵ *Ibid.*

public policies that support the implementation of CEDAW.¹⁶ But, in 2002, the Council lost its State Ministry rank and suffered several budget cuts.¹⁷ Recent progress in women's rights includes a Reproductive Health Law, covering maternal mortality and female participation in pregnancy decisions, and a 2005 Presidential Decree that expands pension coverage to women over 60 years of age.¹⁸

Despite progress on the legislative front, Argentine women face distinct disadvantages in the workplace. Female labor force participation has been increasing since the 1970s and is currently just below 60 percent. But 70 percent of working women in Argentina have unskilled jobs and only 11.4 percent of senior positions in the private sector are occupied by women.¹⁹ Within the same occupation, women tend to earn 30 percent less than their male counterparts, and, when looking at equivalent educational levels, women with 0-3 years of schooling earn on average only 64 percent of what men with the same level of education earn.^{20, 21} This rate increases to 82 percent for women and men with 4-6 years of schooling, but declines drastically for higher levels of education: returns to schooling are highest for tertiary education, but at that level Argentine women earn only half of men's earnings.²²

It is therefore not surprising that Argentine women with higher education such as Anne Marie look at self-employment as an opportunity for economic advancement – 38 percent of women entrepreneurs in Argentina have

**Primary School Enrolment,
Female/Male (% , gross):
114 / 116**

**Secondary School Enrolment,
Female/Male (% , gross):
90 / 80**

**Tertiary School Enrolment,
Female/Male (% , gross):
80 / 54**

**Female/Male Adult Literacy Rate (%):
98 / 98**

**Female/Male Labor Force Participation (%):
57 / 82**

**Administrative and Managerial Positions:
25% held by women**

**Seats in National Parliament:
42% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

a university education.²³ Argentine women entrepreneurs differ from female entrepreneurs in many other middle income countries in that a higher percentage of them start their enterprises to capitalize on economic opportunities, rather than out of economic necessity.²⁴ 10 percent of Argentine women are business owners, and 30 percent of firms have female participation in ownership.²⁵

Graph 2 shows that over 71 percent of female employment is concentrated in three sectors: education and health (31.6 percent), commerce (21.4 percent), and domestic service (16.8 percent). The box below summarizes the top 5 obstacles perceived by businesswomen and female entrepreneurs, according to Voces Vitales Argentina.

¹⁶ Government of Argentina (1992). Presidential Decree 1426/92.

¹⁷ Government of Argentina (2004). Responses to the United Nations Division for the Advancement of Women's Questionnaire to Member States on the Implementation of the Beijing Platform for Action (1995) and the Outcome of the Twenty-Third Special Session of the General Assembly (2000).

¹⁸ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

¹⁹ World Bank (2006). Enterprise Surveys database.

²⁰ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

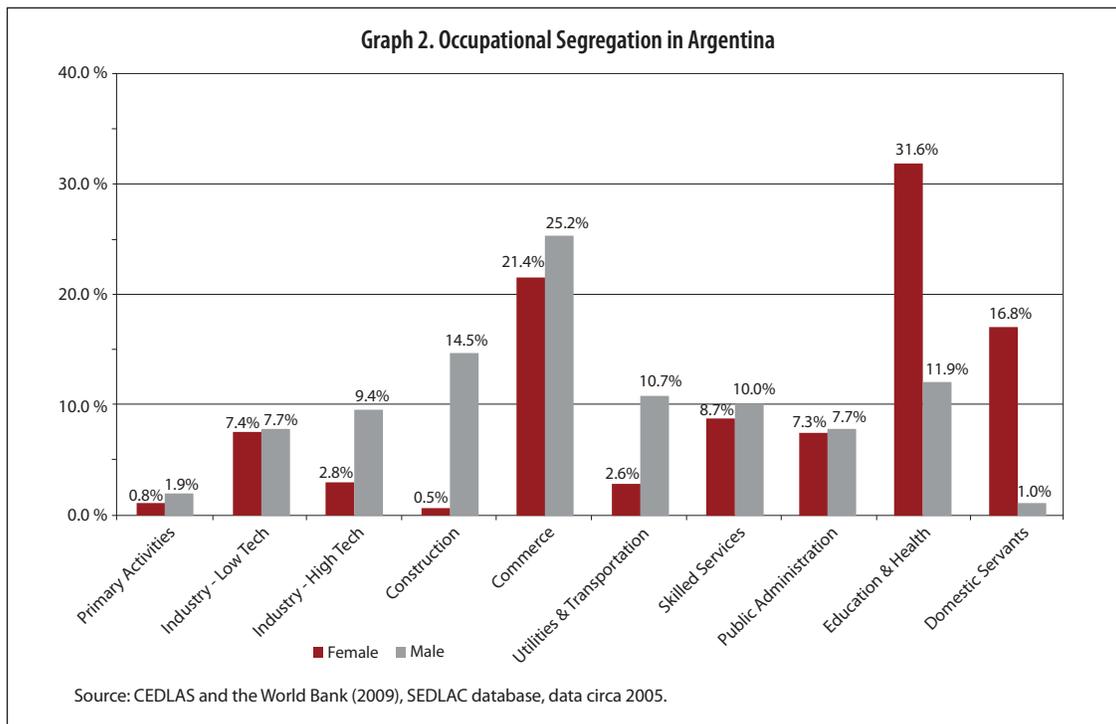
²¹ Government of Argentina (2004). Responses to the United Nations Division for the Advancement of Women's Questionnaire to Member States on the Implementation of the Beijing Platform for Action (1995) and the Outcome of the Twenty-Third Special Session of the General Assembly (2000).

²² *Ibid.*

²³ Instituto APOYO, in collaboration with the Center of International Private Enterprise, IBM, and the National Foundation for Women Business Owners (2000), "Women Business Owners in Argentina: A Source of Economic Growth."

²⁴ *Ibid.*

²⁵ World Bank (2006). Enterprise Surveys database.



Finding a Niche and Persevering

Anne Marie was an entrepreneur even before she had heard that term. At 18, she crafted cloth flowers and sold them as a chic hair accessory to upscale boutiques in Argentina. The revenue from this first venture covered her graduation trip to Europe. A few years later, after completing her university studies in graphic design, she launched a public relations firm with a former classmate. The business did relatively well for a while, but suffered from a lack of diversification and ultimately sank when a contract with a long-standing client failed to materialize.

Even though that business failed, it helped her find a new niche. When one of her clients asked for her guidance in devising a campaign for executive secretaries, Anne Marie did some research and found that there were over 300,000 office secretaries in Argentina. This market was entirely untapped. In setting up Grupo SyN in 1998, she sought to create a business that would help generate and improve incomes for thousands of other Argentine women while making a profit for herself.

Grupo SyN's first product was a guide for executive secretaries in Buenos Aires. The business grew rapidly: between 2000 and 2001, annual revenues grew from 300,000 pesos to 500,000 pesos. Its combination of services (which included an annual convention, training courses, networking events, a magazine, and an online library), made it the go-to organization for secretaries. And major companies came to recognize its convention and publications as powerful marketing vehicles for reaching young professional women.

In 2002, the financial crisis shattered Argentina. As corporate sponsorships and advertisements were withdrawn, Grupo SyN's revenues slipped to 400,000 pesos annually. Many companies went out of business. But Anne Marie persevered, pushed by the responsibility she felt for her partners, employees, and the women who benefited from Grupo SyN's services. She recalls, "I wasn't even aware of how hard it was on me. I realize now that that was my strength during the crisis – the ability to just block it out and focus solely on what I had to do."

In Their Own Words: Voces Vitales Argentina

The Top 5 Obstacles perceived by businesswomen and female entrepreneurs, according to Voces Vitales Argentina:

1. Gender discrimination in the private sector:
 - Limited access to high-level jobs
 - Lower wages for women as compared to men in positions with similar levels of responsibility and educational and professional requirements
 - Less opportunities for career growth
 - The existence of sectors that are considered “appropriate” only for men.
2. Difficulties in reconciling professional and personal roles. This situation is worsened by the lack of regulation and policies supporting flexible work schedules. This obstacle is most salient for pregnant women and those with children.
3. Difficulties in re-entering the labor force after leaving it to take care of children. Women who leave the labor force are unable to get managerial or director-level positions, and find themselves having to start at the bottom again.
4. Lack of female empowerment:
 - Lack of female role models in leadership
 - Lack of visibility of successful women
 - Self-imposed obstacles due to gender-based insecurities.
5. Lack of support from the Government:
 - Difficulty in accessing credit
 - Lack of laws to encourage and support the development of MSEs
 - Lack of legal stability.

Information provided by Vital Voices Global Partnership and their partners.

As the economy began to stabilize two years later, Grupo SyN's growth rebounded. In 2004, Anne Marie expanded into the Chilean market, opening an office in Santiago. Conventions were organized in new cities, including Córdoba, Mendoza, and Rosario in Argentina, and Santiago and Concepción in Chile. As of 2008, Grupo SyN employs 40 mostly female staff and generates annual revenues of over US\$1 million.

Paying Taxes

In the *Doing Business 2010* report, Argentina was ranked 142nd out of 183 economies, and 23rd in Latin America and the Caribbean in the “paying taxes” category, which includes both the amount of taxes and mandatory contributions paid by medium size firms and the administrative burden of

preparing them.²⁶ The number of tax payments firms must make each year in Argentina was reduced dramatically, from 62 in 2005 to 9 in 2008, and is now below the regional and OECD averages of 33.2 and 12.8, respectively. But it takes firms in Argentina as many as 453 hours to prepare their taxes (in contrast to 385.2 in the region and 194.1 for OECD countries).²⁷

Most alarmingly, the total tax rate incurred by the sample firms in Argentina is equivalent to 108.1 percent of profits,

²⁶ World Bank (2009). *Doing Business 2010* database.

²⁷ *Ibid.*

one of the top ten highest rates in the world.²⁸ The federal profit tax in Argentina is only 2.9 percent, but other taxes and mandatory contributions, including those imposed at the state and municipal levels, account for the bulk of the burden. The city of Buenos Aires levies a 3 percent turnover tax, which can shave off as much as 53 percent of profits.²⁹ Anne Marie estimates that she pays: “50 percent of sales to various taxes, a value added tax (VAT) tax of 21 percent, 3 percent of gross income, another 2 percent for a ticket tax implemented 3 years ago, 50 percent on labor, and, finally, 35 percent on profits.” She says: “That’s why the informal economy is so huge in Argentina – because taxes are so high.” Indeed she estimates that 9 out of 10 of the secretaries with whom she comes into contact work off the record.

Due to their preponderance in micro and small businesses, women entrepreneurs carry a disproportionate tax burden. For instance, in a 2002 survey of business owners, 77 percent of female and 45 percent of male business owners pointed to tax laws as the principal regulation impeding the growth of their business.³⁰ In part to rectify this burden, a *monotributo* system helps to simplify tax payments for micro and small businesses. However, once enterprises exceed a set income ceiling, they are shuttled into the much more burdensome conventional tax scheme. This ceiling may discourage SME growth and push businesses into the informal sector.

Anne Marie believes that the tax code in Argentina indeed imposes a larger burden on women than on men. For example, when she first started Grupo SyN, her company was home-based – a business structure chosen by many female entrepreneurs for its compatibility with childcare duties. While the *monotributo* may take that into consideration, since it incorporates office size into its eligibility criteria, the conventional tax system does not.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ Instituto APOYO, in collaboration with the Center of International Private Enterprise, IBM, and the National Foundation for Women Business Owners (2000), “Women Business Owners in Argentina: A Source of Economic Growth.”

³¹ World Bank (2009). Doing Business 2010 database.

Were Anne Marie to have worked away from home and paid for childcare, it would have counted as a cost and reduced her taxable income, but she gained no equivalent relief when she worked from home.

The value-added tax (VAT) may also be borne disproportionately by women. The VAT rate in Argentina is 21 percent – higher than the regional average of 15 percent. Since businesses pass VAT on to consumers, it is highly regressive.³¹ ³² While this phenomenon is not limited to Argentina, “it has been found that women tend to consume goods and services that benefit family health, education, and nutrition, while men consume more of their income on personal items. Thus, women may bear a larger burden of indirect taxation.”³³

Accessing Credit Creatively

Restrictions on access to credit also emerge as a major constraint among business owners in Argentina. While a ranking of 61st out of 183 economies in *Doing Business 2010* for getting credit is not particularly low by regional standards, 38.48 percent of Argentine business owners in the World Bank’s Enterprise Survey cited access to finance as a major constraint to their business success.^{34,35} Moreover, credit restrictions have gender and spatial dimensions, such that women, and especially those outside of greater Buenos Aires, face particular obstacles.

A study conducted in 2000 found that around a third of both female and male business owners in Argentina do not use any source of financing. Among those who do use financing, men are more likely to have bank loans while women tend to use private sources of finance.³⁶

³² World Bank (2003). Argentina: Poverty Assessment: Crisis and Poverty.

³³ Barnett, Kathleen and Caren Grown (2004). “Gender Impacts of Government Revenue Collection: The Case of Taxation,” Commonwealth Secretariat.

³⁴ World Bank (2009). Doing Business 2010 database.

³⁵ World Bank (2006). Enterprise Surveys database.

³⁶ Instituto APOYO, in collaboration with the Center of International Private Enterprise, IBM, and the National Foundation for Women Business Owners (2000), “Women Business Owners in Argentina: A Source of Economic Growth.”

Unsurprisingly, larger businesses are more likely to operate with credit than small businesses. 44 percent of large businesses owned by women in Argentina use bank loans, in contrast to 18 percent of medium-sized businesses and 9 percent of small businesses. The gap in credit access between women in greater Buenos Aires and in provincial areas also stands out: 37 percent of women business owners in provincial areas pointed to “lack of financial support” as one of the main obstacles faced by their business, compared to 27 percent of women in Buenos Aires. Moreover, only 7 percent of women business owners in provincial areas had used a bank loan in the previous 12 months, while 13 percent of women in Buenos Aires did so.³⁷

Anne Marie reflects: “One challenge for Argentinean entrepreneurs is access to credit.” She claims that creativity is required to find financing. “They say that there’s no capital out there but the reality is that they do not know how to look.” While she started Grupo SyN with her own funds, she sought financing from private investors in the business’s second year. In 2004, she gained support from a non-profit organization, Endeavor. Endeavor helped Anne Marie develop skills in business planning and proposal drafting so that she was able to attract investors from both within and outside the non-profit’s network.

There are currently a large number of micro and small business development service providers operating in Argentina. The most notable ones include the Sub-secretariat of Small and Medium Enterprises, a government agency, and the Multilateral Investment Fund of the Inter-American Development Bank. Over the years, Anne Marie has become very resourceful in securing and juggling funding from multiple sources, though she admits that these efforts take time and may get caught up in bureaucratic procedures. When she was awarded funding from the Sub-secretariat of SMEs, for example, the government body took over two years to disburse the funds. “If my project had depended on that,

Endeavor

Established in 1997, Endeavor is a non-profit organization that provides technical assistance and links to networks and capital to selected high-impact scalable enterprises in emerging markets. Endeavor currently operates in Argentina, Brazil, Chile, Colombia, Mexico, South Africa, Turkey and Uruguay, and has certified 198 entrepreneurs from 140 enterprises, selected from among 14,000 applicants. Endeavor-supported enterprises have generated almost 40,000 jobs and, with Endeavor, have accessed over US\$ 800 million in financing.

Additional information on Endeavor can be found at www.endeavor.org and www.endeavor.org.ar for Endeavor’s work in Argentina.

it would have failed,” she reflects. “No small business can wait that amount of time.”

Looking Forward

Despite these hurdles, government efforts to support the SME sector in Argentina are benefiting many women entrepreneurs, since their businesses are more likely to be in that sector. Gender-specific training and programs that support the extension of credit to business owners

“If any entrepreneur believes him or herself capable and is willing to face the challenge, he or she can do it.”

in Argentina can also help women’s businesses grow and develop resilience against macroeconomic shocks. Some of these initiatives are provided by the vibrant network

of women’s business organizations, which advocate for policies supporting female labor market participation and entrepreneurship, offer networking opportunities

³⁷ *Ibid.*

and training, and link entrepreneurs to potential consumers. However, an effort to coordinate government and non profits' efforts could increase their impact on women.

As an entrepreneur, Anne Marie prefers to focus on what she can change. She reaches out to emerging entrepreneurs, giving lectures throughout the region and contributing to a blog. She believes that education is the most critical component to launching and developing small enterprises and is a committed advocate for entrepreneurialism among younger generations. She estimates that Grupo SyN has already improved the skill sets, networks, and career prospects of 80,000 secretaries in Argentina and 20,000 in Chile, most of them women. Looking ahead, she has set her next goal: to build upon this work and launch a social enterprise that will provide secretarial training and certification to former street youth in Argentina.

Case Study Highlights

- A demanding tax system and difficulties accessing credit are among the principal difficulties for business owners in Argentina, with a disproportionate burden falling upon women.
- Argentine women have resorted to self-employment as a crisis-coping strategy, but others (like Anne Marie) have pursued it by choice, as a place where their education and skills may be more richly rewarded.
- Anne Marie found a gap in the market that enabled her to make profits while helping other working women; her story is one of tenacity and perseverance.

María Claudia Méndez

Showcasing Bolivia through Indigenous Crafts

In 2003, María Claudia Méndez was working as an economist in the male-dominated profession of engineering in Bolivia. She found the work frustrating and felt that being female put her at a disadvantage, so she decided to leave to start her own business. “I analyzed potential sectors, searching for one which needed the least amount of investment and had the most opportunities for future growth,” she explains. “I was interested in using Bolivians’ indigenous art and textile practices to design apparel and home wear, such as blankets and furniture throws, using the famous alpaca wool.”

She launched Orígenes Bolivia, an upscale fashion company which uses alpaca wool and Bolivia’s indigenous art and textile practices for high-end apparel and home goods. The business took off quickly, and her goods are now sold in the United States, Japan, and Europe. But her success belies a difficult business environment in a nation where the vast majority of entrepreneurs remain confined to the informal sector.

Country Context

María Claudia’s native Bolivia has the largest informal economy in Latin America. Around 70 to 80 percent of its employment is concentrated in the informal sector; the regional average is below 60 percent.¹ In the urban informal sector, self-employment accounts for the majority of jobs.² Some of this informality is voluntary, as 44 percent of Bolivians in the highest earnings quintile have informal jobs.³ Nonetheless, informal businesses are generally micro or small in scale and are characterized by relatively low productivity. Earnings in the informal sector in Bolivia tend to be biased against the poor, especially against self-employed women.⁴ Micro and small firms with less than 10 employees account for 83 percent of employment, mostly unskilled, and 25 percent of the country’s output. In contrast, two thirds of output is generated by large firms



(50 employees or more), which provide only 9 percent of employment for mostly skilled workers.⁵

The limited productivity of the informal sector and micro and small businesses is due in large part to a lack of available skilled labor. Bolivia is one of the poorest and most inequitable countries in Latin America and the Caribbean. As of 2007, the government estimates that 60.1 percent of Bolivians are poor and 37.7 percent are extremely poor. Indigenous groups are particularly affected:

GDP per capita (current USD):
1,720

Population, total:
9,694,113

Female Headed Households (% of total):
20

Total Fertility rate:
3.5 births per woman

Source: World Bank (2010), World Development Indicators database, most recent year available. World Bank (2009), Genderstats database, most recent year available.

¹ World Bank (2008). Republic of Bolivia: Policies for Increasing Firms’ Formality and Productivity.

² World Bank (2005). Bolivia Poverty Assessment: Establishing the Basis for Pro-Poor Growth.

³ Tannuri-Pianto, María, Donald M. Pianto, and Omar Arias (2004), “Informal Employment in Bolivia: A Lost Proposition?”

⁴ *Ibid.*

⁵ World Bank (2005). Bolivia Poverty Assessment: Establishing the Basis for Pro-Poor Growth.

66.5 percent are poor and 47.4 percent are extremely poor.⁶ In rural areas, poverty and extreme poverty rates are 77.3 percent and 63.9 percent, respectively.

Moreover, while enrolment in primary education, especially at the lower levels, is near-universal, school desertion is high. Net enrolment in secondary education is just 57 percent for both boys and girls.⁷ In 2002, only 41 percent of girls and 39 percent of boys 14 years of age had completed 8 years of schooling. In rural areas this percentage was far lower, with less than a third of girls and a fifth of boys having eight years of schooling.⁸ These figures reflect high rates of child labor, as 38 percent of girls and 27 percent of boys aged 7 to 14 not only study, but also work at least 20 hours a week (including work within the household).⁹ Although tertiary education enrolment rates are relatively high for the country's income (at 33 percent, gross enrolment is close to Argentina's 36 percent and Chile's 37 percent), tertiary education is plagued by inequity in access, low quality, and inefficiencies in expenditures.¹⁰

Bolivia experienced significant economic progress during the 1990s, following a round of political and economic reforms that included deregulation, trade liberalization, and the decentralization of public expenditures. Investment increased and, for the first time in four decades, the growth of the Bolivian economy surpassed that of other Andean countries.¹¹ Due mainly to increased public spending, child and infant mortality decreased by over 30 percent, the percentage of households without access to safe water and sanitation declined from 50 percent to 30 percent, and primary school enrolment became near universal.¹²

But gains in poverty reduction were small, due to at least three factors. First, growth in the 1990s was concentrated in natural resource-based exports, with little spill over into other sectors. Second, there was a preponderance of low productivity firms, especially in the informal labor-intensive

⁶ Based on national poverty line. World Bank (2009). Interim Strategy Note for the Plurinational State of Bolivia for the Period FY2010-FY2011.

⁷ *Ibid.*

The Indigenous Population of Bolivia

The share of the indigenous population in Bolivia has grown over the last 50 years, with one-half of Bolivians now claiming indigenous origin. In 2005, Evo Morales Ayma became the first elected indigenous president in the country's history. The staggering inequality in Bolivia is heavily biased against indigenous groups. Indigenous people are more likely to be poor, have informal jobs, and have lower education and health levels than non-indigenous Bolivians. For each non-indigenous poor, there are 1.4 indigenous poor. On average, non-indigenous people have over 3 years of schooling more than their indigenous counterparts. Enrolment rates at the secondary and tertiary levels for indigenous people are half of those of non-indigenous people. Furthermore, 31 percent of indigenous children aged 9 to 11 were working in 2002 – four times the rate of their non-indigenous counterparts.

These inequalities mask the considerable contributions of indigenous populations to Bolivian culture and its image abroad, as artisanal products using indigenous techniques are one of the most common faces of Bolivia in the international market. María Claudia recognized this when she started her business and tapped into the potential of indigenous crafts.

Sources: World Bank (2005), Bolivia Poverty Assessment: Establishing a Basis for Pro-Poor Growth. World Bank (2006), Bolivia: Basic Education in Bolivia, Challenges for 2006-2010.

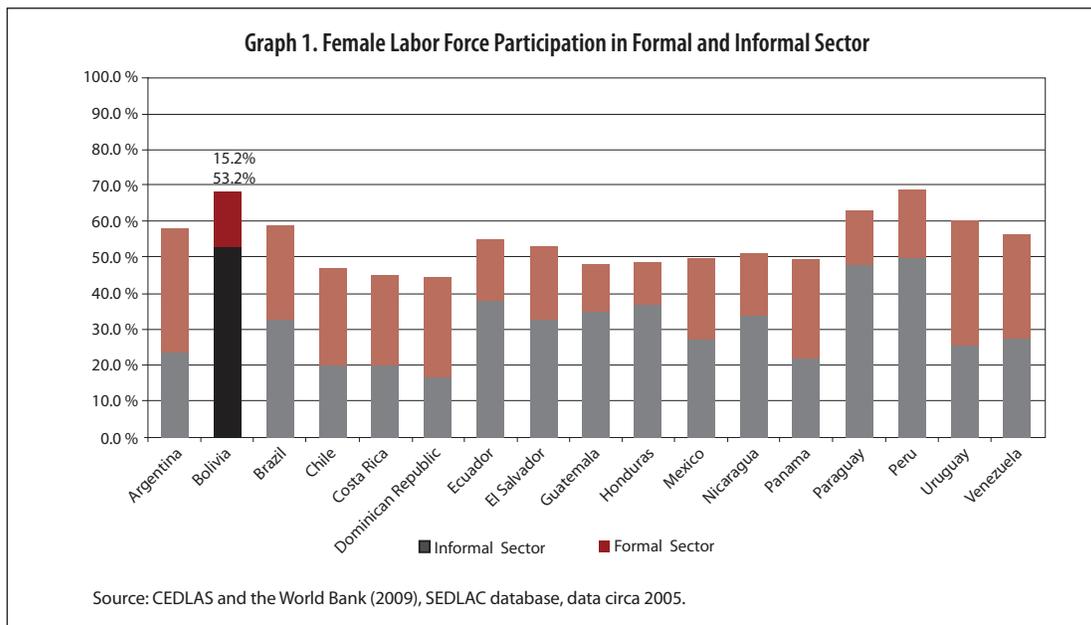
⁸ Bravo, Rosa and Daniela Zapata (2005). Las metas del Milenio y la Igualdad de Género: El caso de Bolivia. Serie Mujer y Desarrollo, CEPAL.

⁹ *Ibid.*

¹⁰ World Bank (2006). Bolivia: Basic Education in Bolivia, Challenges for 2006-2010.

¹¹ World Bank (2005). Bolivia Poverty Assessment: Establishing the Basis for Pro-Poor Growth.

¹² *Ibid.*



sector. Third (and related to these other issues), there was a lack of improved employment opportunities available to the poor. Furthermore, the small gains that were made in poverty reduction were largely reversed by the economic shocks of the late 1990s and early 2000s.¹³ Inequality actually *increased* between 1997 and 2002, leaving Bolivia as the third most unequal country in Latin America after Chile and Brazil (countries with average income levels four to five times Bolivia's).¹⁴

Women in Bolivia

Bolivian women have one of the highest labor force participation rates in Latin America, but are over-represented in the informal sector, especially in informal self-employment. About 15 percent of formal jobs and more than half of all informal sector jobs are filled by women. 65 percent of women in the urban labor force are in the informal sector, compared to 57 percent of men. Within the informal sector, 77 percent of women, compared to 58 percent of men, are self-employed.¹⁵ María Claudia explains,

“Female entrepreneurship is common, but informality is so high in Bolivia that it is hard to find self-employed women in the *formal* sector. I can only think of two formal female entrepreneurs under 40 besides myself here in Bolivia.” Even when self-employed, female business owners earn significantly less than their male counterparts. Profits in male-owned firms are 1.7 times higher than those of female-owned firms.¹⁶

Indigenous women are even more likely than their non-indigenous counterparts to be in the informal sector and self-employed. More than 60 percent of indigenous women in the labor force are self-employed in the informal sector, in contrast to around 40 percent of non-indigenous women. Moreover, the average earnings for indigenous women are 60 percent of the average for non-indigenous women.¹⁷ Cunningham and Jacobsen (2008) found that indigenous women have the highest earnings inequality among all gender and ethnic group intersections in Bolivia.¹⁸

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ Cunningham, Wendy and Joyce P. Jacobsen (2008). “Earnings Inequality Within and Across Gender, Racial, and Ethnic Groups in Four Latin American Countries.” Policy Research Working Paper 4591, World Bank.

**Primary School Enrolment,
Female/Male (% , gross):
108 / 108**

**Secondary School Enrolment,
Female/Male (% , gross):
81 / 83**

**Tertiary School Enrolment,
Female/Male (% , gross):
35 / 42**

**Female/Male Adult Literacy Rate (%):
86 / 96**

**Female/Male Labor Force Participation (%):
64 / 83**

**Seats in National Parliament:
17% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

Women's lower education levels account for some of these gender-based disparities in employment and earnings. The national female illiteracy rate is 14 percent, almost twice as high as the male illiteracy rate of 6.9 percent.¹⁹ In 2002, only 33 percent to 41 percent of 40 to 55 year-old women had completed primary school, in comparison to 47 percent to 61 percent of their male counterparts. Added to this are women's greater burdens due to childcare and household responsibilities.²⁰ As a woman entrepreneur explained in a focus group discussion: "A woman has to work triple: the home, the children, and in the business. In this type of [informal] work, I can take care of my children, my home, my work, and not have to leave my house."²¹ The Women's Economic Opportunity Index indicates that Bolivian women lag far behind either their regional or global counterparts in terms of support for small and medium enterprises, access to childcare and vocational training.²²

¹⁹ World Bank (2009). Country Partnership Strategy for the Republic of Argentina, 2010-2012.

²⁰ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.

²¹ World Bank (2008). Reducing Gender Based Differences in Formality & Productivity, Report, p. 33.

²² Economist Intelligence Unit (forthcoming). Women's Economic Opportunities Index. Financed by the World Bank.

