

Mapping the situation of impactful investments with a gender perspective Uruguay

OPPORTUNITIES AND CHALLENGES



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Mapping the situation of impactful investments with a gender perspective Uruguay.
Opportunities and Challenges

Montevideo, July 2021.

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Acronyms / Abbreviations

ABPU	Association of Private Banks of Uruguay
AICS	Italian Agency for Development Cooperation
LAC	Latin America and the Caribbean
ANDE	National Development Agency
ANII	National Agency for Research and Development
AUCI	Uruguayan Agency for International Cooperation
BROU	Banco de la República Oriental del Uruguay
BPS	Social Insurance Bank
CAF	Development Bank of Latin America
CIE	Centre for Innovation and Enterprise ORT University
ITC	International Trade Centre
DERES	Network of Enterprises for Sustainable Development
ECLAC	Economic Commission for Latin America and the Caribbean
FCPP	Fondo Concursable del Corredor de los Pájaros Pintados
FONDES	Fund for Development
INACOOP	National Institute of Cooperativism
INALE	National Dairy Institute
IDB	Inter-American Development Bank
INITIUM	Centre for Leadership, Enterprise and Innovation of the University of Montevideo
INEFOP	National Institute of Employment and Vocational Training
LACGIL	Laboratory of Gender Investment in Mexico
MELYT	Women, local economy and territories
MGAP	Ministry of Livestock, Agriculture and Fisheries
MFI	Microfinance Institutions
MIDES	Ministry of Social Development
MIEM	Ministry of Industry, Energy and Mining
NAFIN	Nacional Financiera de México
OMEU	Organization of Women Entrepreneurs of Uruguay
PNG	National Gender Agro Plan Nacional in Agriculture and Livestock Policies
PRIEG	Regional Policy on Gender Equality and Equity
SICA	Central American Integration System
SIGA	System of Guarantees
UDELAR	Universidad de la República
UEU	Union of Exporters of Uruguay
UN	United Nations
WED	Women's Entrepreneurship Development
WEF	World Economic Forum





Preface

Agenda 2030 for Sustainable Development is a framework of action for the adoption and implementation of policies and practices to surmount the challenges of environmental, economic and social development, in particular, the links with gender equality and women's empowerment. Women's economic autonomy is fundamental to advance in this direction. UN Women in Uruguay has been working since 2018 together with the private sector to promote actions which guarantee equality of opportunities and access for men and women.

Although we have made progress towards these objectives, the crisis caused by the COVID-19 pandemic deepened inequalities, posed new challenges which threaten to wipe out some of the results that we achieved. That is why, more than ever, we must face up to the crisis as an opportunity to rethink our forms of production, consumption and socioeconomic relations. Gender inequality is a pressing ethical and social problem, but it also presents and economic challenge.

Investment in women (particularly investment aimed at business headed by women, which offer specific solutions for women, or which promote equality between men and women in the workplace) can be seen as a convincing response to build back better. At the same time, it establishes a direct path towards eradication of poverty and towards sustainable and inclusive economic growth, which represents good business for the market and for society as a whole.

In this framework, sustainable finances and, in particular, investments with a gender lens impact, emerge as an innovative and fundamental path to identify investment opportunities which, while guaranteeing a financial return, can also impact positively on gender equality. In other words, these are a type of investment which contributes to improving social conditions, accelerating processes of transformation in the market towards fairer and more sustainable forms of production.

Impactful investment with a gender perspective simply means directing capital towards the problems what we want to solve, showing a sense of purpose about the barriers to be overcome, promoting businesses headed by women, their participation in the financial system and management, to ensure a fairer distribution of capital and access to productive resources, with a positive impact on gender equality and economic development.

We hope that this study, which combines good practices, transferable learnings and opportunities to close gaps, will support the financial system and its local managers in incorporating a gender perspective in their investment decisions. We also hope that this document will be a tool which promotes greater commitment to gender equality in the financial system, because only by involving women will we be able to achieve inclusive and sustainable development, and together build the future of our dreams, fairer and more egalitarian

María Noel Vaeza

UN Women Regional Director for the Americas and the Caribbean

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Executive summary

Investment with a gender focus which enables women's empowerment and provides them with economic independence also generates significant economic and business opportunities for the country's development.