As discussed below, Bolivia has very strict labor laws, making it difficult for firms to hire workers. Regulations designed specifically for women workers act as additional disincentives for firms to hire female employees and probably contribute to a preponderance of women in the informal economy. Labor regulations mandate shorter work hours for women, bar women from working at night and do not allow maternity benefits to be shared with husbands. In addition, anti-discrimination laws are weakly enforced.²³

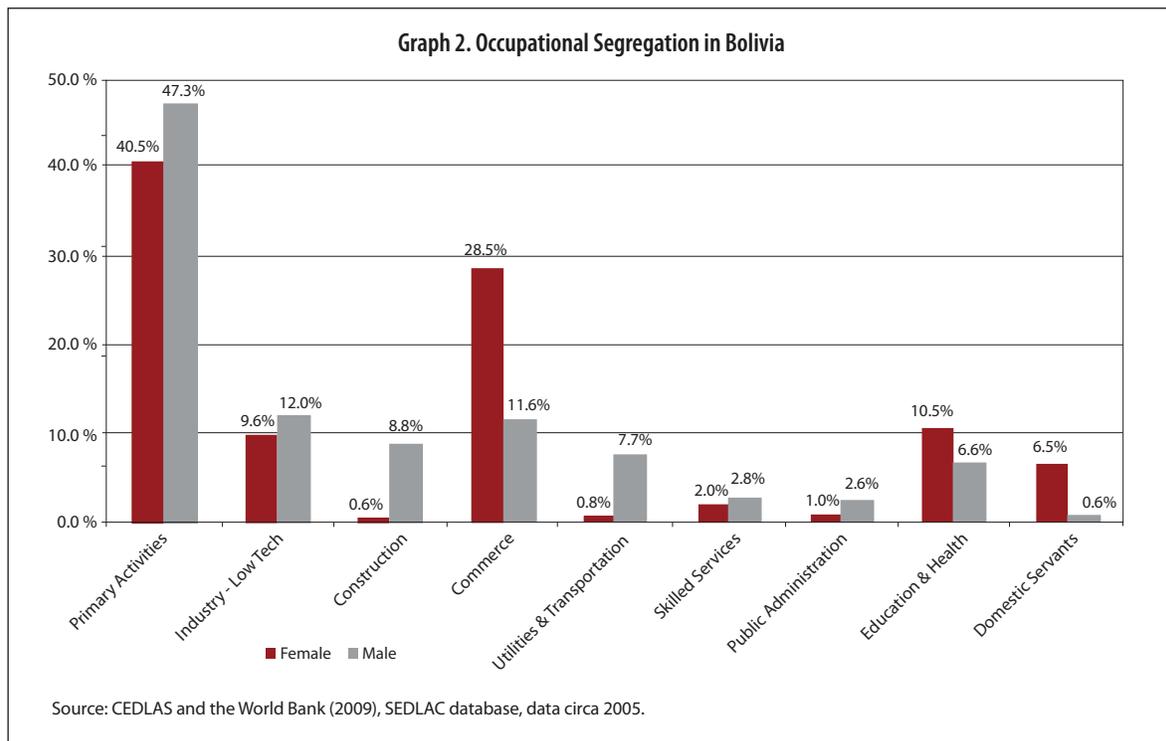
A male-dominated culture can also hinder the success of aspiring women. Some women note that their husbands do not allow them to work outside their homes, eliminating income-generating options except for home-based self-employment. María Claudia was not immune to this cultural bias. "When I went to a bank," she recalls, "the managers were surprised that a young woman like me would be interested in opening her own business."

Graph 2 shows that more than three-quarters of working women are concentrated in three sectors: primary activities (40.5 percent), commerce (28.5 percent), and education and health (10.5 percent).

Starting a Formal Business in a Largely Informal Economy

María Claudia was undeterred by the cultural obstacles facing working women. She launched Orígenes Bolivia after she recognized a potential international market for Bolivian indigenous artwork and Alpaca wool textiles. Having attended university in the United States, she explains, "I knew what I liked, and saw what was missing in American name-brand stores. I realized that using Bolivia's indigenous art and textile practices as well as the highly-demanded Alpaca wool from the Andes was a unique opportunity to introduce Bolivia's rich and valuable culture to the international fashion market."

²³ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.



Although Bolivia is a resource-rich country with unique indigenous crafts, María Claudia's decision to start a formal, export-oriented business was daring. In the World Bank Doing Business 2010 report, Bolivia was ranked 161st out of 183 economies in terms of the overall ease of doing business, just behind Zimbabwe and Afghanistan.²⁴ In LAC, it is ranked second to last, after Venezuela. The index is an aggregate of 10 dimensions associated with conducting a business, such as starting a business, employing workers, and getting credit. Except for the ease of closing a business, Bolivia is ranked on the bottom half in the world and the region in all other nine dimensions.²⁵

Unlike many other women, María Claudia had sufficient resources – money, education and contacts – to overcome the barriers to starting a business. The Doing Business report estimates that the average cost for starting a

business in Bolivia is equivalent to 99.2 percent of per capita income, in contrast to an average of 36.6 percent in the region and 4.7 percent in OECD countries.²⁶ Even this is a significant improvement from 2004, when average registration costs equaled 184.4 percent of income per capita.²⁷ The initial registration process cost María Claudia around US\$2,000, as she had to hire a lawyer to register the company and obtain the proper licenses. "It was beneficial to have the right contacts, lawyer, and consultants to help me out with complicated issues associated with starting a business," she recalls. While she was fortunate to have recourse to professionals to help her navigate the process, many other women cannot afford this assistance. Moreover, given Bolivia's continued gender gaps in education, understanding such procedures without professional help may be too difficult for many women.

²⁴ World Bank (2009). Doing Business 2010 database.

²⁵ *Ibid.*

²⁶ *Ibid.*

²⁷ *Ibid.*

Strict labor regulations also discourage small businesses from formalizing. Non-wage benefits, mainly contributions to social security, can take up as much as 8 percent of profits.²⁸ Understandably, micro- and small firm owners in Bolivia often choose to keep their businesses informal, or comply with only some of the formal regulations, since the high costs of formalizing are generally not offset by the benefits at those levels. A 2009 World Bank study found that for microenterprises and large enterprises in Bolivia, formalizing actually has a *negative* impact on profits, and only firms with three to five workers stand to increase profits by becoming formal.²⁹

In focus groups of women business owners, fear of corruption was raised as a deterrent to formalization. According to a 2009 World Bank report, “the women felt that by formalizing their business, the problem for corruption and extortions would only become worse as it would put them under greater scrutiny.”³⁰ An increase in firm size from micro to small is associated with a lower exposure to corruption.³¹ But since many female-run businesses are micro in scale, they are particularly vulnerable.

Taxing Business

In the Doing Business 2010 report, Bolivia is ranked 177 out of 183 countries in terms of paying taxes, with only Venezuela ranking worse in Latin America.³² The tax filing and payment process for a medium-size company in Bolivia is much more cumbersome than the regional average. The time Bolivian firms spend on taxes (1,080 hours per year) is almost three times the average of the region (385.2 hours), and the number of payments is around 25 percent more (42 versus 33.2 per year). Although total labor tax

and contributions (15.5 percent) are close to the average for Latin America and the Caribbean (13.2 percent), other business taxes amount to 64.6 percent of profits. In all, medium-sized firms in Bolivia effectively pay 80 percent taxes on profits – almost twice the regional average of 48.3 percent.³³

Adding to the tax burden, María Claudia has found it very difficult to deduct from taxes business expenses such as transport and office space rent costs. While firms in Bolivia can deduct the value-added tax (VAT) on purchases from other formal firms, this does not apply to purchases from firms registered in the simplified tax regime, which is targeted at small firms. That is, the simplified tax regime does not necessarily increase the client base for small firms, and formal firms can only deduct the VAT on purchases from non-simplified tax regime formal businesses – a relatively small number of mostly larger firms in Bolivia.³⁴

Formal companies are, however, allowed to declare goods and services bought from informal businesses and employees through a tax retention mechanism. María Claudia explains that Orígenes Bolivia contracts work through legal agreements to several workshops of artisans, most of them informal. When calculating compensation, she subtracts taxes to be withheld. “I deducted from them the amount they have to pay to the government”, says María Claudia. “This is *the* formal way to make it work within this informal system of doing business.”

Employing Indigenous Workers

Bolivia was ranked last among 183 countries in terms of employing workers in the most recent Doing Business report.³⁵ The cost of hiring (women or men) in Bolivia is high by regional standards, as term contracts can only

²⁸ World Bank (2005). Bolivia Poverty Assessment: Establishing the Basis for Pro-Poor Growth.

²⁹ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.

³⁰ *Ibid.*

³¹ World Bank (2008). Reducing Gender Based Differences in Formality & Productivity: p.33.

³² *Ibid.*

³³ World Bank (2009). Doing Business 2010 database.

³⁴ World Bank (2005). Bolivia Poverty Assessment: Establishing the Basis for Pro-Poor Growth.

³⁵ World Bank (2009). Doing Business 2010 database.

be used for specific tasks and are limited to three years.³⁶ Payroll taxes are also high and include 10 percent of workers' wages to cover sickness, maternity, and disability benefits, 1.7 percent for permanent disability and survivor benefits, and 2 percent for housing.³⁷

The costs of firing workers further discourage Bolivian entrepreneurs from making formal hires. Bolivia and Venezuela are the only two countries where dismissing workers because of redundancy is not allowed. Even for dismissals within the allowable reasons, employers in Bolivia must compensate workers with a payment equivalent to 100 weeks of salary.³⁸ Adding to these obstacles, a decree issued in 2006 in Bolivia requires employers to secure permission from workers before firing them. "No workers are being fired as a result, but few new workers are hired either," explains the Doing Business 2007 report.³⁹

Like many other formal business owners in Bolivia, María Claudia navigates the strict labor laws and cultural practices by keeping her staff small and contracting work out as needed. Orígenes Bolivia has five full-time employees, but is affiliated with 12 indigenous workshops with over 100, mostly female, artisans. Most of these artisans are of Aymara origin, and their workshops are traditionally organized around family groups. Through a legal agreement with Orígenes Bolivia, the workshops regulate their own hours and payment distribution. María Claudia is proud that she is able to employ so many women. She reflects, "For the first time in my career, I am working with mostly women."

For María Claudia, contracting with artisans is sometimes a challenge, although she admits that having the products made in-house would be costlier. In her experience, "many indigenous people prefer to be seasonal workers, since



during the potato harvesting and planting seasons they go back to their hometown, where they own and work the land. This is a cultural phenomenon in the Andes." While recognizing these traditions, María Claudia notes that, from a business perspective, it is important to know her

"When I went to a bank, the managers were surprised that a young woman like me would be interested in opening her own business."

workshops' schedules so she can plan in advance. To that end, she writes contracts that set reasonable goals and allow flexibility in the division of labor. She explains, "Above all, one has to be a good boss. I have been socially

conscious, complying with fair trade rules. My international clients ask me to abide by certain rules, including not to abuse animals or force employees to work unfairly. Here in Bolivia, when employees feel that they are not being reasonably compensated, they simply do not show up again."

María Claudia also offers training on business practices, encompassing professional conduct, marketing, and entrepreneurialism. Aware of her stature as a role model, María Claudia has also turned to helping other young women. Following her participation in a FORTUNE/U.S. State Department Mentoring program in the United States in 2006, María Claudia was inspired to influence young

³⁶ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.

³⁷ World Bank (2006). Doing Business 2007: How to reform.

³⁸ World Bank (2009). Gender in Bolivian Production: Reducing Differences in Formality and Productivity of Firms.

³⁹ World Bank (2006). Doing Business 2007: How to Reform.

Mentoring Women Entrepreneurs - A Path to Increased Business Success

Since 2006, Vital Voices has partnered annually with the US State Department and the FORTUNE Most Powerful Women's Summit to provide potential female leaders in business the opportunity to develop their leadership, management, and business skills. This program combines the study of American business culture with a working mentorship program that enables emerging female business leaders across the globe to spend a month in the US to enhance their capabilities and propel their careers forward.

María Claudia is one of the lucky women who have benefited from this unique program. "The experience radically changed my life," she reveals. "When I went back to Bolivia, I wanted to share what I learned with other women." Recently, María Claudia helped set up a mentorship for Bolivian entrepreneurs in La Paz.

Source: Communication with Eugenia Podesta, Vital Voices. Interview with María Claudia.

women in her own country (see box). Since 2007, she has worked to create the first mentoring program for young entrepreneurs in Bolivia, and her company continues to support the program's operations to this day. Such efforts are commendable and necessary in a nation where women's economic potential has yet to be fully tapped. As María Claudia says, "I have learnt that no matter how big or small your company you can do things the right way – and much of what I do in my business I owe to mentoring. Now it is my turn to contribute".

Exporting Bolivian Crafts

From the start, María Claudia envisioned Orígenes Bolivia as an export-oriented business. Aware of the preferential trade agreement between the United States and Bolivia under the United States-Andean Trade Promotion and Drug Eradication Act (ATPDEA), María Claudia sought out the American market. Enacted in 2002, ATPDEA has allowed duty-free access to the United States to a range of exports from Bolivia, Colombia, Ecuador and Peru. María Claudia seized the opportunity. "I literally packed my bags and took samples to New York," she recalls. In 2004, she joined a mission organized by the Bolivian Export Chamber, visiting American retailers and showcasing her products. She made her first sale to a well-established New York-based company during that trip.

Bolivia experienced significant trade liberalization during the 1980s, and has since achieved one of the highest export-to-GDP ratios in Latin America and the Caribbean.⁴⁰

Yet Bolivia is landlocked (with the closest major port located at Arica, Chile), which makes its export market acutely dependent on efficient transport and communication logistics. According to a 2009 World Bank study, "exports are delayed for months in some parts of the country... [and] trucking costs appear to be competitive by international standards but the predictability of trip time remains a challenge."⁴¹ The country's communications infrastructure is also weak, limiting its access to international markets and ability to adapt to its landlocked circumstances by boosting its services sector.⁴²

"I learned that, no matter how big or small your company, you can do things the right way..."

⁴⁰ World Bank (2009). Strengthening Bolivian Competitiveness: Export Diversification and Inclusive Growth.

⁴¹ *Ibid.*

⁴² *Ibid.*

In 2008, Bolivia was excluded from ATPDEA. This has damaged María Claudia's business. She explains, "Very few of our American clients are still buying our products, in part because of the economic crisis, but mostly because Bolivian merchandise is now about 18 percent more expensive for them after paying duties." This is particularly true for the non-traditional export sector, which depends on preferential agreements to compete in the international market. It is estimated that the nonrenewal of the ATPDEA could reduce economic growth in Bolivia by 0.6 percent.⁴³

To cope, María Claudia has sought out other international markets for Orígenes Bolivia in Latin America, Japan, and Europe. She is also looking at domestic sales, opening a new duty-free store in the international airport. "In a crisis," María Claudia reflects, "for a business to stay afloat, one must seek out and pursue new business opportunities."

Case Study Highlights

- Bolivia presents a difficult environment for starting and running a business, and women (and especially indigenous women) face additional hurdles.
- María Claudia's business demonstrates the potential for successful partnerships between formal and informal sectors.
- Mentoring emerges as a useful way that women can help each other to get ahead.

⁴³ *Ibid.*

Nara Pereira

Sowing Leisure, Reaping a Business

Nara Fauth Pereira, a psychologist, and her then husband, a lawyer, bought a ranch outside the city of Porto Alegre in 1979 as a weekend getaway for the family. But after a life-altering experience in 1985, Nara became increasingly involved in the day-to-day management of the ranch. After a divorce, Estância Boa Vista da Quinta became entirely Nara's, and in 1997 she became the sole manager of the 10,600 hectares of land, grazing 700 heads of cattle and cultivating 1,000 hectares of rice.

Country Context

Brazil is the fifth largest country in the world in terms of population, and the ninth largest by GDP. It is also one of the most unequal countries in the world, with the top quintile holding an income share 33 times larger than the share of the bottom quintile.¹ Blacks and *pardos* (mixed-race blacks) comprise over 40 percent of the population, and while the majority of the population is of European descent, significant minorities include Asian and Middle-Eastern populations.

Brazilians have witnessed substantial economic advances over the last two decades, including a drop in inflation from triple- to single-digits, privatization, and trade liberalization. In the 1990s, Brazil, along with Argentina, played a leading role in creating Mercosul, a regional economic agreement for the creation of a common market. Currently, Argentina, Brazil, Paraguay and Uruguay are parties to the agreement, which eliminated most trade barriers between member countries during the 1990s. Mercosul accounts for half of



European exports to and imports from Latin America,² and, in 1995, an Interregional Framework Cooperation Agreement between the two economic blocs was signed. In part as a result of these agreements, Brazil experienced significant growth in agricultural exports during the 1990s; and is the fourth largest agribusiness exporter in the world.

Economic stabilization has also led to social progress. Extreme poverty declined from 22 percent in 1990 to 15 percent in 2001, and poverty has remained at 28-30 percent after a peak in 1992/3, despite international shocks and crises.³ But inequality remains a major challenge, encompassing issues of race, location, gender, education

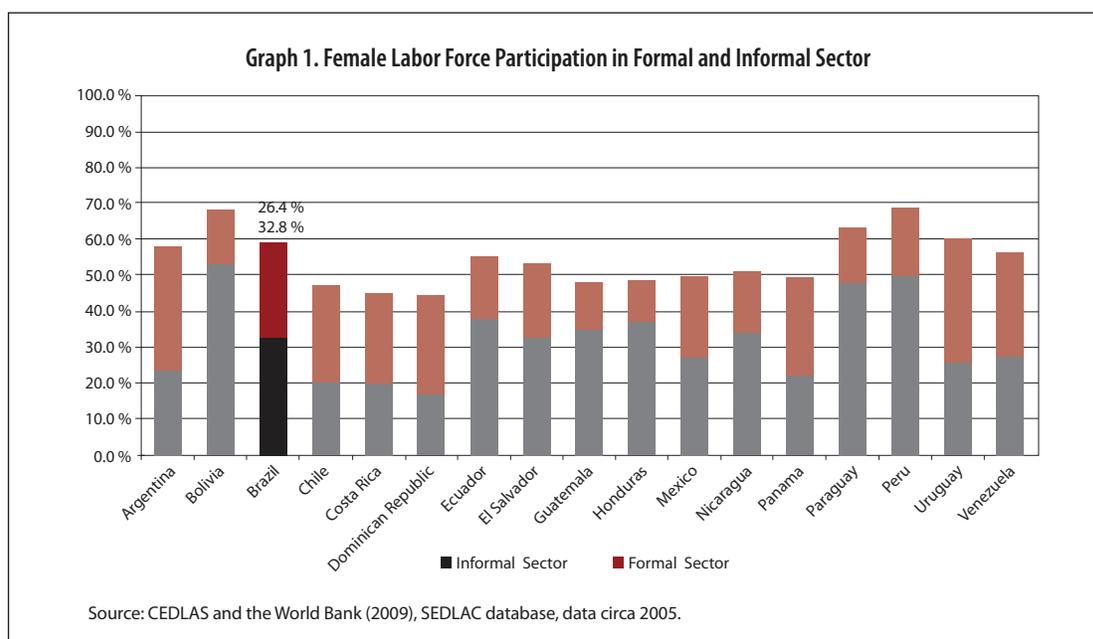
GDP per capita (current USD):
8,205
Population, total:
191,971,506
Female Headed Households (% of total):
26
Total Fertility Rate:
1.9 births per woman

Sources: World Bank (2010), World Development Indicators database, most recent year available. Fundação Carlos Chagas (2009), "Mulheres, Trabalho e Família." http://www.fcc.org.br/mulher/series_historicas/mtf.html.

¹ World Bank and IPEA (2003). Brazil: Inequality and Economic Development. Volume I: Policy Report.

² Monteagudo, Josefina and Masakazu Watanuki (2003). "Regional Trade Agreements for MERCOSUR: A comparison between the FTA and the FTA with the European Union." *Economie Internationale*, CEPII Research Center, 2Q-3Q.

³ World Bank (2003). Country Assistance Strategy 2003-2007 for the Federative Republic of Brazil in Support of a More Equitable, Sustainable, and Competitive Brazil.



and labor. For example, white Brazilian men have 2.5 years more of schooling on average than black Brazilian men, and this gap is constant throughout different age cohorts. Mean earnings of blacks and whites are around $\frac{1}{4}$ and $\frac{1}{2}$ the mean earnings of Asians, respectively.⁴ A study conducted by the World Bank and IPEA (2003) found that 12 percent of the inequality in income in Brazil is accounted for by skin color alone, while differences in education explain another 29 percent of the gap. Since the average schooling rate in Brazil is low for the country's income – less than 10 percent of the working age population has post-secondary education – skill premiums are high, and they exacerbate inequality.⁵

One-fifth of the Brazilian population lives in rural areas, and, at 53 percent, rural poverty is more than twice as high as urban poverty (20 percent). Rural inequalities are explained largely by inequalities of land ownership: land is concentrated among large landowners, and a 1996 agricultural census found that as many as 4.5 million rural households do not have enough land for subsistence.⁶

Family-based farms encompass only one-third of the arable land, but employ 77 percent of the rural labor force. Large landholdings, on the other hand, take up the remaining two-thirds of the land but yield less than half the earnings per hectare of family-based farms.⁷

Human development, as measured by health and education, has progressed unevenly. Although Brazil has gradually improved its education outcomes over the last two decades, it has fallen behind several other Latin American countries with faster improvement rates, including Mexico and Ecuador.⁸ Enrolment in primary education is now nearly universal, but this masks high repetition rates.⁹ On average, Brazilian students take 10.3 years to reach the end of 8th grade; 9th grade completion is less than 10 percent for the bottom half of the population. Only 5 percent of spending on secondary school goes to the poorest quintile, since most children from this income group do not make it past primary education.¹⁰

⁴ World Bank and IPEA (2004). Brazil: Inequality and Economic Development. Volume I: Policy Report.

⁵ *Ibid.*

⁶ World Bank (2003). Country Assistance Strategy 2003-2007 for the Federative Republic of Brazil in Support of a More Equitable, Sustainable, and Competitive Brazil.

⁷ Assunção, Juliano Junqueira (2003), "Distribuição de Terra e as Políticas Públicas voltadas ao Meio Rural Brasileiro." (2003). Background paper for World Bank and IPEA Volume II.

⁸ World Bank and IPEA (2004). Brazil: Inequality and Economic Development. Volume I: Policy Report.

⁹ *Ibid.*

Progress in health and sanitation has likewise been mixed. Since the early 1990s, infant mortality in Brazil has decreased by one-third, and vaccine-preventable deaths among children have been almost eliminated. But the percentage of the population with access to safe water and adequate sanitation has barely changed. The former fell by just 2 percent, to 22 percent and the later by 8 percent, to 31 percent, between 1990 and 2002.¹¹ In rural areas, advances have been more marked, but levels remain low. The percentage of rural households with access to safe water more than doubled between 1981 and 1999, but, at the end of the period, 48 percent of households in rural areas were still without safe water.¹²

Women in Brazil

Important recent advancements for women in Brazil include a significant increase in access to and use of contraceptives (which is helping to reduce the adolescent fertility rate)¹³, an increase in female labor force participation, and a 2006 law against domestic violence. But major challenges remain. In the 1990s, Brazil had one of the largest gender wage gaps in Latin America. Since then, the gap has been closing, but female earnings are still 29 percent lower than male earnings. Accounting for age, education, and hours worked actually increases the shortfall to 34 percent, mainly because women have surpassed men in educational attainment.¹⁴ For the same reason, in the Northeast – the poorest region of Brazil – female-headed households are just as likely as male-headed households to be poor, but they are much more likely to be poor, after accounting for education and other individual characteristics.¹⁵

Among younger Brazilian cohorts (those born since the late 1950s), women tend to have more years of schooling than men, although both levels – just over 7 and 6 years, respectively – are low given the country's income per capita.¹⁶

¹⁰ *Ibid.*

¹¹ World Bank (2006). Country Assistance Strategy Progress Report for the Federative Republic of Brazil for the Period FY2004-2007.

¹² Assunção, Juliano Junqueira (2003). "Distribuição de Terra e as Políticas Públicas voltadas ao Meio Rural Brasileiro." Background paper for World Bank and IPEA (2003) Volume II.

¹³ World Bank (2009). World Development Indicators database.

**Primary School Enrolment,
Female/Male (% gross):
125 / 134**

**Secondary School Enrolment,
Female/Male (% gross):
105 / 95**

**Tertiary School Enrolment,
Female/Male (% gross):
34 / 26**

**Female/Male Adult Literacy Rate (%):
90 / 90**

**Female/Male Labor Force Participation (%):
64 / 85**

**Seats in National Parliament:
9 % held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

In the 15-24 age group, limited access to school is the main reason for abandoning school for women in rural areas, while the need to work is the principal cause of dropping out in urban areas.¹⁷ Domestic work is an important source of female employment, especially among younger cohorts. In 1995, almost 5 million women had domestic jobs in Brazil (versus 250,000 men), with two-thirds of them earning less than the minimum wage. One in every four domestic workers is between 10 and 17 years old.¹⁸

In rural areas, labor force participation has been under-recorded, especially for women. In 1991, several rural women's associations led a movement to change the definition of rural "work" and campaigned to encourage women cultivating small plots of land or rearing a few animals to identify themselves in the Brazilian national census as workers rather than housewives. Between 1990 and 1995, female participation in agriculture increased from 14 percent to 23 percent; male participation in agriculture stayed constant at 28 percent.¹⁹ But a more recent survey

¹⁴ World Bank and IPEA (2004). Brazil: Inequality and Economic Development. Volume I: Policy Report.

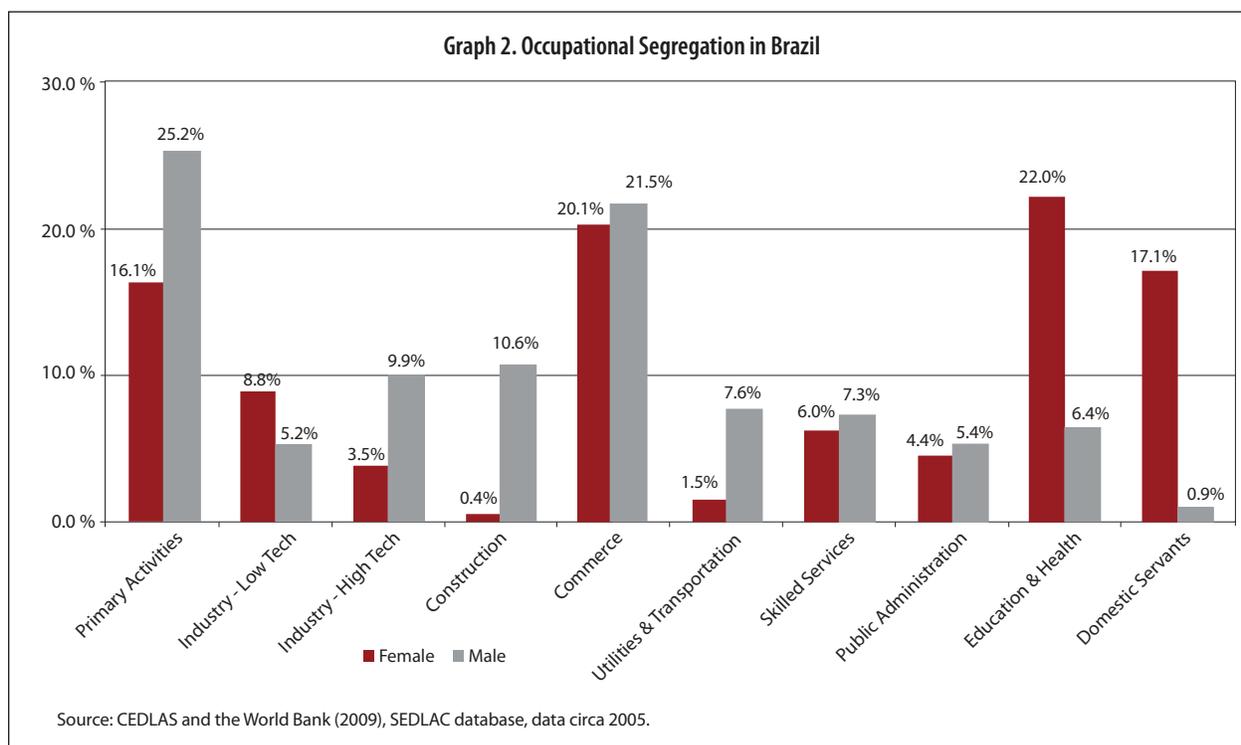
¹⁵ World Bank (2002). Brazil Gender Review: Issues and Recommendations.

¹⁶ World Bank and IPEA (2004). Brazil: Inequality and Economic Development. Volume I: Policy Report.

¹⁷ World Bank (2002). Brazil Gender Review: Issues and Recommendations.

¹⁸ *Ibid.*

¹⁹ *Ibid.*



(1997) found that 39 percent of women participating in agricultural labor are unpaid workers, while another 42 percent are subsistence farmers. In other words, 81 percent of women employed in agriculture in Brazil are not paid for their work.²⁰

Women have also been excluded from land ownership in Brazil. Only 12.6 percent of individuals given land title in their name through the agrarian reform carried out in the late 1980s and early 1990s were women. Similarly, women comprised only 7 percent of beneficiaries of the rural National Program for the Strengthening of Family-based Agriculture (PRONAF). Although explanations for these low rates are not fully documented, it is estimated that as many as 45 percent of female rural workers do not have any

form of identification card, a requirement for securing land through the reform.²¹

Graph 2 shows that over three quarters of employed Brazilian women are concentrated in four sectors: education and health (22.0 percent), commerce (20.1 percent), domestic service (17.1 percent), and primary activities (16.1 percent).

Reaping Profits from the Land

When Nara and her now ex-husband first bought a ranch, Estância Boa Vista da Quinta, in 1979, they saw it as a place where their three children could enjoy nature the way Nara had when she was growing up, playing at her grandfather's farm. She was a psychologist, her ex-husband, a lawyer; neither of them planned to manage the ranch. Rather, they hired professionals to make the majority of management decisions for the 10,600 hectares of land.

Following the couple's divorce, the ranch became solely Nara's, and, as she recovered from the loss of her youngest daughter in a car accident, she immersed herself in managing

²⁰ Barsted, Leila Linhares (2002). "Gênero e Legislação Rural No Brasil: A Situação Legal das Mulheres Face à Reforma Agrária." Ministry of Agricultural Development – MDA, National Institute for Colonization and Agrarian Reform – INCRA, and UN Food and Agriculture Organization – FAO.

²¹ Rua, Maria das Graças and Miriam Abramovay (2000). "Companheiras de luta ou 'coordinadoras de painéis'? As relações de gênero nos assentamentos rurais." UNESCO.

the land. She enrolled in technical courses on agricultural methods, became active in the Agricultural Federation of Rio Grande do Sul (FARSUL), and spearheaded an initiative to create an animal auction – 100 % D’Elas (100 Percent Theirs) – exclusively for female producers. The first auction took place in 1997. Since then, it has brought female producers from various parts of the country and has even been replicated in other regions of Brazil. “Initially, we came up with 100 % D’Elas as a marketing strategy for our business,” Nara confesses, “but after the first event we realized that showcasing female agricultural producers is an important feat, since it is often assumed that they only provide support to the male producer and work behind the scenes.”

As noted above, the vast majority of women employed in the Brazilian agricultural sector are unpaid or subsistence workers. As 100 % D’Elas became better known in the region, several male producers contacted Nara, seeking to participate. When she emphasized that the auction was for women only, some suggested giving their wives’ names while noting that the women “didn’t really work in the farm.” Nara bemoans the prejudice held by male farmers as one of the principal obstacles to running her business. “Male farmers are surprised when I tell them that I am a producer, and often assume that there must be a man actually running my ranch.” She explains, “They do not take women as seriously, and even in one of the events held by 100 % D’Elas, the master of ceremonies referred to us as ‘girls,’ as if our work was mainly play.”

In 2001, a Committee of Women Producers was created within FARSUL, and, although Nara recognizes that as an accomplishment, she also believes that women should be integrated throughout the Federation rather than only represented through the committee. She points to the fact that a female producer is now part of FARSUL’s governing council as an important step in the right direction.

Employing Workers

Nara is privileged. She has both the means and the education to run her own business. A recent study on Brazilian entrepreneurship found that the strongest

In Their Own Words: Business and Professional Women International (BPW) São Paulo

The São Paulo branch of BPW International compiled a list of the top 5 obstacles faced by female entrepreneurs. The first echoes a push-out factor described in greater detail in the first part of this study, while the other four describe difficulties faced by women business owners in Brazil.

1. The glass ceiling. Although arguably there are more capable women than men given their higher education levels, women still find it very difficult to reach high positions in companies.
2. Difficulty obtaining credit.
3. Work-life balance: how to balance professional activities and family responsibilities – women face double shifts.
4. Lack of credibility on behalf of customers, suppliers and shareholders, because of the macho culture and patriarchal society.
5. The belief that women can only establish and run companies that are feminine in nature, such as those in cosmetics, fashion, and food industries.

Information provided by Vital Voices Global Partnership and its partners.

determinant to becoming an entrepreneur is family characteristics, namely socio-economic status.²² Like all Brazilian entrepreneurs, Nara has faced barriers to starting and running a business, irrespective of her privileged background. With the exception of two categories (“getting credit” and “protecting investors”), Brazil is ranked in the bottom half for all indicators in the Doing Business 2010 report. Even within Latin America and the Caribbean, Brazil is in the lower 50 percent of countries in almost every indicator.²³

²² Djankov, Simeon, Yingyi Qian, Gérard Roland and Ekaterina Zhuravskaya (2007). “What Makes a Successful Entrepreneur? Evidence from Brazil.”

²³ World Bank (2009). Doing Business 2010 database.

Zica and Leila: Turning a Personal Frustration into a Business Solution

Helena “Zica” de Assis and Leila Velez are an extraordinary example of entrepreneurship’s power to overcome gender, racial, economic and administrative barriers and to create a successful business from the base of the pyramid. Their company, Beleza Natural, offers health and beauty products and services targeted at a clientele that is predominantly lower and middle income and Afro-descendant. Beleza Natural’s sales exceeded 60 million reais (US\$21.5 million) in 2008, generating over 1,000 jobs and serving over 55,000 clients a month. Zica and Leila’s success story is not only inspirational to thousands of women entrepreneurs, but it is also emblematic of shifts in Brazil’s socio-economic landscape.

Leila and Zica both grew up in Rio’s working-class favela of Catumbi Hill. Without access to higher education, Zica and Leila’s career prospects were somewhat bleak. From adolescence, Zica worked as a nanny and domestic help and Leila started as a cashier at McDonald’s. The two met when Leila became engaged to Zica’s brother, Rogerio.

Brazilian women are notoriously invested in their personal hygiene and appearance – the country has one of the top five largest cosmetics and personal care markets in the world, and 26 percent of it is dedicated to hair care products alone, according to data from the Cosmetics and Personal Care Market in Brazil. For women of African or mixed heritage, the issue of hair is particularly complex and sensitive. When working as a domestic employee, Zica was told by her employers to cover her hair with a scarf so as to not reflect poorly on the household. Her naturally coarse and curly hair became a burden on her self-esteem.

Zica entered a cosmetology program and became fascinated by the biology and chemistry of hair care. She decided to apply her newfound knowledge to creating a product that would tame her rebellious curls. It took over ten years to fabricate the first version of Super-Relaxamento, launched in 1992. Zica began offering the treatment to other residents of Catumbi Hill and the response to the product was remarkable. The constant deluge of neighborhood customers proved this could be a viable business and Zica left her job as a domestic servant. Zica’s husband sold the only asset the household had, a 1979 Volkswagen Beetle, to buy her first stylist chair, and, together, they created a makeshift parlor in a nearby lot.

For their business to take off, Zica and her husband needed seed capital. Relying only on their meager savings would delay their business venture by years; so, after being rejected for various loans, the couple turned to family members. Zica’s brother Rogerio and his fiancée Leila had been saving for years in preparation for their wedding and first home. Zica convinced them to delay their home purchase and invest in Beleza Natural as company partners. This partnership delivered US\$3,000 in seed capital, covering the cost of equipment and rent for the salon’s opening. In addition, Leila and Rogerio contributed with nearly a decade of experience within McDonald’s, in which both had ascended to management positions, and had acquired knowledge of assembly line production, corporate operating procedures and customer service.

Fifteen years later, Beleza Natural has annual revenues exceeding US\$21 million over its nine branches. But for Zica and Leila, the success of Beleza Natural does not revolve around profits alone. “Being an entrepreneur is about more than earning money. It is about investing passion and innovating and delivering something special. As entrepreneurs, our satisfaction comes most of all from making a difference and generating employment.”

Source: Interview with Leila and Zica.

Brazil scores poorly (138th of 183) on the ease of employing workers, given its high payroll taxes and social security obligations, as well as a severance payment requirement that effectively prices low-skilled workers out of the formal sector. Together, these requirements can add as much as 35 percent to the cost of employment.²⁴ Unsurprisingly, over half of Brazilian employers (57 percent) identify labor regulations as a constraint to their business, a share five times higher than the world average (11.8 percent).²⁵

Nara navigates within these barriers, providing housing for her employees within Estância Boa Vista da Quinta and sometimes hiring her employees' spouses as well. She says that she doesn't mind the cost of employees, as long as they are qualified. She believes that, especially in the agricultural sector, finding people with the right qualifications is one of the highest obstacles to running a business in Brazil. When she first started, Nara set up reading and writing lessons for all adults living in the ranch, and today she encourages them to take courses at the local branch of the National Rural Training Service (SENAR). "The courses are very good, but I need to convince them that they have to take them. Many of them feel that they do not need those classes since they come from agricultural families," she explains. "I usually get them to go to just one class, and if they don't like it, they can quit. Most of them end up staying, and I eventually see them using the new techniques in the ranch." Nara also works with other ranch owners, surveying them on which courses they believe could be useful for their staff and relaying popular requests to SENAR.

Nara has seen significant changes in Brazilian women's economic roles since she first owned the ranch (the story of Leila and Zica provides further evidence of such a transformation, see box). She recalls, "When I first started here, there were only men. All of the employees were male; even the animals were all male. But as I became more involved in the management of the ranch, one could see the women emerging from their homes. Now, several

of them are active in the community, and I wouldn't be surprised if one of them even ran for city council."

But she laments the absence of vocational training courses specifically targeted to women; the only female-specific courses that she knows of focus on women's traditional roles. Echoing Nara's impression, Ruas and Abramovay (2000) observe that capacity building programs offered to Brazilian women in rural areas focus on house chores, such as cooking and sewing,²⁶ and Barsted (2002) finds that "there is no evidence of female access to technology that allows them to work faster and increase productivity."²⁷

Enforcing Contracts

Brazil ranks 100th in the world and 13th in Latin America and the Caribbean in terms of enforcing contracts. On average, it takes 45 procedures and 616 days to settle a payment dispute in Brazil, roughly 50 percent more than the OECD average of 30.6 procedures and 462.4 days.²⁸ Contract enforcement varies by state in Brazil, and a Doing Business study conducted in 2006 found that Rio Grande do Sul, the state in which Estância Boa Vista da Quinta is based, has the slowest judicial procedure for payment disputes out of the thirteen Brazilian states in the assessment. As the report describes:

"In Brazil, I have no problem being a woman. I do, however, have a lot of trouble being a female rural producer."

[In Brazil] trials can last for years; multiple appeals are common – increasing costs and uncertainty. As a result, small businesses avoid judicial processes as much as possible... Total time in court, including enforcement, is approximately 18 months in São Paulo. Compare that with Rio Grande do Sul, where the process to enforce a contract takes over 4 years.²⁹

²⁴ World Bank (2002). Brazil Gender Review: Issues and Recommendations.

²⁵ World Bank (2009). Enterprise Surveys: Brazil.

²⁶ Rua, Maria das Graças and Miriam Abramovay (2000). "Companheiras de luta ou 'coordinadoras de panelas'? As relações de gênero nos assentamentos rurais." UNESCO.

²⁷ Barsted, Leila Linhares (2002). "Gênero e Legislação Rural No Brasil: A Situação Legal das Mulheres Face à Reforma Agrária." Ministry of Agricultural Development – MDA, National Institute for Colonization and Agrarian Reform – INCRA, and UN Food and Agriculture Organization – FAO.

²⁸ World Bank (2009). Doing Business 2010 database

²⁹ World Bank (2006). Doing Business in Brazil.

COOPA-ROCA: Running a Successful Co-op from a Favela

With degrees in teaching and sociology and no prior business experience, Maria Teresa Leal founded COOPA-ROCA (Rocinha Cooperative of Craftwork and Seamstresses) in 1987. Although she came from a more affluent background, she had been involved in the Rocinha since 1981, when, as an art educator, she developed a recycling project with children in one of Brazil's most famous and largest favelas. Maria Teresa, who also goes by TT, recalls, "One day, I brought in scraps of fabric into the recycling workshop," but the kids' mothers protested. "No! Don't give them to the children; they exclaimed, 'It's too nice and they'll just tear it up!'" In that, Maria Teresa saw a business opportunity, recalling the large volume of textile refusals she had seen from Rio de Janeiro's growing fashion industry.

COOPA-ROCA began as a small cooperative of women producing craftwork pieces such as bedcovers, carpets, and pillows. This model gained significant traction with forward-thinking companies in the fashion industry looking for artisanal work and the opportunity to market a product as made in a favela in Brazil, and today the cooperative receives orders from commercial partners in foreign markets, recently including Lacoste.

COOPA-ROCA has 3 regular employees and around 100 artisan members at any given time. All of the members are women and the majority is comprised of single heads of households. About 40% of member artisans had previously been employed – mainly as domestic workers – while more than half did not have a source of income prior to joining COOPA-ROCA. TT explains that many of these women left their jobs to join the cooperative because of its flexibility. "By allowing the artisans to work from home, COOPA-ROCA ensures that its members have the ability to care for and financially support their children," she notes. For several members, their earnings from COOPA-ROCA, which are directly tied to production (instead of fixed salaries), are an important, and sometimes their only, source of income.

Nonetheless, TT finds it important to remind partners that although corporate social responsibility can be a powerful marketing tool, COOPA-ROCA nonetheless produces valuable, high-quality products, and, as such, their partnerships should be rooted in the principles of business, not charity-giving. And while the cooperative has generally been able to enforce these agreements as mutually beneficial, some business obstacles remain. Commercial partners frequently refuse to enter the favela themselves and TT often has to use her own home as a bridge between worlds.

Financing has also been difficult to come by. COOPA-ROCA is consistently rejected when applying for loans, except for that provided by the federal government through the Banco Nacional de Credito Cooperativo, which was designed specifically to support cooperatives in low-income communities. TT explains that this is both because COOPA-ROCA is a non-profit cooperative rather than a traditional business and because of the high-risk perceptions surrounding the favela, where gangs of drug traffickers terrorize the population and most locations do not have official land titles. TT has tried circumventing this problem by using her personal microenterprise that she set up to manage COOPA-ROCA's participation in exhibits and fashion shows. Recently, she was approved for a loan with a low interest rate, and wired the money to COOPA-ROCA the very same day.

Maria Teresa credits her business partners and an array of international and domestic organizations with supporting COOPA-ROCA's success despite the obstacles. The AVINA Foundation, for example, supported consultancy work to improve COOPA-ROCA's administrative and financial management in 2004-2006. TT is also supported by the Vital Voices Global Partnership, and is a fellow of the Lead International Program and the Environment and Sustainable Development Program run by the Rockefeller Foundation. Brazilian stylist Carlos Miele donated a plot of land for a new and larger headquarters for COOPA-ROCA, and the cooperative is currently looking to move and expand. TT holds COOPA-ROCA's growth in membership and impact in the favela as a goal, and, borrowing a popular Brazilian phrase, optimistically notes, "A união faz a força," or 'unity brings strength.'

This information was provided by Courtney Price Ivins. Vital Voices Global Partnership and their partners facilitated this exchange.

Given that the cost of enforcing a contract in Rio Grande do Sul is also higher than the national average, at 20.7 percent of the claim,³⁰ it is natural that many cattle raisers in the region only deliver their products in exchange for cash. Nara is no exception. After several bounced checks and delinquencies from abattoirs and packing plants, she now takes only cash for her cattle. Nara explains that although this practice may lower her profits by limiting her range of buyers (cash-strapped abattoirs and packaging plants have trouble purchasing from her), it shields her ranch from insurmountable losses due to defaults.

Trading Across Borders

Although Brazilian businesses have become more outward-looking in recent years and are especially competitive in agricultural and mining products, Brazil still ranks 100th out of 183 countries in the ease of trading across borders. While the number of documents required for exporting from Brazil (8) is not dramatically above the average for Latin America and the Caribbean (6.8), and the time for export is actually lower than the regional average (12 versus 18.6 days), the cost is tremendous. Exporting costs, on average, US\$1,090 per container in the OECD, and US\$1,244 in Latin America and the Caribbean, are US\$1,540 in Brazil.³¹ 28 percent of Brazilian firms see customs and trade regulations as a major constraint to their business and only 13.5 percent of firms export directly, in contrast to regional averages of 16 percent and 15.4 percent, respectively.³²

Estância Boa Vista da Quinta does not export directly but works with businesses that do. As such, the cattle it sells to the abattoirs and packaging plants must meet various international standards. “Mercosul and the European Union have different sanitation standards,” Nara tells, “and this adds to our costs. Two of our plots are separated from each other by just a few kilometers, but, to comply with European Union standards, if I bring a cow from one plot to the other, I have to quarantine it first. This takes up land and requires extra care.”

³⁰ World Bank (2006). Doing Business in Brazil.

³¹ World Bank (2009). Doing Business 2010 database

³² World Bank (2009). Enterprise Surveys: Brazil.

But among all these barriers, Nara finds that the largest one for her is cultural. “Agricultural producers are marginalized by a highly urbanized society,” she explains. “People only hear about the ‘countryside’ when the Ministry announces an annual crop or food shortfall, or when the landless movement orchestrates a new land invasion.” In her role within the agricultural producers’ associations, Nara has advocated for a coordinated national agricultural policy, taking the environment, as well as food producers, into account. “In Brazil, I have no problem being a woman,” she concludes. “I do, however, have a lot of trouble being a female rural producer.”



Case Study Highlights

- Brazil has one of the highest gender wage gaps in Latin America. Women’s earnings are on average one-third less than men’s, after accounting for age, education, and hours worked.
- The high number of procedures required, and the costs associated with enforcing business contracts, hinder trade within Brazil, as business owners seek to reduce their risk exposure.
- Business training offered to women is often gender-biased, particularly in rural areas: women are given courses on traditional roles such as cooking and sewing. This shuts out many Brazilian women from the opportunity to work in higher growth sectors or to use cutting-edge technology.
- Stereotypes are also a challenge for women entrepreneurs, as they face a lack of credibility from clients, creditors, and peers in their sector. Assumptions that women should work in “feminine” sectors, or that successful female-owned businesses are actually being run by men, pose difficulties for female entrepreneurs.

Karina Von Baer

Bringing New Value to Chile's Agricultural Riches

Karina Von Baer grew up in a rural part of Chile. Her parents were farmers. From an early age, Karina knew the richness of her country's agricultural resources. In 2000, she invested in her first business, a wheat and seed company. She is now the major shareholder in five enterprises – Saprosem, GranoTop, AvenaTop, OleoTop and TreeTop – that combined employ almost 100 staff and have an annual turnover of US\$50 million. While each of the five businesses focuses on a different agricultural product, they are all dedicated to improving the agricultural process. In 2007, Karina was named Entrepreneur of the Year for Chile by Ernst & Young.

Country Context

Karina turned to entrepreneurship at an opportune time in Chile. Since the return of democracy in 1990, Chile has been one of the fastest growing economies in Latin America, with an average annual per capita growth rate of 4.1 percent. Chile enjoys great natural wealth: salmon, fruit, wine and minerals – especially copper – are significant contributors to its exports. As a reflection of this economic success, Chile is ranked 30th out of 133 economies in the World Economic Forum's Global Competitiveness Index 2010-2011.¹ A reliance on exports has, however, made Chile particularly vulnerable to the current global economic crisis; economic activity recently contracted, despite a US\$4 billion government stimulus plan.²

Economic growth has enabled important advances for the country's population. Between 1990 and 2006, the poverty rate was cut by two-thirds, from 38.6 percent to 13.7 percent; extreme poverty fell from 13 percent to 3.7 percent during the same period.³



Education and health indicators for Chile are strong relative to other Latin American countries. Net primary and secondary school enrolment rates are around 94 percent and 85 percent, respectively, with gender parity (and even a slight female advantage in the latter). At 52 percent, the enrolment rate for tertiary school is one of the highest in the region, providing a highly skilled workforce.⁴ Child mortality is also very low, with only 0.34 deaths per 1,000 children; and the country is well-positioned to reach the Millennium Development Goal of 0.26 deaths per 1,000 children by 2015.

GDP per capita (current USD):
10,084

Population, total:
16,803,952

Total Fertility Rate:
1.9 births per woman

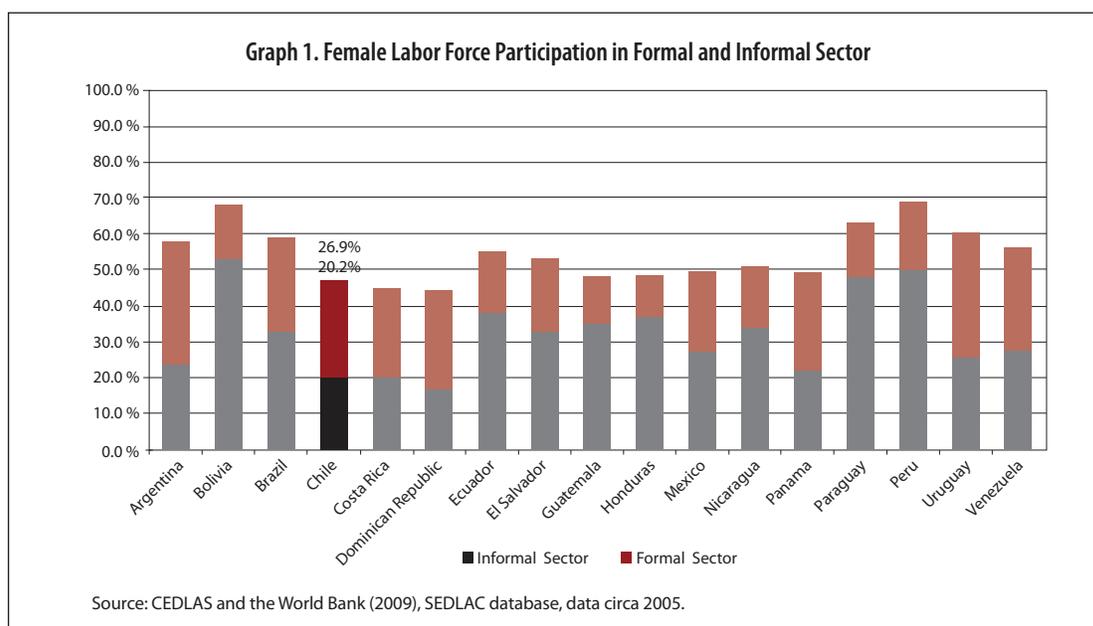
Source: World Bank (2010), World Development Indicators database, most recent year available.

¹ World Economic Forum (2009). The Global Competitiveness Report 2009-2010.

² World Bank. Undated. "Chile Country Brief." Available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/CHILEEXTN/0,,contentMDK:22255176~pagePK:1497618~piPK:217854~theSitePK:325273,00.html>

³ Government of Chile (2008). "Los Objetivos de Desarrollo del Milenio: Segundo Informe del Gobierno de Chile." National Millennium Development Goals Report.

⁴ World Bank (2010). World Development Indicators database.



Nevertheless, Chile is plagued with high rates of inequality. In 2003, the average income of the richest 20 percent of the population was more than 14 times that of the poorest 20 percent.⁵ Poverty rates vary dramatically by region, ranging from 6.3 percent in Magallanes to 20 percent in Biobío and La Araucanía.⁶ A similar pattern of regional variation can be observed in education levels.

to the patterns found in many poor countries, in Chile, poorer women are less likely to work than their wealthier counterparts: 26 percent of women in the lowest income quintile and 57 percent of women in the highest quintile participate in the job market. Chile has one of the highest earnings gaps between women and men: female earnings are, on average, only 67 percent of male earnings. When

Women in Chile

Karina has found success during a period of growing gender equity in Chile. In addition to helping to elect their first ever female president, Chilean women have experienced increased parity in terms of their access to education, health, legal rights and political voice.⁷

Still, the female labor force participation rate is under 50 percent, among the lowest in the region.⁸ In contrast

**Primary School Enrolment,
Female/Male (% , gross):
103 / 108**

**Secondary School Enrolment,
Female/Male (% , gross):
92 / 89**

**Tertiary School Enrolment,
Female/Male (% , gross):
52 / 52**

**Female/Male Adult Literacy Rate (%):
99 / 99**

**Female/Male Labor Force Participation (%):
48 / 79**

**Administrative and Managerial Positions:
24% held by women**

**Seats in National Parliament:
15% held by women**

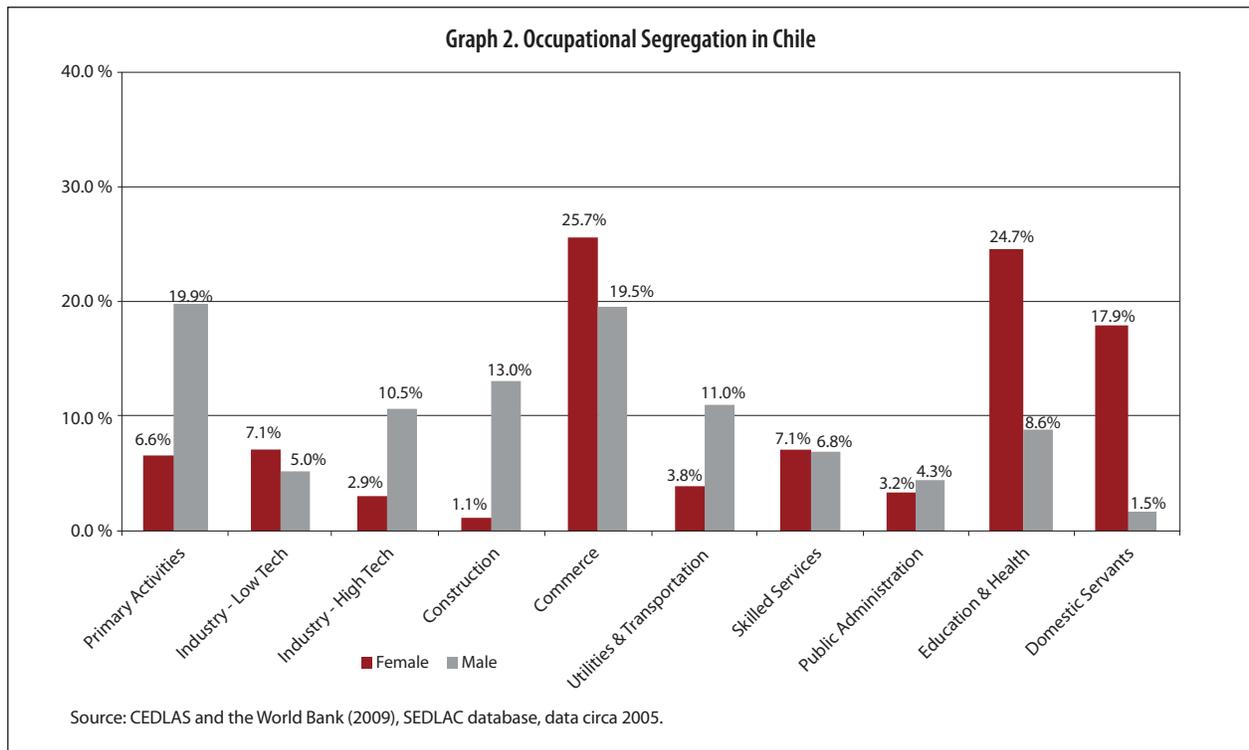
Source: World Bank (2009), Genderstats database, most recent year available.

⁵ World Bank (2007). "Country Partnership Strategy for the Republic of Chile: 2007-2010." World Bank, Washington, DC.

⁶ Government of Chile (2008). "Los Objetivos de Desarrollo del Milenio: Segundo Informe del Gobierno de Chile." National Millennium Development Goals Report.

⁷ Fort, Lucia, Indu John Abraham, María Beatriz Orlando and Claudia Piras (2007). "Chile: Reconciling the Gender Paradox." Latin America and the Caribbean Region, En Breve, April, Number 105.

⁸ World Bank, Inter-American Development Bank and SERNAM. (2007). "Chile Country Gender Assessment: Expanding Women's Work Choices to Enhance Chile's Economic Potential." Washington, DC.



controlling for age, marital status, education, and job tenure, the gap disappears among poorer cohorts, but remains for those in the highest income deciles. This finding is indicative of glass ceilings, outright discrimination against women, or differing values ascribed to non-salary benefits, such as childcare facilities.⁹

Differences in education and training, women's disproportionate household burdens, engrained attitudes about gender roles, and cohort effects driven in part by demographic factors, are among the principal explanations for continued gender inequality in the labor market.¹⁰ Limited childcare options have also hindered women's ability to work: in a national opinion survey conducted in 2001, 58 percent of women in lower income groups and 43 percent of wealthier women identified children as an obstacle to female labor force participation.¹¹

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ SERNAM and INE (2001). "Mujeres Chilenas: Estadísticas para el Nuevo Siglo." Santiago, Chile.

Legislation designed to ease women's burdens may have had a paradoxical effect. Chilean law mandates that firms with 20 or more female workers must provide childcare for their working mothers or subsidize their costs. Also, women are allowed to use personal days to care for sick children. The state also provides for eighteen weeks of 100 percent paid maternity leave and prevents women from being dismissed within a year of the leave's expiry.¹² While maternity leave benefits are financed by social security contributions, employers note there are indirect costs for them, such as having to replace the worker while on leave.¹³

Combined, these laws seem to be limiting firms' incentives to hire women: for instance, research points to a large number of firms with 19 female workers (since hiring even one more woman would entail childcare obligations).¹⁴ Chile ranked near the bottom (101 of 104 countries)

¹² CEDAW(2004). "Chile 4th Periodic Report." CEDAW/C/CHI/4. United Nations.

¹³ World Bank, Inter-American Development Bank and SERNAM. (2007). "Chile Country Gender Assessment: Expanding Women's Work Choices to Enhance Chile's Economic Potential." Washington, DC.

¹⁴ *Ibid.*

regarding the impact of maternity laws on hiring women in the World Economic Forum's Executive Opinion Survey. And, while Chile performs relatively strongly for overall ease of "doing business" in the World Bank's 2010 report, "employing workers" is its second worst category.¹⁵

Chile is paying a heavy cost for its gender inequalities: a World Bank assessment estimates that if women's labor force participation rates were closer to regional averages, about 15 percent of total poverty and 20 percent of extreme poverty in the country could be eliminated.¹⁶

Both the private and public sectors are recognizing the economic benefits of encouraging female labor force participation. Some companies in Chile are trying to better accommodate women's dual roles in the home and at work. For example, Procter & Gamble operates a timetabling system based on results rather than set hours. Banco Security offers a "time-bank" of 24 hours a year for employees to meet personal responsibilities.¹⁷

The Chilean government has also worked to address the lack of affordable childcare options in recent years. Elected in 2006, President Michelle Bachelet built her platform around the theme of equality of opportunity and worked to create a gender balanced cabinet. The government started a program of free childcare for poor households. The *Chile Crece Contigo* (Chile Grows with You) initiative provides subsidies and childcare centers to 40 percent of families with lowest incomes so that the women can work, look for work or study.¹⁸ These efforts seem to be having positive impacts. More than 63 percent of Chilean working mothers recently surveyed said that the new childcare initiative had made it possible for them to work.¹⁹

More than two-thirds of working women in Chile are concentrated in three sectors (see Graph 2): commerce

(25.7 percent), education and health (24.7 percent), and domestic service (17.9 percent).

Balancing Home and Work

Karina Von Baer has firsthand experience of the need to balance duties at home and work. In fact, this was one of her main reasons for turning to self-employment. Karina grew up in an agricultural family in a depressed part of Chile. After finishing college with a degree in agricultural economics in 1995, she decided it was time to explore the world. Karina moved to Canada where she worked in odd jobs, perfected her English and met her future husband.