Investing with a gender focus means using capital to generate a financial return and simultaneously drive gender equality.¹ It is a growing trend which has shown that investment can be a powerful tool to promote equality between women and men, since incorporating gender analysis in investment ensures that capital generates financial returns and also positive results for women and girls.²

In practical terms, it means investing in companies which fulfil some of these characteristics:³

- They are owned by women.
- They offer products and services designed to satisfy the specific needs of women and girls or intentionally seek to close gender gaps.
- They promote equality between women and men in the workplace.

To be able to begin to close the gender gap concerning access to, knowledge and use of financial products, it is necessary to work comprehensively both with actors in the financial sector or capital providers as well as those actors who require or seek capital.

Taking this reality as a starting point, this report begins by presenting lessons from other countries and the new financial instruments which are being developed to better adapt to women's financial needs. Secondly, the investment situation through a gender lens in Uruguay which shows that, although there is an adequate regulatory framework and favorable market conditions, the same challenges in terms of financial inclusion with a gender perspective as in the other markets in the region can be observed. In the third section, we see the results of the survey conducted in the local MSME sector with regard to the conditions of, and principal barriers, to access to credit, and in the final module, we address the training needs, both supply and demand.

For a company to be considered a owned by women, it must satisfy one or more of the following criteria:⁴

- One or more women own at least 51% of the company.
- One or more women provide the day-to-day management of commercial operations and take long-term decisions.
- It is not a subsidiary of other companies which are not owned by women.

¹ Pro Mujer (2020)

² Pro Mujer (2020)

³ Value for Women (2019), IDB Invest and ESADE (2019)

⁴ UN Women, <https://lac.unwomen.org/es/digiteca/publicaciones/2018/12/guia-adquisiciones-con-perspectiva-de-genero-para-empresas>

1.

Transferable lessons on gender lens investment for Uruguay



Transferable lessons on gender lens investment for uruguay

Gender lens investment in Uruguay faces some common challenges it shares with other countries in the region and the world, which is why it is relevant to take transferable lessons. We begin by summarizing the main points to be considered when designing an instrument with a gender focus based on local experience and that of other countries, before commenting on the instruments being used in Latin America to reduce the gender gap, and lastly have innovative financing alternatives which have proved successful in the segment of companies at the growth and consolidation stage or MSMEs majority headed by women.

1.1. Points to consider in designing an instrument with a gender focus

There is agreement that the principal barriers to access to financing by women or companies headed by women are: social and cultural barriers, guarantee requirements, lack of trust in women as such, lack of role models, scarcity of credit products geared to women, and lack of building of digital skills.

In designing actions to be taken, it is important to bear in mind the context and characteristics of the women at whom they are targeted. It is necessary to identify the group of beneficiaries or companies that it is sought to support and analyze what are the principal obstacles that they face, in order to accompany the financing with the necessary training and support based on the needs identified.

Gender analysis of the portfolio of credits is fundamental so that financial institutions can improve the financing conditions for women. In turn, the products that are designed (credit, savings, guarantee funds, etc.) must be evaluated from an integral gender perspective, i.e. considering the characteristics and conditioning factors of the beneficiaries that it is sought to empower, so that they are attractive to those that use them.

The guarantees or collateral demanded by financial institutions to back credits based on the borrower's

Principal lessons:

- Bear in mind the context and characteristics of the women at whom the financing or action is targeted
- Credit risk assessment processes for women must use other criteria, such as basing credit decisions on analysis of risk of default of the debtor.
- Build women's financial and digital skills.
- Supplement micro enterprise programs with presentation of reference success models.

personal assets or property penalize women, as, for cultural reasons, generally control or ownership of assets is in the name of the men. It is necessary for credit risk assessment processes for women to use other criteria, such as basing credit decisions on analysis of the risk of default by the debtor, and only as a secondary factor on the property, as the risk of default depends both on the capacity and the will of the debtor to repay.⁵

One of the most obvious consequences of the impact of the COVID-19 pandemic in the regions is the acceleration of the process of digitalization,⁶ thus including training to build women's financial and digital skills is essential to avoid the existing inequalities being further increased the review of both national and regional studies also concludes that it is important to have a role model with which women women can identify and break with stereotypes and paradigms. For this, it is necessary to raise women's visibility and increase their participation in the financial and investment systems, and showcase success stories, key benchmarks and generate these feminine role models for the financial and corporate sector. It is necessary to normalize women's participation in these circles.