But her home beckoned, and the couple returned to Chile in 1998. "I always knew I wanted to come back, [but it] was difficult to convince my husband," Karina says. Contributing to her country's development was on Karina's mind. "It really makes a difference if you are here or not," she explains. "People who have had the opportunity to learn, they have the duty to come back and give back to the region." Karina briefly worked for her father, but was soon ready to explore other jobs. "I realized that I did not have the freedom I needed... I am a very family-oriented person and wanted to have the time to be with my child, to go with my child to the doctor, and to decide what I wanted to do every day."

The dilemma is a familiar one to many women. But given her experience and higher education, finding a more flexible job was relatively straightforward for Karina. "As they knew I was looking to work by myself, a few farmers in the region came to me and asked me if I would pick up the management of a two-person company in the wheat and seed industries. I agreed to work, but for only two days a week..."

The business, which acted as an intermediary between farmers and manufacturers, was small, with annual

¹⁵ World Bank (2009). *Doing Business 2010*. World Bank, Washington, DC.

¹⁶ World Bank, Inter-American Development Bank and SERNAM. (2007). "Chile Country Gender Assessment: Expanding Women's Work Choices to Enhance Chile's Economic Potential." Washington, DC.

¹⁷ Ethical Corporation (2009). "Chile – Playing Gender Equality Catch-up." Ethical Corporation. Available online.

¹⁸ Fort, Lucia, Indu John Abraham, María Beatriz Orlando and Claudia Piras (2007). "Chile: Reconciling the Gender Paradox." Latin America and the Caribbean Region, En Breve, April, Number 105. World Bank, Washington, DC.

¹⁹ Statement by The Chilean Minister for Women, Laura Albornoz Pollmann, speaking at the Global Summit of Women in Santiago, Chile, May 2009.

revenue of around US\$400,000. But within a year, Karina realized that the company had real potential. The business provided farmers with an assurance that their crop would be purchased, and enabled manufacturers to coordinate their demands among various farmers. “For example, some businesses needed wheat with high protein, so they would pay us in advance, and we would get farmers to produce it,” Karina explains. She convinced her husband that they should buy some shares in the company. But rather than using their own money, Karina found a creative way to buy the shares, committing revenues from future production.

In a country like Chile, Karina’s investment in entrepreneurship makes good economic sense. A 2006 study by the Global Entrepreneurship Monitor (GEM) found that 40 percent of Chilean female entrepreneurs earn incomes above the national average. University-educated women such as Karina do even better: 61 percent are ranked in the upper-third of the income strata. Entrepreneurship among Chilean women rose by 68 percent between 2003 and 2006; by 2006 women made up one third of all entrepreneurs in Chile.²⁰ These women tend to be well-educated: more than half of female entrepreneurs have received some form of higher education.²¹

Accessing Credit Creatively

In the Doing Business 2010 report, Chile was ranked 71st out of 183 countries in terms of “getting credit.” Chile’s score is mainly boosted by the “depth of credit information index” (measuring the scope, access, and quality of credit information available), for which it receives a 5 out of 6, in contrast to the average of 3.3 in Latin America and the Caribbean.²² Business owners in Chile are more likely to have loans from banks and less likely to identify access to credit as a business constraint than entrepreneurs in other countries in the region. Over two-thirds (69 percent) of formal Chilean businesses have lines of credit or loans from financial institutions, as compared to an average of 46 percent for Latin America and the Caribbean. And while 28 percent of entrepreneurs in the region and 31 percent around the world count access to finance as a major

constraint to their business operations, only 20 percent of Chilean business owners feel the same way.²³

But the path to getting credit is by no means smooth for small and micro (and especially female-owned) enterprises. According to the Inter-American Development Bank, more than 60 percent of Chile’s microentrepreneurs are estimated to lack access to bank credit.²⁴ Women are less likely to borrow from banks than men – accounting for 38 percent of borrowers and 26 percent of the total debt in the financial system. This is in spite of the fact that women are better at repaying their loans: according to one study, 2.3 percent of Chilean men’s debts and 1.6 percent of women’s debts are in arrears.²⁵

“When I started, there were no loan options besides banks and investors, but now there are so many more ways to get money, through the government or non-government organizations.”

Like many new businesswomen, Karina had to be creative when she started expanding her holdings. Such were the successes of her business model for the wheat and seed industries that after a few years she decided to apply the model to canola seed oil, which is used for salmon production. Karina estimated that the start-up costs for the industry would be much higher than her previous venture – amounting to US\$7 million. “I had to fly all over the world to get loans and convince investors,” she recalls.

²⁰ Amoros, José Ernesto *et al.* (2006). “Chile GEM National Team Report.” Global Entrepreneurship Monitor.

²¹ *Ibid.*

²² World Bank (2010). World Development Indicators database.

²³ World Bank (2006). Enterprise Surveys: Chile. World Bank, Washington, DC.

²⁴ Inter-American Development Bank (2009). “Chilean bank expands financing for microenterprise with IDB assistance.” News Releases, December 18.

²⁵ Individual Indebtedness in the Financial System; quoted in CEDAW (2004). “Chile 4th Periodic Report.” CEDAW/C/CHI/4. United Nations.

SERCOTEC: A Government Effort to Support Women Entrepreneurs

SERCOTEC was established in 1952 to support micro and small entrepreneurs in Chile, offering business training and helping them become more competitive. Most recently, SERCOTEC, which operates within the Government of Chile's Corporation for Production Promotion, has also led programs that focus on female entrepreneurs.

The Competence Generation Program for Business and Entrepreneurial Women offers capacity building through courses covering issues such as financial and human resource management. In 2008, 1,306 women received training through this program; in 2009, 1,904 spots were made available for female entrepreneurs.

SERCOTEC works with private banks, offering subsidies and guarantees to reduce the risk faced by banks and encourage their lending to micro entrepreneurs. Female applicants are given priority; between 2007 and 2009, 42.5 percent of loans issued with this program's support went to women entrepreneurs.

To date, SERCOTEC has provided around 5,000 Chilean entrepreneurs with seed capital to start or consolidate their business through a competitive process. Although this initiative is open to men and women, some funds are allocated exclusively to female entrepreneurs through the Seed Capital for Women program, with support from the National Development Fund.

Sources: SERCOTEC (2009), "Chilean Experiences in Public Policies Promoting Micro, Small & Medium Business." Global Summit of Women, presentation, Santiago de Chile.
SERCOTEC (2010), SERCOTEC web page, [<http://www.sercotec.cl/base/homepage.cfm> (last accessed January 2010)].

Now that Karina is an established businesswoman with a proven track record, she has no trouble accessing credit. Her holdings today encompass five enterprises, held under one umbrella. With about 35 percent of shares, Karina and her husband are the largest investors. Because of the seasonality of the business, she negotiates with banks annually, borrowing around US\$30 million each year.

Through her business, Karina is in turn able to help small farmers gain a firmer foothold in the marketplace. "We provide technology and help them reach government programs that support production and provide market access." She also offers business loans to the small farmers with whom she works directly to ensure that they can produce the following year's crop.

Karina thinks that credit is more accessible to smaller (female-run) businesses than it was a decade ago. She reflects, "When I started, there were no loan options besides

banks and investors, but now there are so many more ways to get money, through the government or non-government organizations." For example, the government's Technical Cooperation Service (SERCOTEC) has expanded the pool of finance available to female entrepreneurs (see box), and a number of banks in Chile have reached out to the female market through publicity campaigns and specially tailored loans.

Doing Business in a Traditional Society

Chile's regulatory regime is relatively conducive to starting a business. The country is ranked a solid 49th out of 183 economies in the overall ease of doing business in Doing Business 2010.²⁶ In Karina's experience, "[Registering a business] is really not that big of an issue. The real issue is your own determination. You have to wake up and

²⁶ World Bank (2009). Doing Business 2010. World Bank, Washington D.C.

ComunidadMujer's Mentorship Program

ComunidadMujer's Mentorship Program addresses a need expressed by businesswomen for support in developing their leadership skills, careers, entrepreneurship, and social responsibility. Under this program, women are assigned a mentor (male or female) who will provide guidance and capacity building over 5 months. Together, the mentor and mentee identify the latter's weaknesses and the skills she should develop, given the challenges she faces.

The Mentorship Program is designed to bridge a gap between the mentee's current state – her vision, emotional state and ability to act – and a place in which she can clearly see her challenges and recognize her talents and leadership skills. Moreover, this initiative from ComunidadMujer aims to facilitate a cultural exchange, encouraging female and male mentors to make their desire to help others a part of their day-to-day activities.

The mentor and the mentee both benefit from this connection. On the one hand, the mentee learns from her mentor directly, closely, and in a trusting environment. On the other, the mentor has a venue to pass on what she learned throughout her career and share how she achieved her goals, possibly touching upon areas for future collaboration between the two of them. Within the program, both the mentor and the mentee are also given the opportunity to network among their own cohorts as well.

ComunidadMujer's Experience

ComunidadMujer's Mentorship Program was launched in 2003 with 12 mentee-mentor pairs. Since then, as many as 200 mentees and 100 mentors have participated in the program. In 2009, the program's seventh year, the program had 64 mentee-mentor pairs.

The program has afforded mentees more confidence in themselves and their projects. They have been encouraged to take on more challenges and risks with guidance from their mentors.

According to a Qualitative Impact Evaluation of the Mentorship Program, which covered the period between 2004 and 2007, 80 percent of mentees surveyed said their expectations had been completely, or at least partly, met by the program. Over 70 percent of mentees also found the program useful in helping them address their weaknesses, gain confidence, acquire new skills, and become more aware of their abilities and opportunities. For mentors, the main motivation they had in participating in the program was the possibility that they could help women in developing their careers.

SERCOTEC and ComunidadMujer

In 2009, ComunidadMujer and SERCOTEC partnered to develop and implement a mentorship program targeted at female entrepreneurs who were awarded SERCOTEC's seed capital in 2008 (see SERCOTEC box). The purpose of the program is to provide close support to 50 female entrepreneurs, and, at the same time, provide capacity building to SERCOTEC staff to ensure the sustainability and expansion of the program in future years.

This initiative is based on an alliance established in 2008 between SERCOTEC and ComunidadMujer to implement strategies and training programs to support women in business and entrepreneurship throughout Chile. The "Business Skills for Entrepreneurs" effort focuses on strengthening the skills and presence of women in growth sectors, encouraging pro-activeness and networking to improve their project or business. This alliance kicked off in 2008 with a seminar on personal skills attended by 150 female entrepreneurs from across the country, and has now been tailored into a full-fledged program providing close support to female entrepreneurs who were awarded funding from SERCOTEC.

ComunidadMujer organized the focus group study used to inform the first part of this report. Two of the focus groups were comprised of female entrepreneurs from the organization.

understand that we need to change the world. No one will come to you and say 'I have an idea for you.' People have to understand that they can do things."

Karina hints that societal norms have presented a greater challenge to doing business than the regulatory environment. "In our society, it doesn't matter if men come home at 11 o'clock [in the evening] but for a woman [the expectation] is different," she believes. In fact, a survey conducted in 2002 placed Chile in the 23rd position out of 24 countries surveyed (only after the Philippines) in terms of attitudes toward women working outside the household.²⁷ And 75 percent of respondents in the 2006 GEM study feel that, in Chile, men and women do not receive equal exposure to good opportunities to create a new business.²⁸ As detailed earlier, the World Values Survey revealed Chile to be towards the bottom in the region and around the world for its gender *perceptions* regarding female education. Even though gross enrolment in tertiary education is 52 percent for both men and women, when Chilean respondents were presented with the statement: "University is more important for boys than for girls", 14 percent (including 12 percent of women) strongly agreed.²⁹

Karina thinks that these cultural norms directly impact her success as a businesswoman. "If I had been a man, the company would have probably grown a lot more. I would have made it much bigger and reached out to more clients," she muses. "In Chile, it is only normal for men to work hard and be an entrepreneur. Women may be entrepreneurs too, but not at such a large scale, not with such a large business."

But Karina has tackled these obstacles head on, and has drawn on her husband's support in building a successful business. About two years ago, Karina's husband decided to join her business as an active manager. Until then, while

they had jointly owned company shares, he had been a forester for a different company. "Now, he manages some areas and I manage others," Karina explains. As she sees it, involving her husband in the business has also helped her married life. "This way, we are going for the same goals, coordinating our professional and family objectives."

Promoting Female Entrepreneurship

A number of initiatives are working to encourage a shift in women's economic roles. Chile has a well organized National Service for Women, SERNAM. And the government has been pursuing gender equality at the national, regional and local levels through mechanisms such as the Council of Ministers for Gender Equality and the inclusion of gender issues in the Management Improvement Program.³⁰

Various organizations provide training to ensure that women are well equipped to participate in the economy. For instance, the World Vision CECADEM (Centro de Capacitación y Desarrollo de la Mujer – Women's Development and Training Center) program provides training opportunities for low income women to improve their skills and help them enter the job market.³¹ Fundación Chile – a public private partnership that focuses on sectors with export potential – has developed standard certification processes for groups such as fruit packers (predominantly women). ComunidadMujer offers a mentoring program for businesswomen. Based on the success of the program, SERCOTEC has commissioned a two-year mentoring program specifically targeting female entrepreneurs.

Yet others help to expand networks for women. Mujeres Empresarias is an association with a membership base of more than 3,000 women, who pay a small fee of \$40 per year. Their main activities include business training, an annual convention, a Top 100 Women Leaders Award

²⁷ Lehman, Carla (2003). "Mujer, Trabajo y Familia: Realidad, Percepciones y Desafíos." Centro de Estudios Públicos. Santiago, Chile.

²⁸ Amoros, José Ernesto et al. (2006). "Chile GEM National Team Report." Global Entrepreneurship Monitor.

²⁹ World Values Survey (2006). "World Values Survey for Chile."

³⁰ JICA (2006). "Chile: Country Gender Profile." Planning Department, JICA.

³¹ Mabuwa, Sem, Natalie Armstrong and Patricia Ruiz Delga (2008). "Vocational Training and Employment for Chilean Women." World Vision Australia.

with El Mercurio newspaper and a bi-monthly publication. Fundación Chile and the World Bank are currently partnering on a diaspora network to promote “brain circulation.” The network will allow expatriate Chileans to provide mentoring to Chilean entrepreneurs. Two of the ten initial expatriate mentors are women and the first Chilean applicant, a honey producer, is female. If successful, this could be an innovative model with potential for replication in other countries in the region.

Karina herself is becoming involved in a program led by Endeavor to mentor entrepreneurs. But, naturally, her principal focus has been her own businesses, particularly as the current financial crisis took its toll on the agricultural market. “In addition to the crisis, the salmon industry broke down in Chile because of ISA [Infectious Salmon Anemia] disease, so we are now exporting canola seed oil as well,” she explains. She has also observed higher default rates among farmers to whom she offers loans.

Despite such setbacks, she remains optimistic. “The most important thing to learn is what you’re good at and what you’re not. Today, I think I can tell which business plan will succeed and which will not. The greatest obstacle is oneself. If you want to do it, you will find a way to do it,” she cheerfully tells herself and aspiring entrepreneurs.

Case Study Highlights

- Chilean women are on average among the most educated in Latin America, but female labor force participation is one of the lowest in the region.
- Laws that aim to help women in the labor force may have unintended consequences. For example, as businesses with 20 or more female employees are required to provide childcare or subsidies, firms have an adverse incentive to hire women. Many firms in Chile operate with 19 female employees.
- Recently, Chilean business owners have gained increased access to credit. Nonetheless, women are less likely to borrow and tend to have smaller loans than men, even in the microcredit market.
- There has been increased interest in supporting entrepreneurship in recent years, with business associations, government initiatives, and international efforts springing and gaining traction in Chile. Many of these focus on women entrepreneurs.

Audrey Hinchcliffe and Sandra Palmer-Peart Doing What They Do Best: Perspectives from Two Women Entrepreneurs

Jamaica has one of the highest female labor force participation rates in Latin America and the Caribbean, with women comprising 44 percent of the country's total labor force.¹ Yet, as they face lower salaries and higher unemployment rates than men, many Jamaican women turn to entrepreneurship for income. Audrey Hinchcliffe had 20 years experience in the health sector in the United States and Guyana. But when she returned to Jamaica in 1987, she found few job opportunities and was frequently told she was overqualified for available positions. Dr. Sandra Palmer-Peart had a job in the Jamaican Information Technology (IT) sector, but felt shut out from jobs further up the corporate ladder. In response to these obstacles, both women started their own businesses, relying on what they knew best: Audrey founded a hospital cleaning service, now expanded to a general maintenance service; Sandra started a business technology firm.

Country Context

Jamaica is a small, open economy with a population of around 2.7 million. The island has a strong democracy, a favorable regulatory environment, and relatively low inequality compared to the rest of Latin America and the Caribbean.² But it also has one of the highest public debt rates in the world. After a slight dip in the late 1990s, central government debt has been over 100 percent of GDP since 2001. In 2007, 10.5 percent of GNI was spent on debt servicing alone.³

Economic growth in Jamaica has been low or negative since the mid-1990s due to shocks, tight monetary policy, and consecutive crises. Nonetheless, poverty has declined significantly over the last two decades. In 2004, the poverty rate in Jamaica was around 16.9 percent, roughly half the 1989 rate of 30.4 percent.⁴ This progress is attributed to at least two trends: lower inflation and increased remittances.



Inflation declined from 80 percent in 1991 to 8 percent in 1999.⁵ Drops in inflation are generally considered pro-poor, as the poor tend to have a larger share of their assets in currency. Twenty-five percent of Jamaican citizens live abroad, and remittances play a significant role in the national economy, figuring into the incomes for roughly one-third of households. Remittances flow



GDP per capita (current USD):
5,439

Population, total:
2,687,200

Female Headed Households (% of total):
44

Total Fertility Rate:
2.4 births per woman

Sources: World Bank (2010), World Development Indicators database, most recent year available. World Bank (2001), "Project Appraisal Document on a Proposed Loan in the Amount of US\$40 Million to Jamaica for a Social Safety Net Project"

¹ World Bank (2009), Genderstats database.

² World Bank (2003), Jamaica: The Road to Sustained Growth. Country Economic Memorandum.

³ World Bank (2009), World Development Indicators database.

⁴ World Bank (forthcoming), Jamaica Poverty Assessment: Breaking the Cycle of Unemployment, Vulnerability and Crime.

⁵ World Bank (2001), "Project Appraisal Document on a Proposed Loan in the Amount of US\$40 Million to Jamaica for a Social Safety Net Project."

into rural areas at even higher rates, reaching 41.3 percent of households.⁶ The value of remittance receipts is large, and from the early 1990s to 2002 the average remittance receipt increased from 2 percent to 6 percent of total household income.⁷

While Jamaican households are roughly evenly distributed between rural and urban areas, 80 percent of the poor live in rural areas and less than 10 percent live in the nation's capital, Kingston.⁸ Poor households tend to be larger than non-poor ones, with 40 percent of poor households having 6 or more members. They are also more likely to be headed by women, so that while 44 percent of Jamaican households are female-headed, women comprise 66 percent of heads of poor households.⁹ High poverty rates among female headed households are explained in part by large family size, in part by single incomes, and in part by women's disadvantages in the labor market.¹⁰

Although poverty is a largely rural phenomenon in Jamaica, pockets of poverty persist in urban areas and tend to coincide with high rates of violent crime. Jamaica has one of the highest homicide rates in the world – over half of which occur in the Kingston metropolitan area. The phenomenon is largely associated with young males, who are both perpetrators and victims.¹¹ While the informal sector is relatively small by regional standards, illegal activities, such as drug sales and money laundering, comprise a significant and growing share of it.¹² The World Bank estimates that the high incidence of crime and violence costs the economy as much as 4 percent of GDP each year.¹³

⁶ Wyss, Brenda and Marceline White (2004), "The Effects of Trade Liberalization on Jamaica's Poor." Women's Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

⁷ World Bank (forthcoming), Jamaica Poverty Assessment: Breaking the Cycle of Unemployment, Vulnerability and Crime.

⁸ World Bank (2001), "Project Appraisal Document on a Proposed Loan in the Amount of US\$40 Million to Jamaica for a Social Safety Net Project."

⁹ *Ibid.*

¹⁰ World Bank (2005). Country Assistance Strategy for Jamaica.

¹¹ *Ibid.*

¹² Wyss, Brenda and Marceline White (2004), "The Effects of Trade Liberalization on Jamaica's Poor." Women's Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

¹³ World Bank (2005). Country Assistance Strategy for Jamaica.

Social indicators, on the other hand, are relatively good in Jamaica. Government expenditure on education and health is high compared to other middle-income countries in the region, and Jamaica has achieved universal enrolment in primary education and near universal enrolment in junior secondary education (grades 7-9). In terms of gender parity, the school enrolment rate of girls has in fact surpassed that of boys.¹⁴

But educational quality remains an issue. Although enrolment in primary education is universal, attendance is much lower, with acute differences between income groups. Around 30 percent of Jamaican sixth graders are functionally illiterate, and 35 percent of children in the lowest income quintile attend school for less than 15 days per month.¹⁵ Moreover, even as Jamaicans achieve higher education levels, the country loses many of its most skilled to migration. In the 1990s, for example, as many as 80 percent of the country's tertiary level graduates moved abroad.¹⁶

Although Jamaican health indicators are better than those of countries with similar or even higher incomes, the country has been losing ground over the last two decades. For example, immunization rates for Jamaican infants declined from 93 percent in 1993 to 85 percent in 1999.¹⁷

Women in Jamaica

In Jamaica, female enrolment in primary and secondary education has been equal to or 0-5 percentage points above male enrolment since at least the early 1990s.¹⁸ At the tertiary level, female gross enrolment is over twice the male rate: 27 percent and 12 percent, respectively.¹⁹ The literacy rate for Jamaican women is 10 percentage points above that for Jamaican men (91 percent and 81 percent, respectively).

¹⁴ World Bank (2009). Genderstats database.

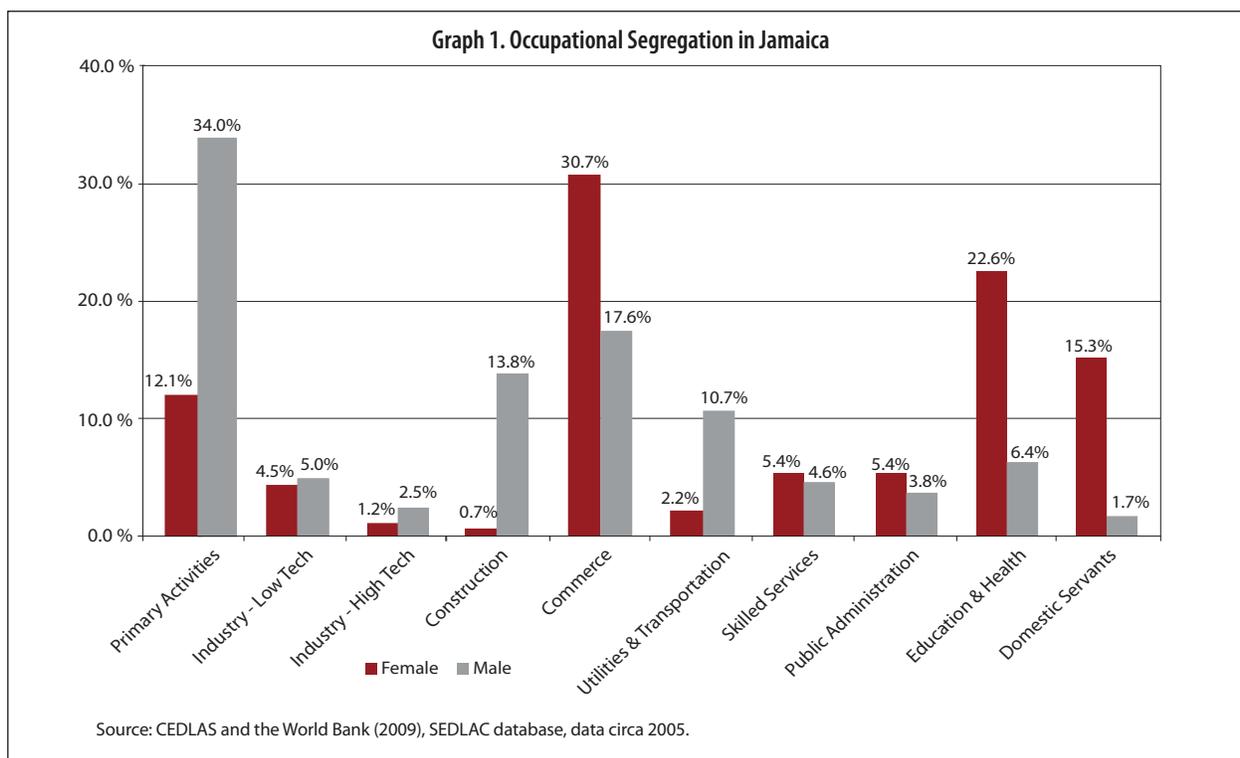
¹⁵ World Bank (2001), "Project Appraisal Document on a Proposed Loan in the Amount of US\$40 Million to Jamaica for a Social Safety Net Project."

¹⁶ Wyss, Brenda and Marceline White (2004), "The Effects of Trade Liberalization on Jamaica's Poor." Women's Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

¹⁷ World Bank (2001), "Project Appraisal Document on a Proposed Loan in the Amount of US\$40 Million to Jamaica for a Social Safety Net Project."

¹⁸ World Bank (2009). Genderstats database.

¹⁹ *Ibid.*



And among youth (15-24 years old), almost all girls are literate (98 percent) while 9 percent of boys are not.²⁰

Jamaica has one of the highest female labor force participation rates in the region, but working women face distinct challenges.²¹ Although women constitute over 50 percent of the professional labor force in Jamaica, almost half of them are concentrated in low-paying, minimum wage jobs.^{22, 23} In the free trade zones (FTZ) in Kingston and Montego Bay, which focus on apparel production for export, women at one point comprised 90 percent of workers, but the vast majority of jobs were “laborious, poorly paid, and [offered] few opportunities to gain new skills.”²⁴ On average, female earnings are equivalent to only 83 percent of male

²⁰ *Ibid.*

²¹ World Bank (2002). “A Review of Gender Issues in the Dominican Republic, Haiti and Jamaica.”

²² Wyss, Brenda and Marceline White (2004), “The Effects of Trade Liberalization on Jamaica’s Poor.” Women’s Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

²³ World Bank (2002). “A Review of Gender Issues in the Dominican Republic, Haiti, and Jamaica.”

²⁴ Wyss, Brenda and Marceline White (2004), “The Effects of Trade Liberalization on Jamaica’s Poor.” Women’s Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

Primary School Enrolment, Female/Male (% , gross):
89 / 91

Secondary School Enrolment, Female/Male (% , gross):
92 / 88

Tertiary School Enrolment, Female/ Male (% , gross):
27 / 12

Female/ Male Adult Literacy Rate (%):
91 / 81

Female/ Male Labor Force Participation (%):
62 / 78

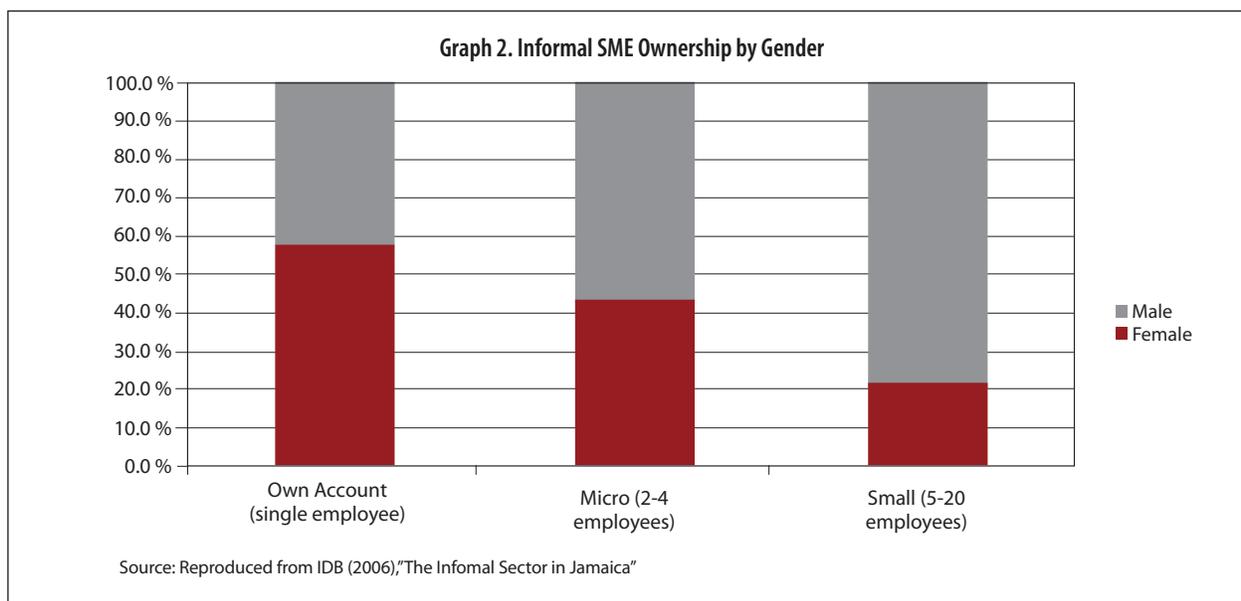
Seats in National Parliament:
13% held by women

Source: World Bank (2009), Genderstats database, most recent year available.

earnings (not controlling for differences in jobs or hours worked), despite higher female education levels.²⁵ Women are also more likely to be made redundant than men.²⁶ Wyss and White (2004) estimate that Jamaican women,

²⁵ World Bank (2002). “A Review of Gender Issues in the Dominican Republic, Haiti, and Jamaica.”

²⁶ Wyss, Brenda and Marceline White (2004), “The Effects of Trade Liberalization on Jamaica’s Poor.” Women’s Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.



who comprised the majority of those employed in the FTZs, were disproportionately hurt by competition from the North American Free Trade Agreement (NAFTA). Two-thirds of persons laid off in 2001 in Jamaica, for instance, were women.²⁷ Moreover, female unemployment is twice as large as male unemployment (22 percent and 10.3 percent, respectively). Among the population 15-24 years of age, one in three Jamaican women in the labor market is unemployed.²⁸ Graph 1 shows that over three-fourths of female employment in Jamaica is concentrated in four sectors: commerce (30.7 percent), education and health (22.6 percent), domestic service (15.3 percent), and primary activities (12.1 percent).

Other vulnerabilities associated with women in Jamaica include gender-based violence and unintended pregnancies. One in five women 25-60 years of age has suffered some sort of abuse in their lifetime, and an estimated 70 percent of pregnancies in Jamaica are unintended.²⁹ Teen pregnancy rates have been increasing since 1999 and as many as 87 percent of these pregnancies are unwanted.^{30,31} These high rates reveal an alarming picture,

²⁷ *Ibid.*

²⁸ World Bank (forthcoming), *Jamaica Poverty Assessment: Breaking the Cycle of Unemployment, Vulnerability and Crime*.

²⁹ World Bank (2002). "A Review of Gender Issues in the Dominican Republic, Haiti, and Jamaica."

as unwanted pregnancies unduly limit female opportunities in education and full-time employment.³²

To navigate their way around the limitations imposed by the labor market, Jamaican women often turn to one of three options: the public sector, migration, and entrepreneurship. Female employment in the public sector is almost twice as large as male employment: in 2001, for example, 17 percent of women and 9 percent of men were employed by the public sector.³³ Similarly, migration plays an important role for Jamaican women seeking employment opportunities: 25 percent of Jamaicans live abroad (the vast majority in the United States), and women make up 55 percent of migrants.³⁴ Among those who stay in the island, female-headed households are slightly more likely to receive remittances than male-headed households: 38.0 percent of female-headed households received international remittances in 2001, as compared to 33.5 percent of male-headed households.³⁵

³⁰ Wyss, Brenda and Marceline White (2004), "The Effects of Trade Liberalization on Jamaica's Poor." Women's Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

³¹ World Bank (2002). "A Review of Gender Issues in the Dominican Republic, Haiti, and Jamaica."

³² Wyss, Brenda and Marceline White (2004), "The Effects of Trade Liberalization on Jamaica's Poor." Women's Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ *Ibid.*

Despite their high labor force participation rate, Jamaican women were under-represented in micro-entrepreneurship in the early 1990s.³⁶ Nonetheless, a substantial number of Jamaican women currently participate in firm ownership. One in three Jamaican formal firms surveyed by the World Bank in 2005, for example, reported female participation in ownership, a rate slightly below the regional average (38.94 percent) but in line with the world average (32.08 percent).³⁷ In the informal SME sector, women are increasingly represented in the smallest firms. Women own only 21 percent of small informal businesses (5-20 employees), but as much as 42 percent of micro informal businesses (2-4 employees). Meanwhile, 58 percent of informal own account workers are women.³⁸

Creating Opportunities through Entrepreneurship

Audrey Hinchcliffe had twenty years of experience in nursing and hospital administration when she returned to Jamaica in 1987. Despite her extensive resume, she struggled to find a job. “The beginning was very, very tough,” she recalls. “I was so confused when I first arrived in Jamaica that I had to go to several counseling sessions.” She felt like a stranger in her own country and found that she was overqualified for employment opportunities in her field. Noticing the underdevelopment of the commercial cleaning business in Jamaica, Audrey decided to launch Caribbean Health Management Consultants (CHMC). Her first contract was with the University Hospital of the West Indies, providing outsourced janitorial and nurse aid services to one of its wings.

When the Government of Jamaica announced that it would be outsourcing the janitorial services for several of its buildings, Audrey won the bid for the Spanish Town Hospital. In May 1990, she founded Manpower

and Maintenance Services (MMS), replacing CHMC with a company that could provide a wider range of services, including pest control, landscaping, carpet care, carpentry, and plumbing. Today, MMS is the largest facilities maintenance company in Jamaica, with annual revenue of over 700 million Jamaican dollars (currently around US\$8.5 million) and 1,800 employees. “We are clearly the company of choice in the high-end market, and one can easily spot an MMS employee in his uniform anywhere in the island,” Audrey beams with pride. “We have created a brand name in Jamaica. We now have world recognition and are a member of the Cleaning Management Institute and the only Jamaican member in the Building Service Contractors International.” MMS has over 200 clients, including telecommunications companies, banks, airports, and hospitals, as well as large entertainment and sporting events.

Audrey’s client base frequently overlaps with that of another successful female entrepreneur in Jamaica, Sandra Palmer-Peart. Sandra launched SSP APTEC in 1997, when she too felt constrained by limited career opportunities. “I had completed an MBA, had overseas experience, and was frustrated in climbing the corporate ladder – always working very hard but not being rewarded, maybe because I was too young and just had to wait my turn.” SSP APTEC is an information technology consulting company, providing audio-visual and IT equipment sales and rentals, and strategic advice. Sandra’s clients include several government ministries and agencies, such as the Electoral Office, the Customs Department, and the Ministry of Health, as well as large corporations such as the Bank of Jamaica and the Bank of Nova Scotia.

Like Audrey, Sandra had significant experience in the field when she chose to open her own business. She explains, “It hit me – why not do what I have always been doing, what people know me for, and what I know I am good at?” But because of her experience, she also knew that Jamaica already had many IT consulting companies. To distinguish SSP APTEC, she focused on customer service. “I had noticed

³⁶ Klein, Emilio and Victor E. Tokman (1993), “Informal Sector and Regulations in Ecuador and Jamaica.” OECD, Working Paper, No. 86.

³⁷ World Bank (2005). Enterprise Surveys: Jamaica.

³⁸ Inter-American Development Bank (2006). “The Informal Sector in Jamaica.” Economic and Sector Study Series.

much inefficiency in the IT business where I had worked for so many years, so I started to think how my company can make changes in the industry and really get to know and understand the customer.” Sandra reaches higher-end customers by offering what she describes as a “personalized service.”

Starting Up

As the Jamaican public sector shrank in the mid-1990s, many would-be public servants turned to entrepreneurship for employment. Since 1997, around 35-40 percent of employed Jamaicans are self-employed, either as own-account workers or employers.³⁹ The Jamaican regulatory environment makes it relatively easy to open a business: the World Bank’s Doing Business 2010 survey ranks the country 19th out of 183 (2nd in the region) in terms of the ease of starting a business.⁴⁰ In Jamaica, it takes 8 days and costs the equivalent of 5.3 percent of per capita GNI to open a formal business, in contrast to an average of 61.7 days and 36.6 percent of GNI per capita for all of Latin America and the Caribbean.⁴¹ Among businesses that remain informal, the main culprit is a lack of knowledge of the requirements for formalization, rather than the high costs of starting and/or conducting formal business cited in many other countries in the region. For instance, in a survey of informal businesses commissioned by the Inter-American Development Bank, as many as 31 percent of informal business owners said they were not required to have a tax registration number, while 20 percent claimed the process for securing one was too complicated.⁴²

Many businesses in Jamaica start small, and most of them are run from the household. Only 30 percent of Jamaican enterprises are based in commercial buildings.⁴³ Audrey started her business in her home, moving to a small office

once she secured her first few contracts. Sandra launched her company in a 100 square foot office, away from the business center where most of her target clientele was based, with one assistant as her only employee.

Accessing Credit

Doing Business 2010 ranks Jamaica 87th out of 183 countries in terms of accessing credit for businesses.⁴⁴ But this ranking, which places Jamaica close to the world median, is based on four indicators – legal rights, credit information, and public and private registry coverage – and masks the competition faced by business owners seeking credit. Jamaican government debt is one of the highest in the world; at a level equal to 45 percent of bank deposits, public debt crowds out entrepreneurs by offering banks relatively low-risk debt.⁴⁵ In fact, an Enterprise Survey found that 43.8 percent of Jamaican firms see access to finance as a major constraint to their business operations, in contrast to an average of 27.8 percent of firms in the region.⁴⁶

To launch their businesses, both women had to rely on their own funds, their friends and family, and their creativity. With her loan application turned down, Audrey used the last paycheck from her previous employer to start CHMC, and asked major clients for payment advances for “mobilization cash.” When she was searching for start up capital to launch her next business, she turned to what she knew best – nursing and hospital administration. Audrey’s book – *Taking Care: a Manual for Medical Office Administrators* – was published in 1989. The book’s sales had a dual effect: they promoted her name in the industry and generated the capital she needed to launch her enterprise. She recalls proudly, “It sold like hotcakes! It was the first manual in Jamaica on how to manage offices, and I still use it for training programs.”

³⁹ ILO (2009), LABORSTA Internet database, Jamaica.

⁴⁰ World Bank (2009). Doing Business 2010 database.

⁴¹ *Ibid.*

⁴² Inter-American Development Bank (2006). “The Informal Sector in Jamaica.” Economic and Sector Study Series.

⁴³ Klein, Emilio and Victor E. Tokman (1993), “Informal Sector and Regulations in Ecuador and Jamaica.” OECD, Working Paper No. 86.

⁴⁴ World Bank (2009). Doing Business 2010 database.

⁴⁵ Wyss, Brenda and Marceline White (2004), “The Effects of Trade Liberalization on Jamaica’s Poor.” Women’s Edge Coalition with UNIFEM, Rockefeller Foundation, and Ford Foundation.

⁴⁶ World Bank (2005). Enterprise Surveys: Jamaica.

Sandra recalls that, despite her MBA, her years of experience in the IT sector, and the detailed business plan she had prepared for SSP APTEC, she could not fulfill the collateral requirements required for a loan. Because an IT consultancy company is mainly knowledge-based, she did not have enough heavy machinery or business equipment to put a lien on, and had to rely on friends and family for start-up money. “The difficulty in accessing capital acts as a deterrent for many women to start their own businesses,” Sandra believes. Even though she succeeded in opening her company, she wonders what other Jamaican women with good business ideas, but lacking the necessary resources or networks, might do: “There is no structured financing for new business ideas in Jamaica... To open a business, women have to commit their own resources. Although they might get help from family members, they have to rely on their savings too... if they have any.”

Paying Taxes

At 174th out of 183 countries, Jamaica’s lowest score in the 2010 Doing Business Report is for paying taxes. In Latin America and the Caribbean, it is third-to-last on this dimension, ahead of only Bolivia and Venezuela.⁴⁷ In recent years, the government of Jamaica eliminated some distortionary tax incentive schemes and decreased business registration processing by 22 days by streamlining social security and tax registration procedures.⁴⁸ Nonetheless, Jamaica is still among the top 10 countries with the highest number of tax payments required, and half of Jamaican firms identify tax administration as a major constraint to their business.⁴⁹ While businesses in OECD countries have to make on average 12.8 tax payments per year and those in Latin America and the Caribbean make around 33.2 payments, Jamaican businesses submit 72 tax payments per year.⁵⁰

⁴⁷ World Bank (2009). Doing Business 2010 database.

⁴⁸ World Bank (2006). Doing Business in 2006: Creating Jobs.

⁴⁹ World Bank (2005). Enterprise Surveys: Jamaica.

⁵⁰ World Bank (2009). Doing Business 2010 database.

Audrey admits that she is frequently in arrears with her taxes, often because of delays in payments for services by government agencies. She hires tax advisors and attorneys to secure the money and waivers on any interest or penalties assessed on her business. She counts at least six different types of taxes she must pay as an employer: “There are just too many taxes to pay, and I have to do this twice a month. So when this clashes with payroll, I have massive sums of money to pay out and of work to prepare them.” Sixty percent of Jamaican business owners see the tax rate as a major constraint to their business, in contrast with 37 percent of business owners in the region (in spite of the fact that the tax rate on businesses is close to the regional average).^{51,52} Potential explanations for this high rate of dissent are the number of tax payments required, or a sentiment that, in Jamaica, “tax collections largely go to pay for government interest costs and other current expenditures that do not contribute to growth.”⁵³

The Toll of Crime and Violence

In Jamaica, crime and violence are important limiting factors to business operations and overall productivity. In a business victimization survey for the World Bank, 42 percent of all managers interviewed felt that they were likely or highly likely to be murdered in the workplace.⁵⁴ Over half of firm owners reported that crime placed a significant burden on their business by increasing the cost of security. 39 percent of business owners reported that crime had a negative impact on their plans for business expansion; 37 percent said that crime limited the investments they made to improve the productivity of their business.⁵⁵ Crime may also restrict the number of work shifts and days, and, together with the burdens noted above, it lowers the competitiveness of Jamaican businesses.⁵⁶

⁵¹ World Bank (2005). Enterprise Surveys: Jamaica.

⁵² World Bank (2009). Doing Business 2010 database.

⁵³ World Bank (2003), Jamaica: The Road to Sustained Growth. Country Economic Memorandum.

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

WEConnect International: Leveraging Supply Chains to Level the Playing Field

Globally, women own 1/4 to 1/3 of all private businesses. But within supply chains, women-owned businesses represent less than 1 percent of suppliers to governments and large corporations. Audrey and Sandra are exceptional, as they have secured solid and long-lasting vendor relationships with local giants for their businesses.

WEConnect International is a non-profit organization, based in the United States that supports and encourages supplier diversity initiatives throughout the world. It estimates that approximately 97 percent of Fortune 500 companies have supplier diversity programs, with 80 percent of them even requiring similar efforts from their tier one and two suppliers. But recognizing that female enterprises are not yet easily identifiable, WEConnect International provides training and sometimes funding to its global affiliates, which are local institutions that certify businesses that are at least 51 percent owned, managed, and controlled by women.

With support from several large corporations, including Accenture, Boeing, Ernst & Young, IBM, Pfizer, and Walmart, WEConnect International shares the standards developed by its first affiliate – the Women’s Business Enterprise National Council (WBENC) in the United States– with the rest of its network in Canada, Europe, India, and China. These affiliates receive support for helping to identify and develop the capacity of local women’s business enterprises, thereby helping national corporations and governments include them in their value chains. The WEConnect International online portal will also provide businesses with easy access to knowledge and networks, so that women can more easily do business with each other, and multinational corporations can more easily include diverse vendors in their bidding process. The World Bank currently works with WEConnect International as well, helping to ensure that the Bank’s procurement process is inclusive of women-owned businesses.

Through its network, WEConnect International supports supplier diversity efforts and the engagement of female entrepreneurs globally. Its experience shows that supplier diversity programs are not sufficient in themselves to ensure a level playing field for women entrepreneurs; rather, large corporations and governments need an easy way to identify those businesses. In Jamaica, as in the rest of Latin America and the Caribbean, female entrepreneurship is rising. But without expanded efforts, Audrey and Sandra’s businesses will likely continue to be an exception in supply chains.

Sources: WEConnect International brochure and website and interview with Ms. Elizabeth A. Vazquez (2009), CEO and Co-Founder.

Women Helping Others

Audrey and Sandra both have plans to expand their businesses outside Jamaica. Despite the current financial crisis, MMS receives more calls for service each month;

Audrey is looking into franchising her business and buying a small company in the United States. Sandra’s SSP APTEC has already reached the United States, providing IT solutions to businesses in Florida.

Despite the masculine name of her business and the fact that some of its services (e.g., carpentry and plumbing) are traditionally male-dominated, Audrey sees her business as naturally fitting for a woman. “The dominance of women in nursing set the stage for my business, perhaps because women are identified more with housekeeping duties,” she reflects. But she fights against other stereotypes and refuses to join women’s associations. “No bleeding heart for me just because I am a woman,” Audrey says. “I am a business woman and I need to be treated equally. At work, you show them that you are equal to the task. Do what you have to do, work, and earn your place and name.” In fact, Audrey has succeeded in taking on other male-dominated roles, including that of President of the Jamaican Employers Federation. She was the first woman to head this trade union, and held on to this position for four years.

Sandra is all too familiar with operating in a male-dominated sector. She notes that it can be difficult to recruit women for her business because of the small number of female graduates in technology. She explains hopefully, “Men have traditionally gravitated towards this field and this is still evident at IT conferences and bid openings. Nevertheless, quite refreshingly, more women are entering the field and are doing very well.” Currently, SSP APTEC has 21 employees – 13 men and 8 women.

Unlike Audrey, Sandra believes that a women’s business association could help women succeed in the labor market, particularly in male-dominated sectors. “In Jamaica, there is still an old boy’s club. Men do business and hang out, and they tend to do business with those they know. We should have a girl’s club and other networks of our own too.” Some steps in that direction have already been taken: Jamaica was the first Caribbean Community (CARICOM) country to have a women’s affairs office in the government,⁵⁷ and the

Women Business Owners Jamaica (WBO) is a non-profit organization promoting women’s enterprises.

Both women also dedicate their time to teaching and providing learning opportunities to other Jamaicans. Today, Audrey also leads the Institute for Workforce Education and

“No bleeding heart for me just because I am a woman. I am a businesswoman and I need to be treated equally...”

Development (IWED), an off-shoot of the training program used by MMS, which offers courses to non-employees on skills such as computing, cleaning techniques, gardening, and pest control. Recently, IWED was also certified to

provide vocational training and preparation for public high school exams. Using her business connections, Audrey also runs the Special Youth Employment, Apprenticeship, and Training Project, a government project providing training and job placement to Jamaican youth locally and internationally. Audrey offers this advice to women in the labor force: “Be a woman. Be as professional and feminine as you can be, but, above all, know your business.”

Sandra mentors aspiring entrepreneurs and is a lecturer at the University of the West Indies and at the Northern Caribbean University. Twice a week, she also hosts a radio show providing advice on starting a business. As a woman in a male-dominated sector, she hopes that the business environment in Jamaica will soon become more welcoming for female entrepreneurs. “Maybe the rules and procedures for being an entrepreneur in Jamaica are the same for both genders, but the subtleness in the culture still stands out.” Sandra explains: “Female entrepreneurs continue to be treated differently by men, maybe a little less business like. In a way, female entrepreneurs have to put in so much more effort to get other professionals to believe that they are committed.”

⁵⁷ World Bank (2002). “A Review of Gender Issues in the Dominican Republic, Haiti, and Jamaica.”

Case Study Highlights

- In Jamaica, male and female entrepreneurs face a relatively benign regulatory environment, but competition in access to finance, the complexity of the tax system, and crime and violence represent constraints to doing business.
- Even in a relatively equitable environment, women may encounter subtle but significant disadvantages in the labor market.
- Cultural limitations on female career advancement can push women toward entrepreneurship, but may also result in brain drain.

María Elena Mendoza

Taking Care of Business Above and Below the Ground

Starting a business in Mexico is not easy, by international standards. The country is ranked 90th out of 183 economies in the World Bank's Doing Business indicator on business start-up. As if the average challenges of starting a business were not enough, María Elena Mendoza chose to launch her enterprise in a highly regulated sector in Mexico: funeral services. After over 30 years of careful management and credit-funded expansion, the family-run Jardines del Recuerdo employs 400 people and has the capacity for 27 funeral services per day. It is the largest funeral services business in Latin America.

Country Context

María Elena grew up in an advanced middle income country. Following economic and political reforms in the late 1990s, Mexico is well integrated into the global economy. It boasts high creditworthiness, sophisticated financial needs, membership of the OECD, and strong ownership of its development strategy.¹ From 1996 to 2005, the Mexican economy grew at a modest 2 percent per capita per year, but its growth has remained positive since 2003.² Favorable macroeconomic conditions enabled the federal government to reduce its external debt to a historical low of 28.5 percent of total outstanding debt toward the end of 2006. Global economic growth, high oil prices and export revenues, favorable external financial conditions, and increased domestic credit also helped raise economic activity and employment preceding the financial crisis of 2008/2009.³

Despite these advances, the poverty rate and inequalities across regions and social groups remain high. The 1994/1995 Mexican crisis reduced real wages and significantly increased



poverty. It took Mexico until 2002 to recover to pre-crisis levels. In 2004, extreme poverty stood at 17.6 percent, and another 30.1 percent of the national population lived in moderate poverty (roughly the same as in 2000). Despite Mexico's high urbanization rate, 60.7 percent of the extremely poor are in rural areas, while 62.5 percent of the moderately poor are in urban areas.⁴ Forty percent of the national income is concentrated in the top decile of income earners, while the bottom decile earns just 1 percent of national income.⁵ The national Gini index for Mexico is 48.11, significantly lower than the 51.87 reached in 2000, but higher than it was two decades ago (46.26 in 1984).⁶

GDP per capita (current USD):
10,232
Population, total:
106,350,434
Total Fertility Rate:
2.1 births per woman

Source: World Bank (2010), World Development Indicators database, most recent year available.

¹ World Bank (2004). Mexico Country Partnership Strategy.

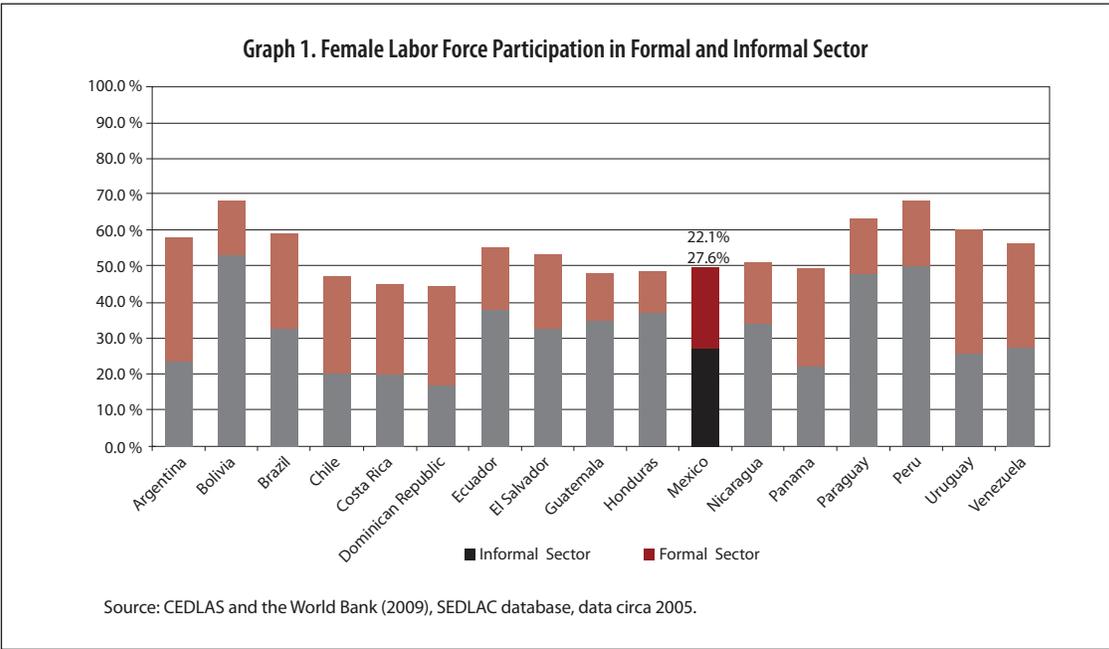
² World Bank (2010). World Development Indicators database.

³ World Bank (2007). Mexico Country Partnership Strategy Progress Report.

⁴ World Bank (2005). Income Generation and Social Protection for the Poor.

⁵ World Bank (2007). Mexico Country Partnership Strategy Progress Report.

⁶ The Gini index is a measure of inequality ranging from 0 (perfect equality, everyone has the same income) to 100 (perfect inequality, richest person has all the income). World Bank (2009), PovcalNet.



Women in Mexico

At close to 50 percent, Mexican women’s labor force participation rate is one of the lowest (but fastest-growing) in the region, and contrasts with a participation rate of 85 percent among Mexican men.⁷ Average rates, however, hide differences across groups of women. Single women participate in the labor force at a much higher rate than married women. In the Mexican national urban employment survey (ENEU) of 1987-1993, the labor force participation rates were 24.31 percent for married women, 51.26 percent for single mothers and 79.25 percent for single women with no children.

These figures reflect two facets of women’s day-to-day reality: married women tend to enter the labor force to supplement existing household income, while single women are often their household’s primary breadwinner; and women with children need to balance earnings requirements with childcare needs.⁸ With a score of 60 in the Women’s Economic Opportunity Index, female access

**Primary School Enrolment,
Female/Male (% gross):
112 / 114**

**Secondary School Enrolment,
Female/Male (% gross):
90 / 85**

**Tertiary School Enrolment,
Female/Male (% gross):
26 / 27**

**Female/Male Adult Literacy Rate (%):
91 / 95**

**Female/Male Labor Force Participation (%):
46 / 85**

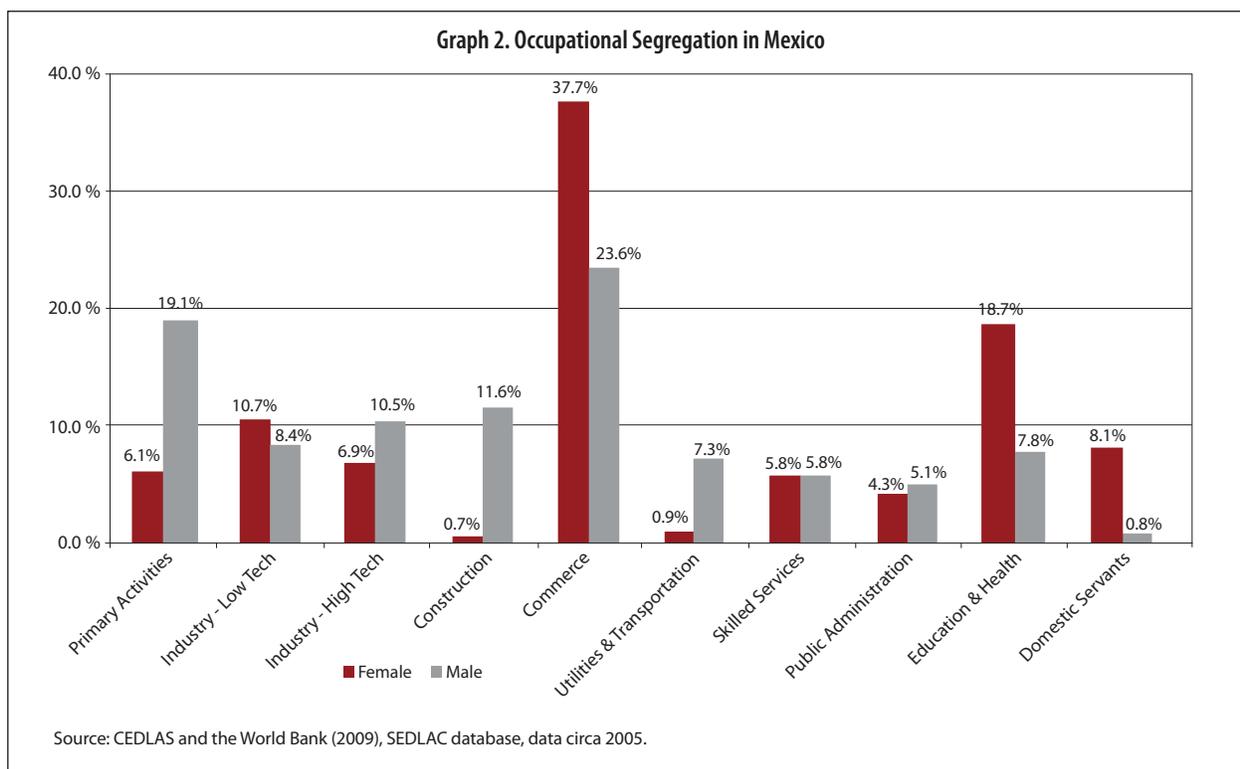
**Seats in National Parliament:
28% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

to childcare in Mexico is very close to the Latin American and Caribbean average but significantly below the OECD average of 76.7.⁹ This may imply an accessibility that is high enough to attend to the childcare needs of many single working women with children but still not enough to tip

⁷ World Bank (2009). Genderstats database.
⁸ Cunningham, Wendy (2001). "Breadwinner versus Caregiver: Labor Force Participation and Sectoral Choice over the Mexican Business Cycle," in *The Economics of Gender in Mexico*, eds. Katz and Correia.

⁹ Scores range from 0 to 100 and are normalized with data from all countries included in the index. Economist Intelligence Unit (forthcoming), Women’s Economic Opportunities Index. Funded by the World Bank.



the earnings-childcare balance for many married women to enter into the labor force.

In addition to expectations regarding women's role in the home, education explains some of the gaps between male and female labor force participation rates. Evidence from the 1995 national survey of the population and housing count (Conteo) shows that although the female-male gap in educational attainment is decreasing, it is still relevant for most working-age cohorts. A higher education gap in favor of men appears in the 20-24 age group and prevails among all older groups. The urban-rural gap is even larger, as exemplified by the 40-44 age group: in this group rural women had an average of just under 3 years of schooling, and rural men had almost 4; urban women had over 7 years of schooling, and urban men almost 9.¹⁰ But even at the same level of education as men, women tend to earn lower wages.

¹⁰ Parker, Susan W. and Carla Pederzini (2001). "Gender Differences in Education in México," in *The Economics of Gender in Mexico*, eds. Katz and Correia.

Education levels have increased significantly in Mexico over the last 15 years and the female-male gap is closing. Although the female-male gross enrolment ratio in primary school has stayed at a steady .97-.98 throughout the 2000s, the ratio for secondary school enrolment flipped from .98 in 1991 to 1.06 in favor of girls in 2007. Gross secondary school enrolment rates increased from 53 percent to 90 percent for girls and from 54 percent to 85 percent for boys during the same period. Female gross enrolment in tertiary education has also increased from 18 percent in 1999 to 26 percent in 2007. Still, men remain slightly more likely to have tertiary education.¹¹

Working women tend to be concentrated in the service sector.¹² Graph 2 shows that over two-thirds of Mexican women workers are concentrated in 3 sectors: commerce (37.7 percent), education and health (18.7 percent), and low tech industry (10.7 percent).

¹¹ World Bank (2009). Genderstats database.

¹² Katz, Elizabeth G. and Maria C. Correia (2001). "Introduction," in *The Economics of Gender in Mexico*, eds. Katz and Correia.

Starting a Family-Run Business

María Elena was 32 and already had five children from a previous marriage when she married José Medleg Ríos, an agricultural economist and successful entrepreneur. “José was an angel. Not many Mexican men would accept a divorced mother with five kids. He showered my five children with great love, and treated them as his own,” she says.

Like José, María Elena had an entrepreneurial spirit. “I always had a yearning to have my own business,” she explains, “and at 24 years old, I became an interior designer. At 26, I switched to designing my own furniture line and opened a furniture factory with my first three employees. It was my experience in drawing and design that influenced the decision to create Jardines del Recuerdo, our family-operated funeral service business.”

Starting a business is not easy in Mexico. Mexico currently ranks 90th out of the 183 economies surveyed for the Doing Business 2010 report on the ease of starting a business.¹³ The process involves, on average, 8 procedures, takes 13 days, and costs 11.7 percent of GNI per capita.¹⁴

Even these figures are a marked improvement from just a few years ago. In the Doing Business 2007 report, Mexico was highlighted as the third top reformer for improvements in business entry, investor protections, and taxes (see box). For instance, the number of days required for incorporation and registration of a business in Mexico was more than halved, from 58 days in 2005 to 27 days in 2006. Three weeks were trimmed by allowing notaries to issue a tax registration number at the time of incorporation.¹⁵

But improvements have been uneven, both across the country and across sectors. Starting in 2002, the Rapid Business Start-up System (SARE) consolidated federal, state, and municipal registration procedures for eligible “low-risk”

¹³ World Bank (2009). *Doing Business 2009*. The Doing Business 2009 report covers the period from April 2007 to June 2008.

¹⁴ *Ibid.*

¹⁵ World Bank (2006). *Doing Business 2007: How to Reform*.

Paying Taxes in Mexico

One in every four countries has systems that enable businesses to file and pay taxes electronically. In Mexico, taxes can be paid online through several banks. “The steps with bank payments were difficult in the beginning, and we were very nervous and a little scared about the possibility of fraud through the internet,” María Elena recalls. “But now we’ve been doing it for four years. Mexico is more and more up to date and the government has a website which is more and more current.” Jardines del Recuerdo now pays its monthly taxes online through a bank card.

The Doing Business 2008 report recognized Mexico as one of only four countries that improved their tax system in each of the four years prior (the others were Albania, Bulgaria and Moldova). In 2005/2006, for example, the government simplified the tax code. In 2007/2008, it reduced the profit and labor taxes. The corporate tax rate decreased from 33 percent in 2004 to 28 percent in 2007.

Mexico continues to make improvements in its tax system. From the Doing Business 2009 to the 2010 report, its ranking in paying taxes moved up from 149th to 106th in the world and from 27th to 16th in Latin America. The number of tax payments required per year was radically cut from 27 to 6, and although the tax rate only decreased by less than one percentage point, at 51.0 percent it is only slightly above the regional average of 48.3 percent. Nonetheless, there is still some room for improvement. Latin America has the highest number of hours per year spent on taxes – 385 hours, in contrast to 194 in OECD countries – and Mexico is significantly above that average, requiring 517 hours per year.

Sources: World Bank (2005-2009) Doing Business reports and Servicio de Administracion Tributaria Mexico (Tax Administration Service, www.sat.gob.mx)

Family Businesses

According to “Making a Difference,” The PricewaterhouseCoopers Family Business Survey 2007/08, family firms are the most common form of business structure in Latin American countries, ranging from 65 percent to 90 percent of businesses. Gina Zabludovsky, a researcher at the Autonomous National University of Mexico, noted in her studies that in Mexico, businesses with women in high positions tended to be family-owned.

Four of María Elena’s children eventually joined the business. “All my children grew up watching their mother work as a young entrepreneur. It was only natural that they all also became so independent and developed their own yearning to start working with me from a young age. My husband José and I were first-hand family examples. Here was a husband and wife business team who were very hard workers. So when they all grew up, they also became hard workers.” One daughter handles administration, the other is an architect. One son is responsible for construction, the other deals with the Mexican government. “There are businesses in Mexico where the kids never really learn to work, but in our family, no one received a salary unless they worked.”

Sources: “Making a Difference,” The Family Business Survey 2007/08; and Marilyn Davidson, Ronald J. Burke (2004), Women in Management Worldwide: Facts, Figures and Analysis.

SMEs.¹⁶ But the program was implemented at different paces in various municipalities, according to government priorities, municipal interests, and financial limitations. While the number of start-ups increased by an estimated 4 percent (mainly in the months following the program’s implementation), a number of sectors were not eligible. Bars, hospitals and María Elena’s field – funeral services – tended to be among the excluded businesses.¹⁷

María Elena experienced problems with registering a start-up firsthand. She decided to open her funeral service business in 1970, after her father-in-law passed away and long before

“...I’m trying to run a business. I do not care what color the cat is, as long as it catches mice!”

any of the reforms described above were implemented. It took her and José three years to get Jardines del Recuerdo incorporated and registered. “The most important was to get

the concession from the government,” she recalls. “That’s a hard part in this industry, and you have to get government authorities to support you, have all your paperwork and regulations related to health, cleanliness standards, and functioning.” The concession was also a prerequisite for building the site. “In order to build you need a license and for that you need the concession,” she says. María Elena and José worked closely with one another in setting up the business, and benefited from their joint finances, educational levels, and prior business experience.

Sectors more likely to face these multiple and painstaking procedures are highly regulated and often need health and safety permits. They are the least likely to benefit from regulatory reforms, including SARE, but are probably the most in need of a program reducing registration steps. María Elena shows the various licenses she has secured to run Jardines del Recuerdo, including a hygiene license necessary because of the toxic materials involved. She maintains a daily log of the firm’s byproducts, ready for government inspection. While health and environmental concerns make the proper disposal of these materials imperative, each encounter with bureaucracy increases the costs of doing business.

¹⁶ COFEMER (2003). Mexico’s Federal Regulatory Improvement Programme. [<http://www.apps.cofemer.gob.mx/documentos/ingles/cofemer-ingles-febrero2003.pdf>]

¹⁷ Kaplan, David, Eduardo Piedra and Enrique Seira (2007). “Entry Regulation and Business Start-ups: Evidence from Mexico.” The World Bank, Policy Research Working Paper, no. 4322.

In an Enterprise Survey conducted by the World Bank in 2006, 22.57 percent of firms surveyed in Mexico indicated they expected to make an informal payment to public officials in order to “get things done”, and almost half of firms identified corruption as a major constraint to running their business.¹⁸ While sex-disaggregated data on corruption is lacking, a recent decision by Mexico City’s police chief to take away ticket writing authority from 900 male traffic officers and create an all-female squad is some indication of an association between gender and corruption.

Besides complying with formal incorporation and registration procedures, starting a business requires capital. The minimum capital needed to start a business in Mexico is equivalent to 8.9 percent of the GNI per capita, three times the regional average of 2.9 percent.¹⁹ María Elena and José had a “seed fund” that they used to pay for licenses and start their business, but they soon had to tap banks for financing for the construction of the site. The credit was not extended by financial calculations alone. María Elena designed scale models of the funeral home, and broke up the overall business plan into smaller steps to be presented to banks when applying for credit. “Back then people didn’t really know how to read these kinds of plans,” María Elena concedes, “but with a strong presentation and showing the vision for the project [you can] prove that you will use the money well, that you are not going to run away, and that you are honest.” Currently, Jardines del Recuerdo has a large line of credit, backed by its assets.

María Elena’s success in securing financing is not typical of Mexican female entrepreneurs. 86 percent of businesses owned by women operate without any bank credit, compared to 75 percent of male-owned ones, and the likelihood of having financing increases with firm size.²⁰ In 2002, Banco Azteca opened 800 branches targeting low-

income clients; although this led to a 7.6 percent increase in the number of informal business owners, the vast majority was male. It was unclear if this was due to women borrowing less or borrowing funds for non-business related purposes.²¹

When José passed away, María Elena took control of the business, including the management of construction projects, employees, and business planning. Today, Jardines del Recuerdo has 400 employees, 30 percent of whom are women. Her female employees work mainly in administration and upper management, while the men focus on tasks requiring hard physical labor. Managing her male employees has sometimes proved challenging. “They just do not like to be managed by women and to take orders from women. And most of all, they do not like to be told what to do by women. So what I do is I send my son to do it, or I previously had my husband tell them what needed to be done. As I am trying to run a business, I do not care what color the cat is, as long as it catches mice!”

María Elena is proud that her business is in part responsible for the economic development of the surrounding neighborhood. She recalls, “When we first ventured to this outlying area of Mexico City, it was completely barren land with hardly any inhabitants.” But with the creation of her business, the neighborhood was transformed. Around Jardines del Recuerdo, related businesses have burgeoned – flower vendors, restaurants, tomb and grave suppliers, and housing services for employees.

María Elena’s success is an exception. In Mexico, women-owned businesses represent 44 percent of all small businesses in rural areas, but only 29 percent in urban areas, and in metropolitan Mexico City, women make up only 14 percent of all formal entrepreneurs.^{22, 23} Even when they own businesses,

¹⁸ World Bank (2006). Enterprise Surveys: Mexico [http://www.enterprisesurveys.org (last accessed November 2009)].

¹⁹ World Bank (2009). Doing Business 2010.

²⁰ Zabudovsky, Gina. “Women Entrepreneurs in SMEs in Mexico.” Universidad Nacional Autónoma de México. Undated.

²¹ Bruhn, Miriam and Inessa Love (2009). “The Economic Impact from Banking the Unbanked: Evidence from Mexico.” Development Research Group, Finance and Private Sector Development. World Bank, Washington, DC.

²² Sánchez, Susana M. and José A. Págan (2001). “Explaining Gender Differences in the Microenterprise Sector,” in *The Economics of Gender in Mexico*, Katz and Correia, eds.

²³ Zabudovsky, Gina (1998). “Women Business Owners in Mexico: An emerging economic force.”

In Their Own Words: Asociación Mexicana de Mujeres Empresarias (AMMJE)

This box summarizes the main obstacles perceived by businesswomen and female entrepreneurs, according to Rosa Elena Lozano from AMMJE in Mexico:

Addressing gender issues has become a more and more urgent need for our country, as scientific, technological, legal, and educational advances have yet to be matched by a solution for removing the persistent gender gap. The difficulties and obstacles that women face on a daily basis seem all too normal, as if they are part of life and are carried on as a tradition.

Below are some obstacles faced by business women in Mexico:

- Family-based

Along with their careers, women are also responsible for raising their children, managing the home, and caring for their spouses. Furthermore, many women are also single mothers, divorced, or widowed, and bear the entire economic brunt of raising a family.

- Labor force

The lack of labor opportunities that offer flexibility so that women can also tend to family activities and responsibilities is another obstacle faced by women on a daily basis and has led to more women becoming entrepreneurs without sufficient economic support to do so.

Along similar lines, it must be noted that there is a dramatic gender wage gap for the same jobs, as well as a glass ceiling that keeps women from rising to higher management positions.

- Economic and Financial

Female entrepreneurs lack access to financing from banks, as it is very difficult to take out a loan without asset ownership or a credit history. The many other

requirements for applying and the time it takes to receive an answer from the bank also act as a hindrance in accessing credit.

- Regulatory

There is no law or regulation that designates a part of the Federal, State, or Municipal budget to women, nor a law or regulation providing tax exemptions to women in any circumstance or situation, regardless of their greater disadvantage when compared to men.

- Social

The main determinant of women's roles today is society, and although women and men are set equal according to the Constitution, our daily lives do not follow that rule.

- Political

There is still room for improvement in this area, as women are still treated unequally from men and lack the opportunity to participate in political decision-making. This is not a matter of laws, but of attitudes and political will to allow women to participate in government.

- Educational

Education is a core theme in the daily lives of all Mexicans, and, as such, requires the full commitment of both the government and society as a whole. Mainstreaming gender into education would ensure that women have access to childcare facilities and that school hours are compatible with female labor force participation.

This text has been translated into English and synthesized for this study. It was written by Rosa Elena Lozano from AMMJE, and does not necessarily express the World Bank's views.

This information was provided by Vital Voices Global Partnership and their partners.

their ventures are likely to be rather small in size. Among formal businesses with more than 100 employees, only 4 percent are owned by women.²⁴ And formal entrepreneurship seems to be the only category where participation rates are comparably low across groups of women, whether they are married or single, with children or without.²⁵

The relatively low female participation in formal entrepreneurship and in large business ownership in Mexico can be in part explained by gender differences in reasons for choosing self-employment. Among microenterprise owners, 57 percent of Mexican women entered the sector to complement family income, while only 12.9 percent of men did so for the same reason. On the other hand, 46.5 percent of male and 21.4 percent of female microenterprise owners started their business to become independent.²⁶ This is consistent with the finding that, in Mexico, married women tend to go into informal entrepreneurship if their household labor income falls by more than 50 percent. Single mothers also enter the labor force in response to decreases in household income, but do not appear to give preference to a particular type of employment.²⁷ These trends are an expression of the balancing act that women must perform as they attempt to meet the income requirements and care needs of their households.

María Elena observes that balancing exercise as she manages her business. She notes, "Employing women, we find that they face many problems. Here in Mexico there is no ideology that men should help women around the house, as there is elsewhere in the world. Here all women who work still have to come home, clean, and make food for the next day, regardless of whether they are executives or secretaries." On average, women comprise 34.7 percent of full-time employees in Mexican formal firms, just slightly above the regional average of 31.6 percent.²⁸

María Elena predicts that as female labor force participation increases in Mexico, following the trend of the last two

²⁴ *Ibid.*

²⁵ Cunningham, Wendy (2001). "Breadwinner versus Caregiver: Labor Force Participation and Sectoral Choice over the Mexican Business Cycle," in *The Economics of Gender in Mexico*, eds. Katz and Correia.

decades, traditional gender roles will continue to change and female entrepreneurship rates may rise. María Elena's daughter reflects, "I can say, as the daughter of a woman who worked her whole life in an era when it seemed crazy that she was divorced and worked, that we are still a country where the family is the base of society; but, there are more and more working mothers." Two of María Elena's daughters work in the family business. Their mother's example has helped pave the way for their future entrepreneurial success, as well as that of many other young businesswomen in Mexico.

Case Study Highlights

- Mexico has been a top reformer on various facets of doing business, particularly in decreasing barriers to business entry and reducing the procedures and costs associated with paying taxes. Nonetheless, not all sectors have fully benefited from these reforms.
- Higher business regulation can expose entrepreneurs to increased corruption and bribery.
- Female business owners are less likely to have loans than male business owners, and even new micro-financing efforts in Mexico have not been able to fully address the unbalance.
- In Mexico, women's traditional role as family care providers has a strong influence in keeping married women's labor force participation low and skewed towards the informal sector.

²⁶ Sánchez, Susana M. and José A. Pagán (2001). "Explaining Gender Differences in the Microenterprise Sector," in *The Economics of Gender in Mexico*, Katz and Correia, eds.

²⁷ Cunningham (2001). The sample size for single women without children was too small to be analyzed.

²⁸ World Bank (2006). Enterprise Surveys: Mexico.

Ximena Ramírez

A Small Business with a National Impact

After five years of postgraduate studies in France, Ximena Ramírez returned to her birthplace of Managua with her husband Jaime and their two daughters in 1993. At the time, Nicaragua was slowly recovering from over two decades of conflict, economic collapse, and intermittent natural disasters. In this difficult environment, Ximena and Jaime decided to do what many women and men in Nicaragua were doing at the time: open their own business. EuroAmericana started out as a small business publishing a magazine targeted at civil society and distributed for free. Over the past 16 years, it has expanded to cover consulting and tourism services. In 2000, Ximena set up the Permanent Congress of Women Business Owners of Nicaragua, and she has since dedicated over half her time to advocating for business opportunities for women.

Country Context

Because of politically-driven domestic conflict, Nicaragua's economy collapsed in the late 1980s: from a GNI of US\$600 per capita in 1980, the economy peaked to US\$860 per capita in 1987 but fell to US\$680 the following year and then to US\$370 a year later. National GDP growth rates from 1984 to 1993 ranged between -12 percent and 0 percent.

Coming to power in 1990, President Violeta Chamorro worked to shift the economy from a centralized to a market-oriented model, stabilize the currency, reduce public employment, and privatize enterprises. The economy gradually stabilized. In 2005, GNI per capita finally surpassed the peak reached in the 1980s. GDP grew at an average rate of 3.2 percent per year (and 1.7 percent per capita per year) between 2001 and 2005.¹ Under the World Bank and International Monetary Fund's debt relief initiative for highly indebted poor countries (HIPC), Nicaragua had over US\$3 billion in public debt forgiven in 2004. Since then, investment has increased and economic growth has picked up.²



Aaron Kliner

But the years lost to conflict have not been completely recovered. Nicaragua is still the second poorest country in Latin America, with 46.0 percent of its population living in poverty and 14.8 percent in extreme poverty in 2005 (down from 50.3 percent and 19.4 percent, respectively, in 1993).³ Although there is a relative balance between rural and urban populations (with 44 percent living in the former and 56 percent in the latter), poverty rates are highly skewed: 67 percent of people in rural areas are poor and 26.6 percent are extremely poor; rates for urban areas are less than half of that, at 28.9 percent and 5.4 percent, respectively.^{4,5}

GDP per capita (current USD):

1,163

Population, total:

5,667,325

Total Fertility Rate:

2.7 births per woman

Source: World Bank (2010), World Development Indicators database, most recent year available.

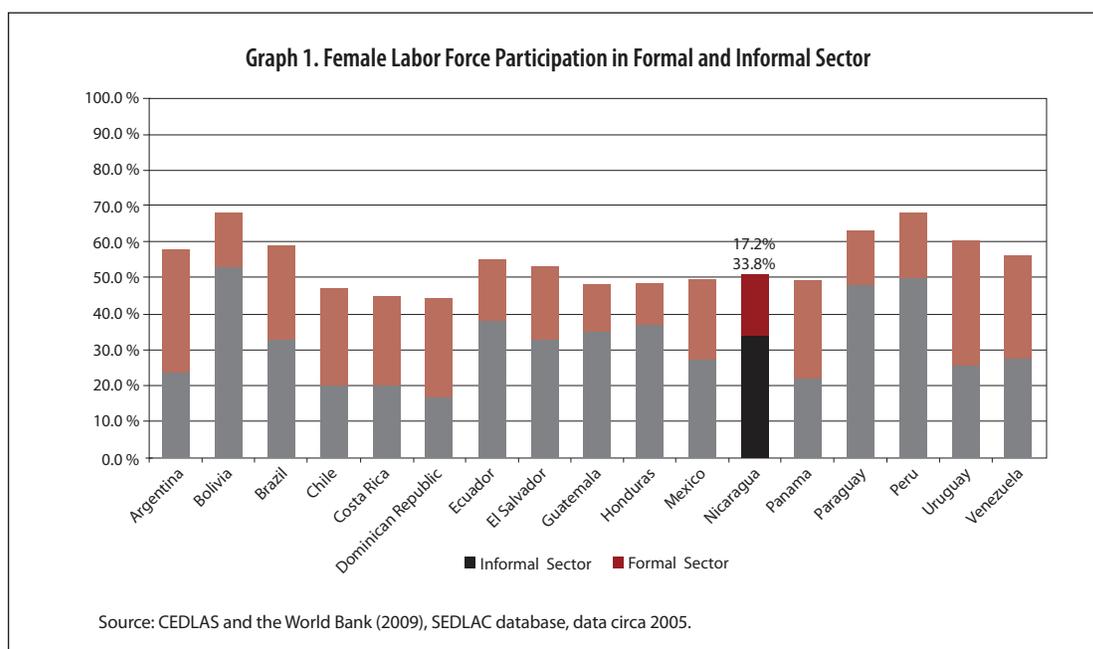
¹ World Bank (2008). Nicaragua: Poverty Assessment; Republic of Nicaragua (2005). National Development Plan.

² World Bank (2007). Country Partnership Strategy for the Republic of Nicaragua.

³ World Bank (2008). Nicaragua: Poverty Assessment; Republic of Nicaragua (2005). National Development Plan.

⁴ Pisani, Michael and José A. Pagán (2004). "Self-Employment in the Era of the New Economic Model in Latin America: a Case Study from Nicaragua."

⁵ World Bank (2008). Nicaragua: Poverty Assessment.



The slight decline in poverty in the last decade is primarily attributed to the improvement of incomes in rural areas. Agriculture accounts for 50 percent of the income of the lowest quintile, and agricultural employment and wages both rose between 2001 and 2005.⁶

Some social indicators have improved over the last decade, but many are lagging. The national target of adequate access to sanitation for 95 percent of the population will likely be reached by 2015. And, considering the decrease in infant mortality from 58 to 31 per 1,000 live births between 1993 and 2001, the 2015 target of 20 is within reach.⁷ But while maternal mortality was halved over the same period (from 160 to 88.6 per 100,000 live births), it remains far above its 2015 target. Education levels are the lowest in Central America; and net primary enrolment and illiteracy rates exhibited barely any progress from 2001 to 2005 – moving from 83 percent to 84.1 percent and from 18.7 percent to 18.4 percent, respectively.⁸

Women in Nicaragua

One in three households in Nicaragua is headed by women, and, by some estimates, the rate in cities is as high as one in two.⁹ Nonetheless, Nicaragua’s female labor force participation is just below 50 percent, in contrast to the 82 percent male participation rate. Childcare duties, industrial and economic structures, and social mores are among the factors influencing these rates.¹⁰ At 8 percent among women and 7.6 percent among men, unemployment rates are very similar between genders (although within the 15-24 age group, it is almost 50 percent higher for young women). Graph 2 shows that more than four-fifths of Nicaraguan working women are concentrated in 4 sectors: commerce (36.2 percent, education and health (19.9 percent), low-tech industry (13.8 percent), and domestic service (12.7 percent).

Although the overall education level in Nicaragua is one of the lowest in the region, Nicaraguan women tend to be

⁶ *Ibid.*

⁷ World Bank (2007). Country Partnership Strategy for Nicaragua.

⁸ World Bank (2008). Nicaragua Poverty Assessment; World Bank (2007). Country Partnership Strategy for Nicaragua.

⁹ World Bank (2010). World Development Indicators database; Babb (1996). “After the Revolution: Neoliberal Policy and Gender in Nicaragua.”

¹⁰ Monroy, Estela (2008). “Equidad de Género en el Mercado Laboral Nicaragua.” Cuadernos de Género. World Bank and Inter-American Development Bank.

more educated than their male counterparts. In 2006, the female and male literacy rates were both 78 percent; and the youth literacy rate (15-24-year-olds) was 84 percent among men and 87 percent among women. Primary school completion rates were 80 percent for girls in 2005, compared to 73 percent for boys.¹¹

Nicaragua has the highest fertility rate among young women between 15 and 19 years old in Latin America, a worrying scenario considering that pregnancy is the second most common reason (behind lack of money) cited by Nicaraguan girls for not enrolling in secondary/post-secondary school. The two Millennium Development Goals (MDG) related to women's health – maternal mortality and access to reproductive health services – are also the least likely to be achieved by 2015.¹²

The prevalence of gender-based violence is also extremely high in Nicaragua. The 1997/98 Demographic and Health Survey (DHS) revealed that 27.6 percent of women who are or were once married had been physically abused by their partner at least once, and 10.2 percent had been sexually abused. More than 8 percent said they had suffered severe physical abuse over the previous year.¹³ Although gender-based violence is considered a crime in Nicaragua, prosecution is very rare.^{14,15}

These inequalities are not lost on Ximena. While her business has flourished, her foremost concern has remained the same – if opening and running a business was difficult for her, it must be extremely difficult for other women in Nicaragua who have less education and more difficult circumstances.

**Primary School Enrolment,
Female/Male (% gross):
116 / 118**

**Secondary School Enrolment,
Female/Male (% gross):
72 / 64**

**Tertiary School Enrolment,
Female/Male (% gross):
19 / 17**

**Female/Male Adult Literacy Rate (%):
78 / 78**

**Female/Male Labor Force Participation (%):
49 / 82**

**Seats in National Parliament:
18% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

Starting Up

When Ximena and her family returned to Nicaragua in the 1990s, government programs geared towards the private sector focused on large industries, and SMEs were suffering. A 1993 report revealed that as many as 7,000 formal SMEs had closed during the previous year.¹⁶ The country's informal sector was growing, while the wage gap between the formal and informal sectors was widening.¹⁷ Still, in 1993, despite the uncertainty of the times, average earnings for those who were self-employed (whether formal or informal) were actually *higher* than those of wage-earners. And among women, the self-employed-to-waged gap was 25.0 percent, compared to 4.6 percent for men.¹⁸ Ximena explains her reasoning for setting up EuroAmericana that year: "Given that my salary was not enough to meet my needs, a common problem in Nicaragua, I decided to start my own business. That would allow me to be my own boss, make my own schedule, and make more money."

¹¹ World Bank (2010). World Development Indicators database.

¹² World Bank (2008). Nicaragua: Poverty Assessment.

¹³ Macro International (1999). Encuesta Nicaragüense de Demografía y Salud 1998.

¹⁴ World Bank (2006). Country Policy and Institutional Assessment (CPIA), Nicaragua: gender equality rating.

¹⁵ World Bank (2007). Country Partnership Strategy: Nicaragua.

¹⁶ Barricada Internacional (1993). "Recession decimates small businesses." Cited in Babb (1996).

¹⁷ Funkhouser, E. (1996). "The urban informal sector in Central America: household survey evidence." Pisani, M.J. (2000). "Sectoral labor choice in post-revolutionary Nicaragua: the evolution of the informal labor sector in the 1990s." Both as cited in Pisani and Pagán (2004).

¹⁸ Pisani, Michael and José A. Pagán (2004). "Self-Employment in the Era of the New Economic Model in Latin America: a Case Study from Nicaragua."

Ximena recalls the start of EuroAmericana: “They said it would fail. A woman, owning a newspaper and magazine that was given away for free each month – that was going to fail.” Even with help from Ximena’s father, who is a lawyer, it took her and her husband three months to formalize EuroAmericana.

Since Ximena started EuroAmericana, the government of Nicaragua has helped facilitate the business registration process. One-stop shops at the Ministry of Commerce for SMEs in 10 of the country’s 17 departments mean that applicants can drop off all of their paperwork at once. Previously, applicants had to visit several different ministry offices to register their business. This was a hindrance, especially for women in rural areas or those caring for family members. Despite these improvements, Nicaragua is ranked 95th out of 183 economies on the ease of starting a business in the Doing Business annual report.

Accessing Credit

Nicaragua ranks 87th among 183 economies and 18th in Latin America (tied with 8 other countries) in the getting credit category of the Doing Business 2010 report.¹⁹ But this figure does not reveal women’s particular difficulties. In this regard, Ximena’s experience was typical. When she applied for credit for EuroAmericana she found that she needed her husband’s approval because creditors did not think her signature was sufficient. “In our country’s patriarchal system, like in many other Latin American countries, the man inherits the business, the title, and, consequently, the property, so they asked my husband to come sign with me.” Ximena reflects, “The Constitution does not say to treat men and women differently, but when you go to the bank, they tell you to bring your dad, or if you have a husband, get your husband, or if you have a grown son, bring your son. So of course there is differential treatment.”

¹⁹ World Bank (2009). Doing Business 2010.

²⁰ Tijerino, Selma, Anja Taarup Norlund, and Omar de Atrip (2008). “La Función del Marco Jurídico en la Promoción de la Equidad de Género.” Cuadernos de Género. World Bank and Inter-American Development Bank.

The Nicaraguan Constitution recognizes gender equality and the international Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) was ratified by the government over two decades ago; but not all of the provisions, especially the economic ones, have been incorporated into national legislation.²⁰ In the Women’s Economic Opportunities Index, Nicaragua’s average score for women’s legal rights – combining the country’s ratification and enforcement of two key ILO Conventions – is a meager 8.3, on a range from 0 to 100. This is dramatically below the regional average of 27.4, which is in itself less than half the average score for OECD countries.²¹

Women’s difficulties in accessing credit are related to their lack of land and asset ownership. Almost 90 percent of Nicaragua’s documented land titles are held individually, and almost 80 percent of these are registered in men’s names. Only 14.5 percent of land titles are held by individual women and 2.1 percent by couples and families.²² “The husband is usually the one designated as the owner of any real estate purchased during marriage” and it is “socially and culturally acceptable that real estate purchased by a common law couple is registered under the man’s name, because he is the head of the household.”²³ Banks’ hesitation to extend credit to women individually is not surprising, given that men can sell jointly-owned property or real estate without their wife’s consent. And in the event of divorce, real estate acquired under the husband’s name is not considered a shared asset.²⁴

There have been recent attempts to address this issue. The Nicaraguan National Development Plan, issued in 2005, points to improvements in the regulatory framework and

²¹ Scores are normalized with data from all countries included in the index. Economist Intelligence Unit (forthcoming), Women’s Economic Opportunities Index. Financed by the World Bank.

²² World Bank and IDB (2008). Diagnóstico de Género en la Economía Rural de Nicaragua.

²³ Tijerino, Selma, Anja Taarup Norlund, and Omar de Atrip (2008). “La Función del Marco Jurídico en la Promoción de la Equidad de Género.” Cuadernos de Género. World Bank and Inter-American Development Bank.

²⁴ *Ibid.*

the expansion of access to financial services as crucial to the creation of new businesses.²⁵ One step in the right direction is the current review of the Law of Movable Guarantees, which is intended to facilitate the use of non-traditional collateral (such as vehicles, equipment, and checking and savings accounts) to promote access to finance.²⁶ In 1995, Law 209 was enacted, giving women priority in accessing loans. And in 2008 the Law of Equal Rights and Opportunities was approved.²⁷ Hopefully, these laws will translate into greater financial coverage for women entrepreneurs in the near future.

In the meantime, NGOs and microfinance institutions (MFIs) have been instrumental in filling in the finance gap for women. As of 2004, MFIs in Nicaragua were serving over 300,000 clients, 70 percent of them female, and had a loan portfolio nearing US\$200 million. While the average loan amount given to micro-entrepreneurs is US\$494, loan sizes from MFIs geared towards women average only US\$96.²⁸ This in part reflects the fact that women's enterprises are smaller, but may also be indicative of a discriminatory attitude toward women "due to an unfair perception of being seen as 'high risk' borrowers."²⁹ Ximena finds this situation frustrating. "Women are the best payers in Latin America, and yet do not have access to credit," she observes. "It is absurd! Because of loan costs, their businesses barely survive and cannot thrive."

To address these and other concerns, the government of Nicaragua has recently stepped in with a lending program of its own. The Zero Usury Program provides loans of US\$50-250 to women at a 4 percent annual interest rate with a 2-6 month grace period. While it is currently small in scale and primarily focused on rural areas, the idea of focusing on women's enterprises may induce banks, as well

²⁵ Republic of Nicaragua (2005). National Development Plan.

²⁶ El Nuevo Diario (2008). "Cámara de Comercio Impulsa Ley de Garantías Mobiliarias," 12 November 2008.

²⁷ FAO (2002). Law and Sustainable Development since Rio: Legal Trends in Agriculture and Natural Resource Management.

²⁸ Zamor *et al.* (2004). Credit Methodologies in Institutions with Predominantly Female Clients. Instituto de Investigación y Desarrollo Nitalpán.

²⁹ World Bank (2007). Country Partnership Strategy: Nicaragua.

In Their Own Words: Voces Vitales Nicaragua

The top 5 obstacles faced by business women and female entrepreneurs, according to Voces Vitales Nicaragua:

1. Family Roles – If a businesswoman already has children, it is important for her to remember that her main role in contributing to the socioeconomic development of her country is seen as ensuring the health, education, and emotional stability of her children.
2. Social Role – In Nicaragua, it is still somewhat of a taboo for women to work outside the home.
3. Education – Women lack access to entrepreneurship training.
4. Access to credit.
5. Self-esteem and Discrimination – A woman's confidence in advancing her career is determined by her own confidence and by the toll of structural discrimination imposed by society.

This information was provided by Vital Voices Global Partnership and their partners.

as MFIs, to place greater value on women's SMEs. Ximena suggests that alliances with local women's organizations would also help improve program targeting and expansion.

Growing your Business

Today, EuroAmericana is a communication and consulting firm. Its best-known product is Páginas Verdes – a magazine and directory targeted to civil society in Nicaragua. While Jaime manages the finances and the consulting branch of the firm, Ximena conducts all of the interviews for the magazine. She has talked with 470 individuals (including dignitaries, economists, social entrepreneurs, and media figures) over the years. With her daughter, she sells the advertising space in the magazine, which sustains the free publication. At first, EuroAmericana had 15 employees, but by embracing technology, particularly the internet, the

couple has been able to expand their business into tourism, while reducing their staff to 7 full-time employees.

Ximena's business is in stark contrast to many other women's enterprises in her country, which tend to be informal and micro

“They said it would fail. A woman, owning a newspaper and magazine that was given away for free each month – that was going to fail.”

or small in size. They are often home-based and employ other family members. Women's enterprises tend to be smaller and have lower revenues and fewer employees than men's: 44.1 percent of women-owned businesses employ just 1 to 2

workers, versus 38 percent of male-owned ones. Women are proprietors of 56 percent of home-based businesses and are less likely than men to employ external workers – 6 percent of female-owned home-based businesses do so, in contrast to 23 percent of male-owned ones.³⁰

Business formalization, Ximena believes, is the key to business growth. “In Nicaragua, it is very common for micro and small enterprises to be not only home-based, but family-based,” she explains. “But in family-based businesses, women can easily fall into ‘apron economics,’ or mixing business earnings with household expenses.” While family-based businesses may reduce costs and be more compatible with childcare duties, they are also more likely to be entrenched in the informal sector, imposing limits on their growth. Formalization “is very important,” according to Ximena, “as it is the way to access credit, among other things. If you are not legal, you cannot get credit. And if you are not legal and do not have credit, you cannot access the benefits of the United States – Dominican Republic – Central America Free Trade Agreement (CAFTA). That makes it a lot harder for you to sell to the rest of Central America. You effectively cannot access the global market if your business is not legal.”

³⁰ Monroy, Estela (2008). “Equidad de Género en el Mercado Laboral Nicaragua.” Cuadernos de Género. World Bank and Inter-American Development Bank.

Advocating for Women Entrepreneurs in Nicaragua

“Over the years, my business grew and gained acceptance,” Ximena recalls, “and yet I felt that I was not represented in the chamber of commerce and business organizations because all of the senior positions were occupied by men.” She decided to take action, and, in 2000, she founded the Permanent Congress of Women Business Owners of Nicaragua (CPMEN – *Congreso Permanente de Mujeres Empresarias de Nicaragua*). “My experience as an entrepreneur,” she explains, “showed me that if it was this difficult for me, and I am a professional woman, educated in Europe and the United States, then just imagine how hard it must be for other women.” The CPMEN convenes and trains female entrepreneurs and advocates for them in business and politics. Since its founding, it has established chapters in every department in Nicaragua and forged numerous partnerships and agreements with local and international organizations. The congress was also a co-founder of the Mesoamerican and Caribbean Federation of Women Business Owners.

Today, CPMEN encompasses a cross-section of over 2,000 women entrepreneurs across the country, whose businesses range from rural micro-enterprises to larger, urban firms. In partnership with the government of Nicaragua and the National Technology Institute, CPMEN offers basic training, including computer literacy courses, to owners of very small businesses. In collaboration with DFID, they have trained women in forming sectoral clusters and horizontal and vertical links to improve their value chains. Recently, CPMEN also worked with the UN WINNER program to help members create websites for their businesses. In part through these efforts, Ximena has seen many members grow their businesses beyond subsistence and into the realm of serious profits.

But training and capacity building do not take place in a vacuum, and the growth of women's enterprises is still subject to constraints set by the broader legal and regulatory environment of Nicaragua. Aware of this,

Ximena's group has also decided to tackle the policy arena by advocating for reforms to facilitate the growth of women's SMEs. CPMEN has a consultative status with the government on the Complementary Agenda for CAFTA and is closely affiliated with the Nicaraguan Institute on Women and the Ministry of Industry and Commerce. In this capacity, it has championed and advocated for laws on behalf of women business owners, including some that have been recently ratified. "We are recognized by the government and have a platform for voicing our views on laws regarding economics," Ximena says with pride. She expects that the support CPMEN offers to female entrepreneurs, through both policy reform and technical assistance, will ultimately reverberate throughout the Nicaraguan economy. "These women are empowered, affirming their rights. And we are a great force in the economy".

Case Study Highlights

- Laws that favor men as asset owners can have a major negative impact on the scale and success of female entrepreneurship.
- Nicaragua is taking much needed steps to expand women's access to credit.
- Organizations like the Permanent Congress of Women Business Owners of Nicaragua (CPMEN) play a vital role in advocating for policy reform.

Flora Reátegui

Redefining Peru's Image through Silver and Gold

Flora Reátegui had a hand in numerous business ventures before she set up Aranza Joyas – a company selling high-end jewelry that she designs with local stones and metals. Her company is one of the largest jewelers in Peru. Aranza Joyas products can be found in department stores across the country and in Mexico, Chile, and Spain. At a time when the government of Peru is seeking to expand foreign trade, Flora is intent on promoting Peru as a competitive jewelry producer internationally. In the process, she is creating employment for other women, and serving as a role model for aspiring female entrepreneurs.

Country Context

Peru was one of the fastest growing countries in Latin America over the last decade, reaching impressive GDP growth rates of 9.0 percent in 2007 and 9.3 percent in 2008. Aided by the favorable external economic environment, which boosted mining exports, Peru decreased its public debt from 46 percent of GDP in 2001 to 23 percent in 2008.¹ Peru was in a relatively strong position confronting the global financial crisis, given its “high international reserves, healthy financial sector, manageable external current account, and a strong pipeline of foreign investment commitments.”²

But poverty in Peru has not declined to the extent expected from its economic growth: 39.3 percent of Peruvians still live in poverty, and 13.7 percent are extremely poor.³ In 2004, the rural poverty rate was almost twice as high as the urban poverty rate (72.5 percent versus 40.3 percent); rural



extreme poverty was five times higher (40.3 percent versus 7.9 percent).⁴ 64 percent of Peru's indigenous population (and 80 percent of those in rural areas) live below the poverty line.⁵ The disconnection between economic growth and poverty reduction is explained largely by a concentration of growth in sectors that are highly capital intensive (mining and commercial agriculture), or that involve low productivity and little wage growth (the informal sector).⁶

GDP per capita (current USD):

4,477

Population, total:

28,836,700

Female Headed Households (% of total):

22 percent

Total Fertility rate:

2.6 births per woman

Sources: World Bank (2010), World Development Indicators database, most recent year available. World Bank (2009), Genderstats database, most recent year available.

¹ World Bank (2009). Country Partnership Strategy Progress Report for the Republic of Peru.

² *Ibid.*

³ *Ibid.*

⁴ World Bank (2005). Peru Poverty Assessment.

⁵ World Bank (2006). Country Partnership Strategy for the Republic of Peru.

⁶ World Bank (2005). Peru Poverty Assessment.

**Primary School Enrolment,
Female/Male (% , gross):
112 / 113**

**Secondary School Enrolment,
Female/Male (% , gross):
99 / 96**

**Tertiary School Enrolment,
Female/Male (% , gross):
36 / 33**

**Female/Male Adult Literacy Rate (%):
85 / 95**

**Female/Male Labor Force Participation (%):
61 / 78**

**Administrative and Managerial Positions:
23% held by women**

**Seats in National Parliament:
28% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

Peru has one of the highest rates of informality in the world, with 55 percent of men and 65 percent of women estimated to be in the informal sector.^{7,8} In fact, the majority of the country's urban poor either own or are employees in small, informal businesses.⁹ Even in formal firms, individuals are frequently hired through temporary and informal contracts. Between 1989 and 1997, for example, employment in medium and large industrial firms in Lima increased by 50 percent, but longer-term contracts decreased by 50 percent while temporary contracts increased by over 400 percent. The share of workers without a contract increased by 18-26 percent.¹⁰ This has begun to change with new regulations taking effect in 2009, and Peru's global ranking on the World Bank Group's Doing Business 2010 "Employing Workers" indicator jumped from 161 to 112 in just one year.¹¹

Peru is also a relatively closed economy, compared to other Latin American countries and economies with

similar income levels.^{12,13} In 2006, Peru's share of the world's exports was just 0.1 percent (smaller than its share in 1970, which was 0.3 percent). Government efforts to increase international trade have culminated in free trade agreements with China, the United States, and Canada, which have been put in place over the last two years. Imports and exports were roughly equivalent to only 15 percent of GDP in 2001. The government's National Strategic Export Plan 2003-2014 sets targets of 35 percent of GDP directed at the international market and US\$1,200 per capita in exports by 2011.¹⁴ These efforts appear to be having an impact, as annual growth in exports and imports averaged 29.8 percent and 25.9 percent, respectively, in 2005-2007, in contrast to 1.3 percent and -4.3 percent in 1998-2000.¹⁵

Women in Peru

Women in Peru have similar education levels to men. The female primary school enrolment rate has been within a six percentage-point range of the male rate since 1980, and has been equal or higher than it since 2001. Similarly, girls' secondary and tertiary education enrolment rates caught up with boys' in the early 2000s, and have since surpassed them. Although women still lag behind men in terms of the adult literacy rate, the gap has narrowed over the last three decades. Female adult literacy increased from 74 percent in 1981 to 85 percent in 2007, while male literacy increased from 90 percent to 95 percent. Among youth, female literacy is a high 97 percent, almost the same as the male literacy rate of 98 percent.¹⁶

At 61 percent, Peru's female labor force participation rate is one of the highest in Latin America, behind only Paraguay, Colombia, and Bolivia. But even when controlling for

⁷ Nopo, Hugo (2009). "The Gender Wage Gap in Peru 1986-2000: Evidence from a Matching Comparisons Approach."

⁸ World Bank (2004). "Peru: Microeconomic Constraints to Growth: The Evidence from the Manufacturing Sector."

⁹ World Bank (2005). Peru Poverty Assessment.

¹⁰ World Bank (2004). "Peru: Microeconomic Constraints to Growth: The Evidence from the Manufacturing Sector."

¹¹ World Bank (2009). Doing Business 2010.

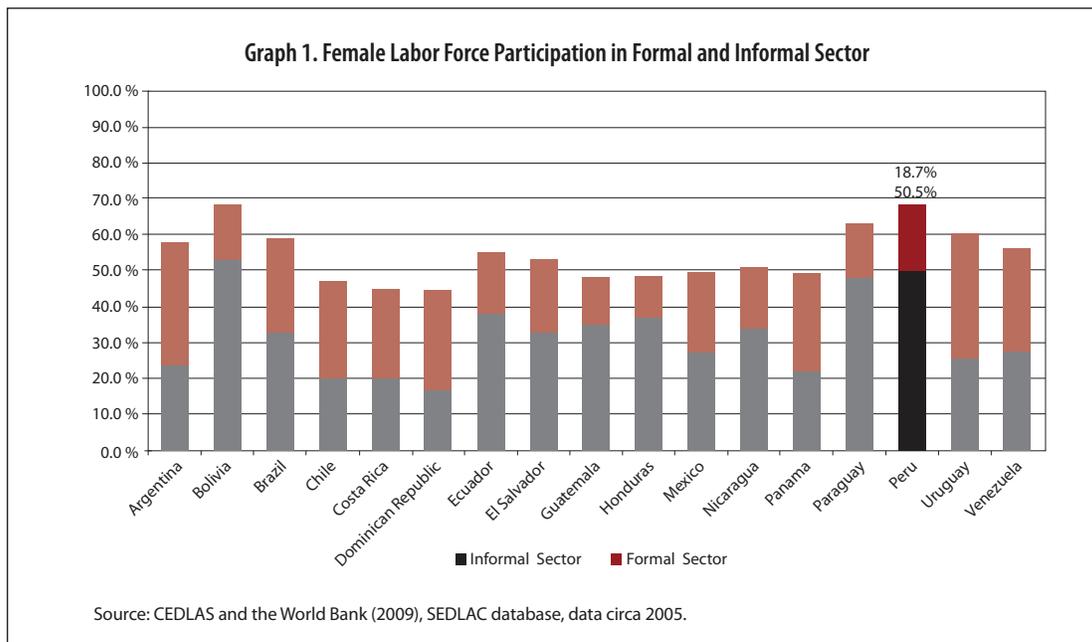
¹² World Bank (2004). "Peru: Microeconomic Constraints to Growth: The Evidence from the Manufacturing Sector."

¹³ World Bank (2006). Country Partnership Strategy for the Republic of Peru.

¹⁴ Ministry of Foreign Trade & Tourism, Peru (2004), *Plan Estratégico Nacional Exportador (PENX) 2003-2013*.

¹⁵ World Bank (2006). Country Partnership Strategy for the Republic of Peru.

¹⁶ World Bank (2009), Genderstats database.



differences in educational levels and other characteristics, men's wages in Peru are 28 percent higher than women's.¹⁷ Although the country boasts one of the highest secondary school completion rates in the region, its returns to education are low and the opportunity cost of education is relatively high.¹⁸ Thus, women "are acquiring more education, but they are obtaining neither more jobs nor higher pay," with gender gaps in wages highest among the most educated groups.¹⁹

Although women comprise 44 percent of those in professional and technical positions in Peru (one of the highest figures in the region), they hold only 12 percent of senior administrative and managerial positions in the private sector and only 19 percent of senior and managerial positions in the public sector.^{20,21} Since 2002, quotas have mandated that at least 30 percent of candidates affiliated with any party for congressional, regional and municipal

elections must be female.²² Women are under-represented in many of Peru's most lucrative sectors, comprising only 11 percent of business owners in the agricultural sector and 9 percent in mining.²³ Although their entrepreneurship rate is higher than that of their male counterparts and is estimated to be among the highest in the world, Peruvian female entrepreneurs report lower incomes and higher failure rates than men.²⁴ While this is consistent with trends in many other countries around the world, the figures indicate the vast, and only partially realized, potential of women's enterprises.

Graph 2 shows that over two-thirds of working women in Peru are concentrated in two sectors: primary activities (34.3 percent) and commerce (33.4 percent).

¹⁷ Ñopo, Hugo (2009). "The Gender Wage Gap in Peru 1986-2000: Evidence from a Matching Comparisons Approach."

¹⁸ World Bank (2005). Peru Poverty Assessment.

¹⁹ Ñopo, Hugo (2009). "The Gender Wage Gap in Peru 1986-2000: Evidence from a Matching Comparisons Approach."

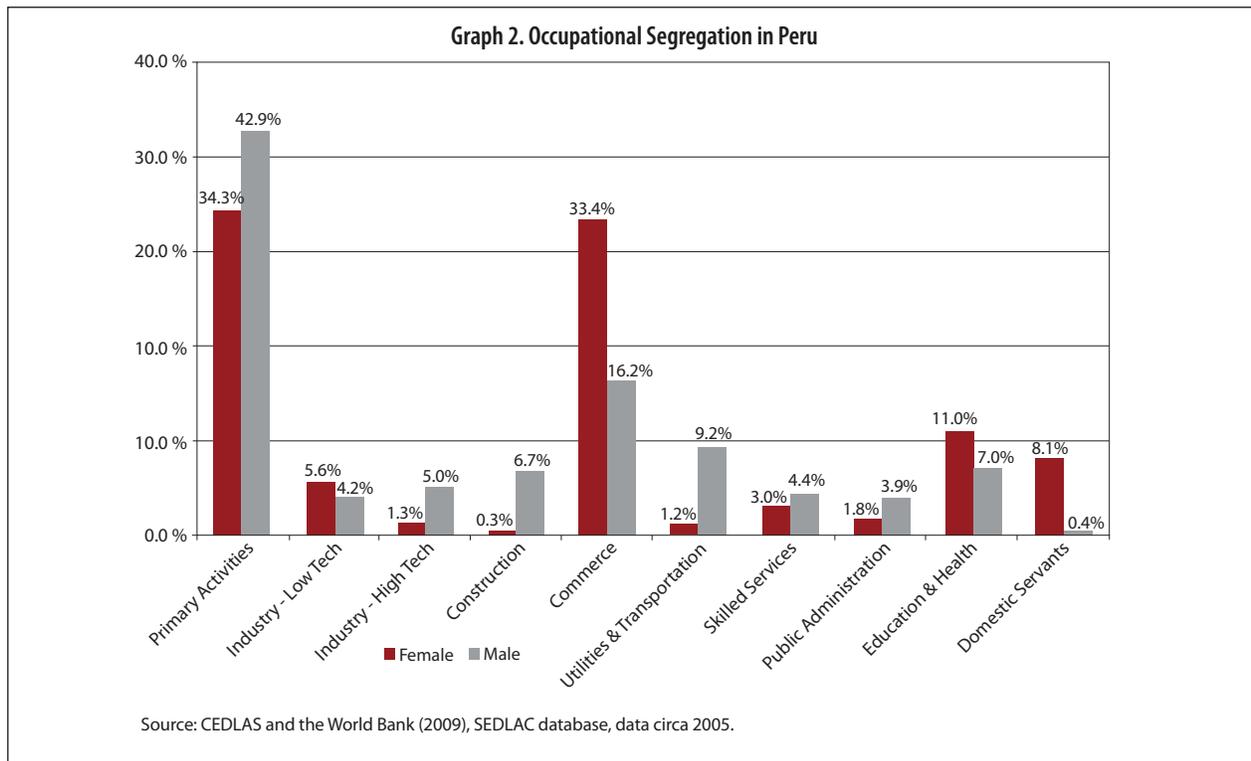
²⁰ World Bank (2009). Genderstats database.

²¹ OECD (2006). Gender, Institutions and Development Database.

²² For information on the politics involving the establishment of the quotas, see Schmidt, Gregory D. (2003), "The Implementation of Gender Quotas in Peru: Legal Reform, Discourses and Impacts." International Institute for Democratic and Electoral Assistance.

²³ Instituto Nacional de Estadística e Informática - INEI (2009). Censos Nacionales 2007: XI de Población y VI de Vivienda.

²⁴ Temple, Agnes Franco (2008). "Perú: Gestión de la Innovación y Competitividad de las PYMEs." Presented at the XIII Reunión de las Mujeres Líderes de APEC, 12 May 2008.



Ever an Entrepreneur

Growing up in the Amazonian highlands, Flora Reátegui was a natural-born entrepreneur. As a child, she picked *pomarrosas* from trees in her yard and sold them to passersby. “A long time ago I decided I would not work for anyone, and I never have,” she explains. “It is too costly to work for others, and I always had the notion that, if one has the skills, it is easy to create wealth.” When Flora was nine years old, her parents moved the family to Lima in search of better educational opportunities. This move only strengthened Flora’s business drive. She switched to selling gum and candy to her classmates. By the time she was in high school, Flora had learned to sew. She made skirts and bathing suits by hand and sold them to her peers.

In college, Flora majored in business administration. She came across her first post-college business venture by accident. After making her son a party costume, she received so many compliments from other parents that she decided to tap into that market. Flora was soon supplying

entire school programs with hand-stitched costumes. As business picked up, she designed and sewed constantly to meet demand. But the excessive hours and manual labor involved wore her down. Two years later, she was ready to move on to a business that would grant her a better work-life balance.

With a friend, Flora launched Goshal, a direct-sales intimate apparel company, for the Gaviota lingerie and apparel brand. Within six months, the company had a network of over 800 women marketing and selling products throughout Peru. But this rapid expansion proved unsustainable. “We gave credit to our sales force after the first year, but didn’t pay enough attention to our bookkeeping and, before we knew it, we were owed more than US\$35,000. I was horrified!” Flora confides. As with many direct sales companies, they allowed clients to pay for their purchases in installments. But if clients failed to pay, they had no practicable remedies to recover their debts.

Belcorp: Using Direct Sales to Empower Women in Latin America

Belcorp is a cosmetics company based in Peru, with presence in fifteen countries in North and Latin America and a well-established reputation for high quality beauty products. Using direct sales, the company leverages its 8,300 employees and over 700,000 beauty consultants to generate an annual US\$ 1.3 billion in revenue.

Claudia Belmont, Belcorp Foundation's President, reflects, "Twenty years ago, men did not see a cosmetics company as a serious business. But as Belcorp earned a reputation as a solid company, we began receiving more and more applications from highly qualified men than ever before." Nonetheless, women are Belcorp's backbone, comprising 80 percent of employees and 77 percent of senior staff.

Belcorp is committed to helping to empower its employees and sales partners (known as beauty consultants). Virtually all of Belcorp's 700,000 beauty consultants are women, the majority of them from low income households. As a direct sales company, it gives beauty consultants the chance to become entrepreneurs, earning income with flexibility. And to help women in its sales force achieve independence and confidence and ensure that any change in their lives is sustainable, Belcorp also incorporates networking and personal support into its core operations.

Claudia explains the company's rationale, "When we help women, we change society at large, since women often play a bigger role in raising children and have broader participation in society." And in Latin America, women are also the ones receiving the least help, as reflected in the high incidence of domestic violence and relatively higher illiteracy and school drop-out rates among women in many countries in the region.

In 2003, the company started Belcorp Foundation, which reaches out to women beyond Belcorp's labor and sales force. The Belcorp Foundation educates teenagers on eating and emotional disorders, offers educational scholarships to girls at all levels, and, through its flagship Great Women project, mentors and trains 2,000 women from low-income backgrounds each year through a 2-year program covering topics ranging from health and education to personal finance and domestic violence.

Sources: Interview with Claudia Belmont. World Bank (2009), Private Sector Leaders Forum.

In the Doing Business 2010 report, Peru ranks 114th out of 183 countries and 18th in Latin America in terms of the ease of commercial contract enforcement. Filing a lawsuit to enforce a contract requires 41 distinct procedures and, on average, costs over one-third of the value of the claim. This is significantly above the OECD average of 30.6 procedures and 19.2 percent of the claim.²⁵ It is therefore not surprising that in many instances Flora opted to write off losses rather than pursue legal action. Though her business did not succeed, she learned from this painful experience. She decided she needed a business that would be less vulnerable to defaults.

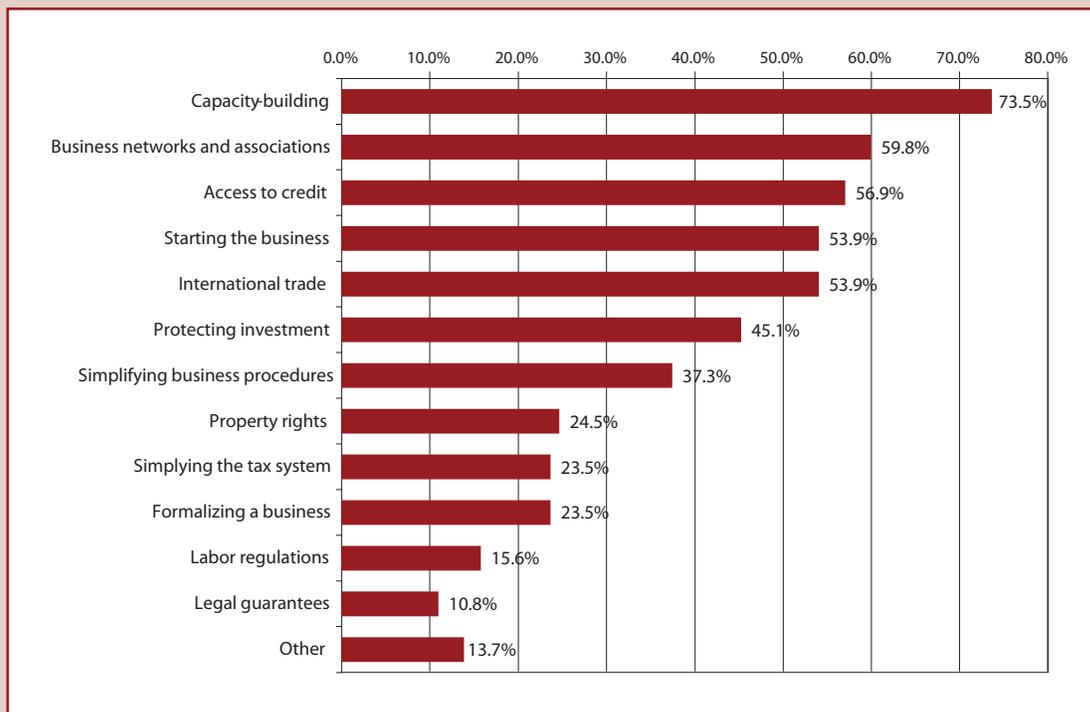
To market and showcase Gaviota products, Flora and her business partner at Goshal organized events and fashion shows around the country. Flora was responsible for selecting and eventually designing accessories and jewelry to complement the clothing and intimate apparel. She took coursework in jewelry design and crafting and soon added an accessory line to the brand. "I became fascinated with jewelry," Flora remembers. "The way you can fuse elements from natural stones to seeds to crystals and even marine products is amazing." When she was ready to move on from Goshal, jewelry seemed like an obvious new venture.

²⁵ World Bank (2009), Doing Business 2010 database.

In Their Own Words: AMEP

Noticing a lack of business associations geared towards women or programs targeted to women in Peru, FCEM (*Les Femmes Chefs d'Enterprises Mondiales*), an association of women business owners founded in France in 1945, and OAME, its Argentine affiliate, approached Peruvian women entrepreneurs in 2007 to help them start an association of their own. A year later, AMEP (*Asociación de Mujeres Empresarias del Perú*) was founded. It has since set up several programs for women entrepreneurs, including conferences and business classes in partnership with the Catholic University of Peru.

In June 2009, AMEP held its first forum, with support from the Chamber of Commerce of Lima. 270 women attended the event, and were asked to identify the top 5 priorities for women in business in Peru. The main issue, identified by almost 3 out of 4 respondents, was the need for capacity building, which AMEP seeks to address through its activities. The importance of networking and business associations, whether among women entrepreneurs or across genders, was identified as a priority by 60 percent of respondents. Access to credit, starting a business, and trading across borders were the next most important themes highlighted.



This information was provided by AMEP.

Starting a Jewelry Business

In 1997, Flora launched Aranza Joyas as a public limited company. This enabled her to take advantage of simpler procedures and to receive stronger protection from potential creditors. Based in Lima, and able to work with a good friend who was a lawyer, Flora completed the required registration steps of drafting and notarizing the incorporation documents, depositing capital, getting certified by the public registry, and obtaining a final verification from the tax registry faster than usual and without incurring significant travel costs. The entire process took roughly a month, less than half the then-national average (subsequent reforms have lowered this average to 41 days).

Peru is one of several countries that do not impose minimum capital requirements for starting a business. But at 24.5 percent of income per capita, the cost of registration, including attorney fees, is five times the OECD average (although below the regional average of 36.6 percent).²⁶ Flora notes these costs are a serious obstacle to small businesses in Peru and thinks they also explain in part the high level of informal small business activity in the country.

Over the last decade, however, the government of Peru has made important efforts to ease the burden on SMEs, which make up more than 90 percent of businesses in the country. A government agency, the National Administration of SMEs, was set up in 2002 to coordinate with government, private sector, and civil society players to improve the competitiveness, available financing, and growth of Peru's SMEs.²⁷ In 2003, the Law on the Promotion and Formalization of SMEs was enacted. The law created a national council and twenty-five regional councils on SMEs, which design and advocate for simpler and more accessible formalization procedures in cooperation with

the National Administration of SMEs.²⁸ Now, in contrast to when Flora started her business in 1997, SME formalization can be expedited through waivers on notarized drafts of the incorporation documents, and businesses can operate under provisional municipal licenses as they wait to receive a permanent one.²⁹

Accessing Credit

In 2000, Flora took advantage of a cooperative lending scheme for small businesses offered by a national retail chain seeking to provide credit to its suppliers. It was her first attempt at accessing credit. Within a week, she was lent 25,000 soles to expand her jewelry line to 28 of the chain's stores. Priced for small businesses, the initial annual interest rate on her loan was a hefty 35 percent. Within three years, Flora repaid the loan in full and built up her credit history. By 2004, her business was eligible for more affordable commercial credit lines. She received a US\$5,000 loan at a 19 percent interest rate from Banco Continental just days after applying.

Since the first Doing Business report (2004), Peru has been highlighted as one of the top countries in terms of the coverage of its public credit registries. In 2009, the coverage rate was almost three times higher than the regional and OECD averages. In Peru, the public registry covers 23.0 percent of adults, in contrast to 10.0 percent for the region and 8.8 percent for OECD countries. (Private bureau coverage is significantly lower than the OECD average –31.8 percent versus 59.6 percent - but virtually the same as the regional average of 33.2 percent.)^{30,31} While an extensive credit registry is necessary for ensuring broad access to credit, it is not sufficient. In 2001, Peru's loan-to-GDP ratio was just 25 percent, indicating that it was likely that banks were withholding credit at an excessively cautious rate.³²

²⁶ *Ibid.*

²⁷ Peru Private Investment Promotion Agency (2009), Guide for Micro and Small Enterprises.

³⁰ World Bank (2004). Doing Business in 2004.

³¹ World Bank (2009). Doing Business 2010 database.

³² Marechal, Valerie and Raha Shahid-Saless (2008). "Bringing more credit to the private sector." Getting credit case study for World Bank (2009), Celebrating Reforms 2008.

²⁶ *Ibid.*

²⁷ Ministry of Labor and Employment Promotion, Peru (2009), website [www.mypeperu.gob.pe/quienes.php?dn=1 (last accessed August 2009)].

An Indigenous Coffee Cooperative (COCLA) with a Special Focus on Women Producers

Cooperatives have been a popular business model in Peru since the 1960s, starting with credit co-ops but quickly expanding into the large agricultural sector to provide members with direct access to markets. COCLA (Central de Cooperativas Agrarias Cafetaleras) was founded in 1967 as a consolidation of seven existing coffee and cocoa co-ops in the Quillabamba region. It has grown dramatically over the last 40 years and is currently comprised of 23 primary level family organizations representing over 8,000 producers. The majority of members are Inca Quechua. Sumaq T'anta, the first women's cooperative in the region, was created in 2003 to assist female-headed households market their own product, and to incubate women's small business activities, like apiculture and crafts, that supplement incomes outside of harvest season. As Sumaq T'anta President Rosa Bohorque notes: "It is not only about how much money the women earn to support their families, but the boost this gives their self esteem".

Catering to the international market (95 percent of their product is exported), COCLA has secured quality certifications from the Rain Forest Alliance (awarded for attention to environmental sustainability), and Naturland and OCIA/JAS (used by the European and Japanese markets, respectively). COCLA has used its premiums from fair trade to fund a Women, Gender, and Equality program, which is geared towards both female members of the co-op and wives of members. This initiative offers classes and training in basic literacy, hygiene and first aid, as well as microcredit for business ventures outside the co-op. The program also replaces old stoves to protect women from lung disease, a prevalent problem in the region's rural areas.

Sources: COCLA's website (<http://www.coclaperu.com/index.html>) and Equal Exchange's Spotlight on COCLA's Women's Program (<http://www.equalexchange.coop/spotlight-coclas-womens-program>), interviews with Sumaq T'anta President Rosa Bohorque, Health Program Manager Betty Cárdena, and Development Manager Elva Rojas.

In the *Doing Business 2004* report, Peru was one of eight countries given a score of 0 in terms of creditor rights.³³ The existing Secured Transactions Law severely limited the variety of immovable assets that could be used as collateral for loans, shutting out loan applicants and increasing transaction costs through its high degree of specificity. SMEs were particularly marginalized by this law, as many of their assets could not be accepted as collateral. Moreover, the application process itself was problematic, as how to submit, and which pledges should be submitted to which registries were not clearly publicized.³⁴

Following a round of reforms, Peru is now ranked 15th out of 183 economies covered in *Doing Business 2010* and

second in the region (after Guatemala) in terms of access to credit.³⁵ In 2006, the government passed Law 28677, which expands the collateral options to include a range of movable property and to eliminate the requirement for specific descriptions of assets.³⁶ That same year, the various existing collateral registries were consolidated and simplified. Within a year, collateral registrations ballooned 50-fold, as more firms sought to collateralize and access credit through the easier process. Since 2003, the total value of loans given out in Peru has grown by 20 percent. In addition to improving opportunities for collateralizing, Peru has also sought to increase access to the information that banks need to assess potential debtors. Borrowers are guaranteed access to their credit records. In the *Doing Business 2010* report, Peru scores

³³ World Bank (2004). *Doing Business in 2004*.

³⁴ Marechal and Shahid-Saless (2008).

³⁵ World Bank (2009). *Doing Business 2010* database.

³⁶ Marechal and Shahid-Saless (2008).

7 out of 10 for the Legal Rights Index, higher than either the regional average of 5.5 or the OECD average of 6.8.^{37, 38}

This environment has also accommodated microfinance institutions and community banks, which often offer not only credit but also training and saving schemes to micro-entrepreneurs and are sometimes geared primarily or exclusively to women. Additionally, larger commercial banks often offer financial products specifically designed for small business owners. As Flora remarks, “The banks are now coming to us! Today, banks offer so many different options for entrepreneurs.”

Exporting Amidst Growing International Competition

After obtaining financing to expand, Flora continued to diversify and innovate her product line, showcasing local natural materials and adding an eco-friendly line. As her business gained a reputation as a high-end jewelry line, Flora became one of the top five jewelry producers in Peru. Until recently, her sales were increasing exponentially. But since 2004, she explains, Aranza Joyas and other businesses in the industry have experienced dwindling demand due to international competition, particularly from China. While Peru was until recently the world’s largest supplier of silver, China’s jewelry industry is supported by abundant cheap labor and more automated high-volume production processes. “Chinese products are made by machines and produced in large quantities, and it is just impossible for us to beat their prices,” Flora says. “Out of the top five jewelers in the country, only two of us are left.”

Peru’s rank in the trading across borders category of the Doing Business index is a relatively low 91 out of 183 economies, mainly because of the number of days it takes to import into and export from the country.³⁹ Before 2004, Chinese imports had made little headway into the Peruvian jewelry market. But as trade between the two countries

increased, Peruvian jewelry makers have struggled to maintain a foothold. This phenomenon extends beyond the jewelry industry into textiles and footwear, and has forced Peruvian manufacturers to become more competitive. Since they often cannot compete with China on the basis of price, producers turn to other ways of adding value. Flora’s niche has been to focus on the handmade detailing and the higher quality of inputs used in her jewelry. She reasons that, although consumers may often pick the cheaper product, “when they want something special, they invest in quality.”

Flora looks at trade as an opportunity. “Having to compete with Chinese imports made me realize that Aranza really needs to enter foreign markets, too,” she says. Currently, exports comprise roughly 20 percent of Aranza Joyas’ sales. They are sold primarily to individuals and retailers in Spain, Chile and Mexico. Flora aims to increase that share to 80 percent over the next few years, seeing that as a way to increase profit margins and secure more protection from domestic economic shocks. With the support of the Peruvian Embassy in the United

“When legality is a privilege available only to those with political and economic power, those excluded – the poor – have no alternative but illegality.”

States, Flora recently showcased her latest jewelry collection in Moda Manhattan 2009 in New York, where she got her first client, a Peruvian haute-couture designer, who worked his jewelry collection with her.

These were exhibited in several catwalks in New York Fashion Week 2009. PromPeru, the body that promotes tourism and exports in Peru, launched a regular monthly meeting for women exporters that Flora says provides additional support.

³⁷ Interbank, “Peruvian Banks: A Motor for National Growth.”

³⁸ World Bank (2009). Doing Business 2010 database.

³⁹ *Ibid.*

The Ministry of Foreign Trade and Tourism's National Strategic Export Plan 2003-2014 has highlighted high-end jewelry, particularly jewelry made of gold and silver, as a vehicle for increasing the country's trade competitiveness.⁴⁰ With Aranza Joyas, Flora has already translated this ambition into action, seeking out international customers and marketing not only her brand but also her country and its jewelry products. By avoiding the mere replication of existing designs available in the international market and using rare natural materials found in the region, Aranza Joyas has carved out a niche in the international jewelry market. Flora reflects, "I have sown and sown, and now I can finally reap my success."

Case Study Highlights

- Flora Reátegui's experience with Aranza Joyas demonstrates the importance of perseverance and learning from mistakes as sources of ultimate success.
- Peruvian female entrepreneurs identify capacity building, networking and business associations as particularly important for doing business.
- With appropriate government support, the international market could become a crucial source of growth for female-owned enterprises.

⁴⁰ Ministry of Foreign Trade & Tourism, Peru (2004).

Mónica Avila

A Business Gauchos Can Drink To

Mónica Avila grew up watching her father, an artisan, painstakingly create handicrafts. But when she first ventured into business ownership, she focused on a more basic product: food. She opened a supermarket in 1990 and managed it with her husband for almost 15 years. Faced with crippling competition from large supermarket chains, she began to search for a new enterprise idea. She did not have to look far – in 2004, she launched Costumbres Uruguayas, a specialty goods and handicrafts store centered on the Gaucho mate, a traditional tea.

Country Context

Uruguay has one of the highest GDP per capita rates and the lowest incidence of extreme poverty in Latin America. After a decade of growth, Uruguay experienced a recessionary period from 1998 to 2002, culminating in a 10.8 percent decline in GDP as the 2001-2002 Argentine crisis spilled over.¹ The crisis cut bank deposits in half, and household incomes dropped by 20 percent between 1998 and 2002. In 2003, unemployment reached its highest level in 20 years.² Self-employment sustained by intermittent activities increased, while long-term self-employment declined.³ Despite this dire scenario, extreme poverty did not surpass 4 percent and the poverty rate, which peaked at 32 percent in 2004, remained below that of many other countries in the region.⁴

The country's political stability and its well-established social programs were critical in mitigating the effects of the crisis.⁵ Favorable export prices, economic growth in



Argentina and Brazil, and commitments to macroeconomic stabilization and expanded social protection ensured a relatively quick recovery.^{6,7} Between 2005 and 2008, GDP grew an average of 7 percent per year,⁸ and by the end of 2006 it had surpassed its pre-crisis peak.⁹ In 2007, the unemployment rate fell to less than 9 percent. The poverty rate declined to 25.2 percent, although household incomes were still below 2001 levels.¹⁰

GDP per capita (current USD):

9,654

Population, total:

3,334,052

Female Headed Households (% of total):

25

Total Fertility Rate:

2.0 births per woman

Sources: World Bank (2010), World Development Indicators database, most recent year available. World Bank (2004), Uruguay Poverty Update 2003.

¹ World Bank (2004). Uruguay Poverty Update 2003.

² *Ibid.*

³ *Ibid.*

⁴ World Bank (2008). Country Assistance Strategy Progress Report for the Oriental Republic of Uruguay.

⁵ World Bank (2005). Country Assistance Strategy for the Oriental Republic of Uruguay, 2005-2010.

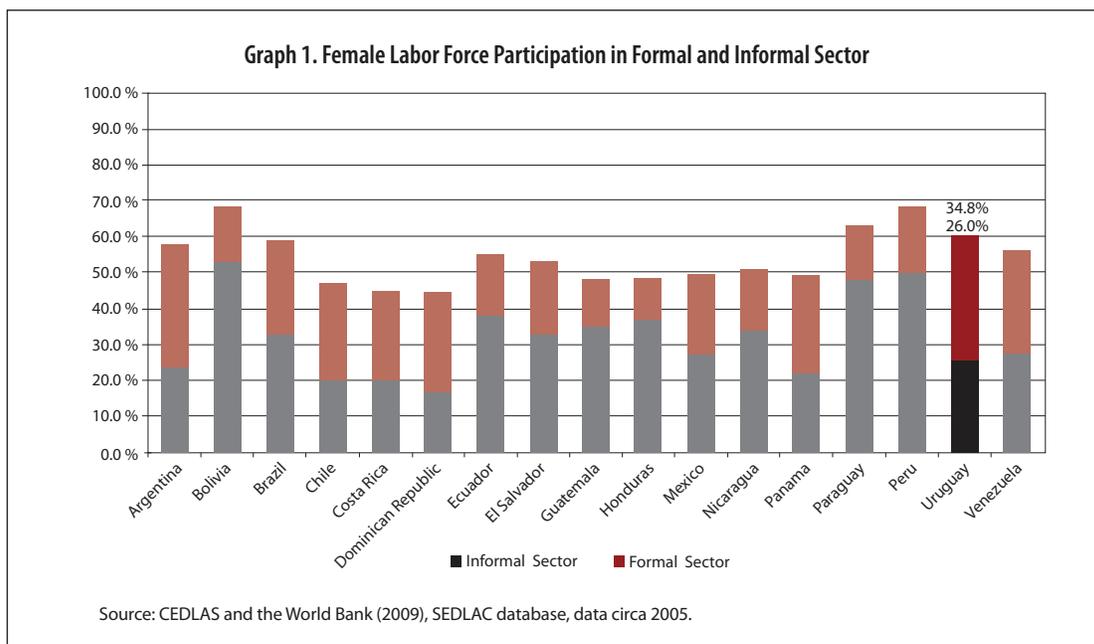
⁶ *Ibid.*

⁷ World Bank (2008). Country Assistance Strategy Progress Report for the Oriental Republic of Uruguay.

⁸ World Bank (2009). World Development Indicators database.

⁹ World Bank (2008). Country Assistance Strategy Progress Report for the Oriental Republic of Uruguay.

¹⁰ *Ibid.*



In terms of social indicators, Uruguay is one of the best performers in Latin America with regards to health coverage, life expectancy and education.¹¹ Primary school enrolment and completion is universal, and enrolment in pre-primary education has increased over the last decade.¹² ¹³ The average years of schooling for adults in Uruguay has been increasing; however, at 8.5 years, it is still relatively low for the country's income level.¹⁴

Although Uruguay has one of the lowest levels of income inequality in Latin America, discrepancies emerge in social indicators. For instance, a high drop-out rate at the secondary level (currently around 50 percent) is concentrated among the poor.¹⁵ And while access to water is universal, over 40 percent of Uruguayan households in the lowest income quintile still did not have access to sewage systems in 2002.¹⁶

¹¹ World Bank (2005). Uruguay: Sources of Growth – Policies for the Development of Human Capital, Integration, Competition and Innovation.

¹² World Bank (2004). Uruguay Poverty Update 2003.

¹³ World Bank (2009). World Development Indicators database.

¹⁴ World Bank (2004). Uruguay Poverty Update 2003.

¹⁵ World Bank (2008). Country Assistance Strategy Progress Report for the Oriental Republic of Uruguay.

Women in Uruguay

Uruguay is considered a socially progressive country by Latin American standards, and Uruguayan women are generally spared from gender-biased poverty or limited access to education. Female-headed households, comprising roughly 25 percent of all households, are 15 percent less likely to be poor (but more likely to receive public assistance)¹⁷ than male-headed households. Female enrolment is higher than male enrolment in secondary and tertiary education; in the latter, female enrolment has exceeded 50 percent since 2001, in contrast to male enrolment, which is still 47 percent.¹⁸

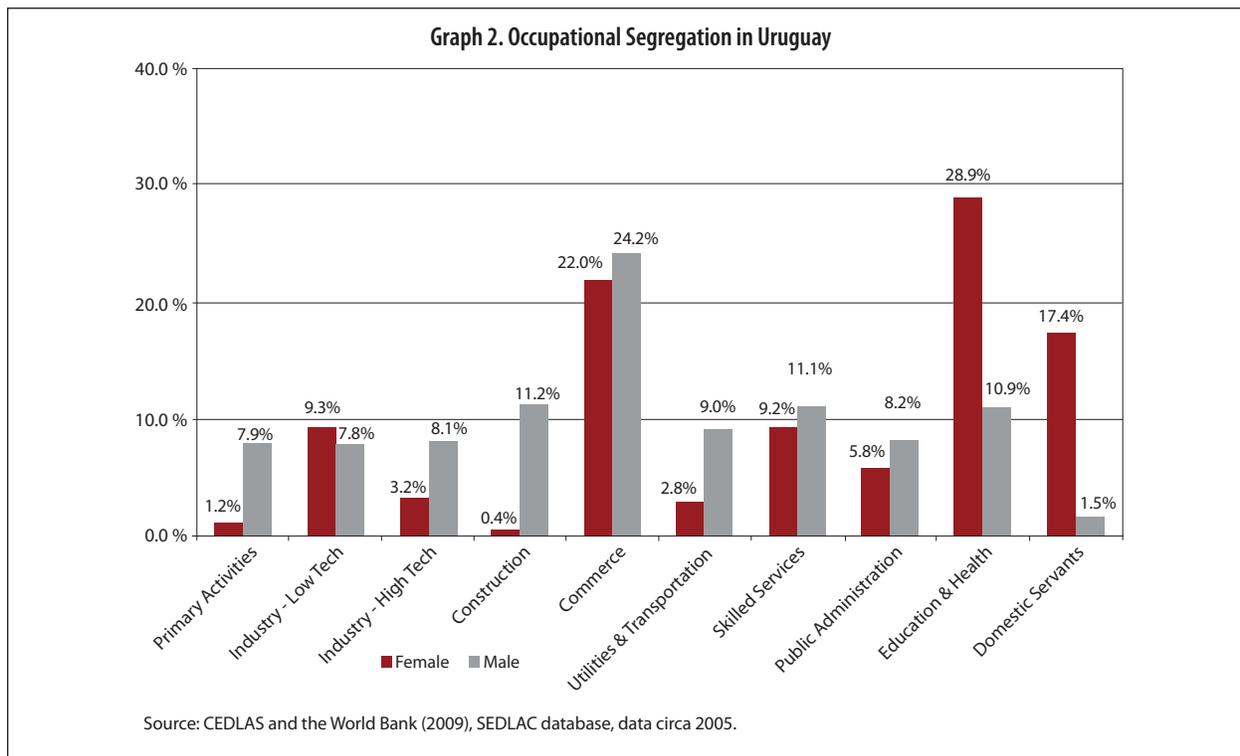
Nonetheless, women still face barriers in the economic sphere. Although the gender wage gap was reduced in the 1990s, and women's earnings jumped from 73 percent to 88 percent of male earnings from 1990 to 2000, no significant improvement has been recorded since.¹⁹

¹⁶ World Bank (2004). Uruguay Poverty Update 2003.

¹⁷ *Ibid.*

¹⁸ World Bank (2009), Genderstats database.

¹⁹ World Bank (2004). Uruguay Poverty Update 2003.



**Primary School Enrolment,
Female/Male (% , gross):
113 / 116**

**Secondary School Enrolment,
Female/Male (% , gross):
91 / 93**

**Tertiary School Enrolment,
Female/ Male (% , gross):
82 / 47**

**Female/ Male Adult Literacy Rate (%):
98 / 98**

**Female/ Male Labor Force Participation (%):
64 / 85**

**Administrative and Managerial Positions:
35% held by women**

**Seats in National Parliament:
12% held by women**

Source: World Bank (2009), Genderstats database, most recent year available.

Moreover, occupational segregation remains strong. Uruguayan women are overwhelmingly concentrated in the services sector (85.7 percent), with a nominal participation in industry (12.8 percent) and barely any

involvement in agriculture (1.5 percent).²⁰ About two-thirds of Uruguayan working women are concentrated in three sectors: education and health (28.9 percent, commerce (22.0 percent, and domestic service (17.4 percent), as shown in Graph 2. Considering that agriculture and industry contribute 9.1 percent and 32.3 percent of GDP in Uruguay, respectively, and that agriculture alone accounts for over 60 percent of the country's export earnings, women's disengagement from these sectors may point to a loss of economic opportunities.^{21, 22}

In many developing countries, women flock disproportionately to the self-employed sector in order to balance work and childcare obligations or because they face a lack of opportunities for salaried employment. By

²⁰ OECD (2009). Gender, Institutions and Development Database 2009. [<http://stats.oecd.org/Index.aspx?DatasetCode=GID2> (last accessed December 2009)].

²¹ *Ibid.*

²² World Bank (2005). Uruguay: Sources of Growth – Policies for the Development of Human Capital, Integration, Competition and Innovation.

contrast, in Uruguay, 72.7 percent of the economically active women are salaried staff and women are less likely than men to be self-employed (24.0 percent versus 31.3 percent). But it is likely that some pressures remain. Mónica believes that is the case. “There are many female entrepreneurs in Uruguay due to necessity,” she asserts. “In not being able to get jobs, because of lack of education, knowledge of technology or English, or of skills needed in this new economy, women are pushed to become entrepreneurs.”

Creating a Business around a Tradition

Although she owned her first business venture, a supermarket, with her husband, Mónica chose to launch Costumbres Uruguayas on her own. She is the chief operating officer, and her husband is one of her employees. “All the bills, banking forms, government forms, loan applications, they’re in my name. *I’m the businesswoman,*” she says with pride.

Costumbres Uruguayas revolves around one of Uruguay’s most deeply embedded traditions, selling items associated with mate-drinking. Mate is an herbal drink consumed abundantly by men and women throughout the country and in neighboring regions of the Southern Cone. Special receptacles, also called mate, are used for brewing, and silver or metal sieves, called *bombillas*, are used in lieu of straws. In addition, mate aficionados use pouches – *materas* – for portability. Mónica centers her enterprise on this national drink, offering upscale mates, *bombillas*, *materas*, and other accessories.

Given the popularity of mate in the country, Costumbres Uruguayas naturally faces significant competition. Mónica estimates that there are probably thousands of producers of mate-related items in the region, and for the first few years she struggled to generate demand and create a niche for the business. She participated in exhibits and fairs, used radio advertising, and established partnerships with other businesses. A major turning point for her, she believes, was connecting with a non-profit organization, Hecho

Acá, in 2000. Hecho Acá, launched by Uruguay’s former first lady, Mercedes Menafra, is an organization promoting economic opportunities and the Uruguayan culture by providing technical assistance and facilitating market access to artisans across the country. Hecho Acá helped Mónica refine her products, formalize her business, and solidify her commercial client base.

Soon, Mónica was able to move her business into a larger commercial space accommodating both production and sales. This enabled Costumbres Uruguayas to expand production and secure wholesale deals with retailers, as well as to engage customers by allowing them to observe artisans preparing the mate items. In 2006, Mónica also launched a company website to attract foreign customers, keep in touch with new and potential clients, publicize events, and strengthen her branding. “We differentiate ourselves,” she explains. “Our advantage is in being formalized, our craftsmanship, and our customer service. We offer customer service guarantees and are always raising the bar.”

Registering a Business

Uruguay ranks 132nd out of 183 countries and 23rd in Latin America and the Caribbean on the ease of starting a business. For the average public limited company (PLC), registration requires 65 days. Although the government of Uruguay eliminated the minimum capital requirement for starting a business in 2009, registration costs alone are equivalent to 40 percent of income per capita.^{23, 24} These levels are only slightly above the regional average, but are dramatically higher than the OECD average of 5.7 days and 4.7 percent of per capita income, respectively.

Mónica originally hoped to register Costumbres Uruguayas as a PLC, as this would have enabled her to have greater

²³ World Bank (2009), Doing Business 2010 database.

²⁴ World Bank (2008), Doing Business 2009.

access to finance. But she lacked the finances necessary to register under this classification, and decided to register Costumbres Uruguayas as a sole proprietorship instead, which took only 3 days to process, at roughly half the cost.

Accessing Credit

Out of 183 countries, Uruguay is ranked 43rd in the latest Doing Business study in terms of accessing credit. This ranking, however, is based on four indicators – one addressing legal rights and three on credit information – and overlooks the cost of accessing credit.²⁵ In Latin America, the value of the collateral needed for a loan is an average of 134 percent of the loan amount. In Uruguay, business owners need to provide collateral worth twice as much: 226 percent of the loan amount. Unsurprisingly, 31 percent of Uruguayan entrepreneurs point to access to finance as a major constraint to their business.²⁶

When Mónica first decided to open Costumbres Uruguayas, the only asset she owned that could be used as collateral was her home, but even its value was too low given her needs. Instead, Mónica and her staff spent the first several years focusing on local exhibits to save enough to buy the machinery and inputs necessary for larger-scale production. Shortly thereafter, she was able to use those newly purchased assets as collateral for a small loan. But with a high interest rate and fees, she ultimately paid 60 percent more than she had borrowed. Since then, she has vowed to never use credit again.

“There are many female entrepreneurs in Uruguay due to necessity. In not being able to get jobs, because of lack of education, knowledge of technology or English, or of skills needed in this new economy, women are pushed to become entrepreneurs.”

²⁵ World Bank (2009). Doing Business 2010 database.

²⁶ World Bank (2006). Enterprise Surveys: Uruguay.

²⁷ World Bank (2007). Doing Business 2008.

Paying Taxes

Despite undertaking a comprehensive tax reform in 2006 – including lowering the VAT rate, unifying social security contributions and eliminating 15 different taxes – Uruguay remains among the worse countries in terms of the taxes assessed on businesses.^{27,28} It is ranked 159th out of 183 countries and, at 53, the number of required payments per year is significantly above the regional average of 33.2. Moreover, a medium-sized company in Uruguay spends about 336 hours per year preparing and paying taxes, in contrast to 194 hours in OECD countries.²⁹ Unsurprisingly, 66 percent and 31 percent of Uruguayan business owners see tax rates and tax administration, respectively, as major constraints to their businesses.

Naturally, high taxes can be particularly hard on micro- and nascent enterprises. Uruguay has assuaged some of the burden and taken a progressive approach to promoting entrepreneurial growth with the “monotributo” tax system, designed exclusively for small enterprises earning below a set income ceiling.³⁰ The system allows consolidation of most national taxes with reductions that vary according to income, family size and social assistance. The program was expanded in 2006 as part of an effort to support private sector growth.

Mónica admits that the “monotributo” system was a blessing when she first launched her business. However, in 2003, Costumbres Uruguayas’ earnings exceeded the ceiling for inclusion in the system. Since then, tax administration has consumed more of the firm’s time and resources. Mónica estimates that her tax payments have more than quadrupled, although she notes that there is a tremendous variance in her payments between tax periods.

²⁸ World Bank (2008). Country Assistance Strategy Progress Report for the Oriental Republic of Uruguay.

²⁹ *Ibid.*

³⁰ Government of Uruguay (2009). “Que es el monotributo?” [www.montevideo.gub.uy/pymes/monotributo.pdf (last accessed December 2009)].

Support for Small Businesses

As a growing body of research demonstrates, promoting women's enterprises is fundamental to strengthening private sector development as well as gender equality. In 2007, Uruguay launched a National Plan for Gender Equality and engaged several ministries, including the Ministry of the Interior, the Ministry of Economy and Finance, and the Ministry of Foreign Relations. The National Women's Institute is responsible for coordinating gender-focused initiatives with the Ministries. Its economic empowerment initiatives have been centered on labor market inclusion.

As women business owners are highly concentrated in the SME sector, public policies and programs that serve the sector tend to inadvertently reach higher proportions of female entrepreneurs. Uruguay's National Administration of Small and Medium and Handicraft Business (DINAPYME) was established in 1990, and has since been cooperating with ministries, international donors, local governments and civil society to reach thousands of small businesses annually. At the local level, agencies like the Superintendency of Montevideo's SME Unit provide counseling and training services to promote competitiveness, including guidance in developing a business plan to secure financing.³¹ There is, however, no formal partnership between the National Women's Institute and agencies to promote the SME sector, such as DINAPYME.

Mónica has managed to establish a successful business. However, the limitations that she currently faces are indicative of the work that still could be done to help female entrepreneurs prosper. She dreams of opening a branch of Costumbres Uruguayas in a shopping mall, where she can attract more customers, upgrade her branding, and create more jobs. She is saving her resources towards this goal. For

most small-business owners, particularly in the handicrafts sector, the cost of commercial space is prohibitive. This underscores the importance of Hecho Acá and similar organizations that market on behalf of the sector.

Because most of Mónica's staff provides artisanal labor, she also laments the lack of administrative and financial support. "We don't have much monitoring and tracking of sales and returns; it's something we do intuitively." With so little staff and so little expertise in administration, there are lost opportunities. For example, since Mónica lacks the time and resources to do in-depth market research about competitors and trends, her strategy is to continuously introduce new products and features. "Innovation is what generates recognition, copies are just copies," she believes.

Case Study Highlights

- Even in countries where the legal and cultural framework is generally supportive of female entrepreneurship, women can become locked in cycles of low productivity by virtue of their preponderance in micro and small enterprises.
- Efforts to boost small and medium enterprises can have an unintended impact on female entrepreneurs (given their concentration in the sector), but are best complemented by gender-sensitive policies.
- Mónica Avila's experiences with Costumbres Uruguayas and Hecho Acá demonstrates the potential role of non-profit organizations in providing technical assistance and facilitating market access for female entrepreneurs.

³¹ Superintendency of Montevideo (2009), "PYMES: Plan de Negocios." [<http://www.montevideo.gub.uy/empresas/pymes/plan-de-negocios> (last accessed January 2010)].

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