⁵ BID (2014)

⁶ CEPAL (2021)

Investing with a gender focus means using capital to generate a financial return and simultaneously drive gender equality.⁷

The process of investing with a gender perspective requires investors, whether institutional or private, to develop and apply a gender perspective to investment decision-making, while at the same time promoting gender diversity in their own workforce.⁸

To progress in this way, it is important to have a framework for promotion of gender equity, and for this the following entry points are suggested:

- Define a gender lens investment strategy for the organization, which can mean investing in companies managed by women, companies which benefit women and girls with their products and services, or in companies which promote the implementation of a gender perspective in their operations.
- Apply a gender perspective to the entire investment process, from selection and due diligence to the exit or end of the investment/credit.
- Promote gender diversity in your own organization.

Given that there is no single solution for all investors, these actions can be used as reference points, adopting all of them or a mix of them depending on their starting point, motivations and objectives. In addition to this, investors can add more elements incrementally to constantly increase their gender inclusion practices and gender impacts.⁹

The first step is to assume a commitment to do it, then carry out an evaluation and diagnostic and, from there on, design a strategy and plan of action.

It is essential to decide what gender perspective to apply, and define key terms such as “companies managed by women”, analyze the current investment portfolio to determine the starting point and develop as strategy for better allocation of capital to these companies.

Financial institutions or investors must answer the following questions clearly to pursue the objective efficiently, seen through a gender lens.¹⁰

- Who do they want to impact?
- What impact do they want?

Described below are four lenses which can be used to identify and evaluate businesses which promote equality between, while at the same time generating sound investments. The ILU Tool Box¹¹ – created by Pro Mujer and Deekten Impact with USAID support, provides a set of tools which will help companies to implement different strategies to progress towards gender equality.

⁷ Pro Mujer (2020)

⁸ Value for Women (2020)

⁹ Value for Women (2020)

¹⁰ Value for Women (2020)

¹¹ <https://iluwomensempowermentfund.com/toolbox-espanol/>

Investment Lenses with a gender focus

Women in leadership	Equality in the workplace	Products and services which benefit women and girls	Equality in the value chain and impactful practices
The presence of women in leadership posts helps to close gender gaps, although it is not a single condition. Finding women in leadership positions in an organization in many cases shows that it has policies and programs (e.g. mentoring or flexible working) which promote equality and inclusion.	Actions in favor of gender equality in the organization, which improve the environment and productivity, such as wage equality, personal work-life balance and preventing and tackling violence in the workplace.	Consideration of the company's impact on the life of women and girls. It allows analyzing if they are considered in the company's mission, their needs as consumers are considered and markets centered on them are developed.	Generation of commercial opportunities for business headed by women. Collaboration with civil society, local or global organizations which work for equality and empowerment of women.

Source: Pro Mujer (2020)¹²

Once the target group has been defined, objectives and key performance indicators (KPI) must be fixed which are used during the development of the product or business to allow monitoring. To define the KPI, the client portfolio must be divided¹³ according to women's participation in leadership posts (i.e. senior management) and participation in boards of directors and in groups within these categories from bigger to smaller. Then the performance of the portfolio can be analyzed based on the following indicators: 1) Return on sales, 2) Return on assets, 3) Return on capital. The fulfillment or repayment of debt can also be analyzed by gender, but to define indicators, we must have data and these will be accumulated as the loans are implemented.

It is very important to monitor the indicators to see if the proposed objectives are being achieved and to be able to revise and update the KPI if necessary. Lastly, it is fundamental to report and communicate the results.¹⁴

In addition, the concept of behavioral finance is starting to be used as a tool to better understand biases related to emotions and how different factors affect an individual in investment decision-making. There is a series of behavioral and psychological biases which affect investment decision-making and restrict rationality in evaluating alternatives based on investment fundamentals.¹⁵ This is particularly relevant to the

problem of bias and gender "self bias"¹⁶ prevailing in the financial sector and companies headed by women who are seeking financing to scale up their business. These lessons can be used when developing new financial instruments with a gender lens, as, when rational models do not provide sufficient clarity, behavioral finance helps to prioritize the rational over the behavioral or emotional in the investor's decision-making or behavior.

Any decision-making process means addressing complex situations in an efficient way, but this is always influenced by endogenous and exogenous factors. In an investment decision-making process, the individual characteristics of the investor, added to those of the investment itself, influence the choice of the type of financing. Historically, the concepts of return on the market and individual behavior in investment decision-making had not been applied or analyzed in traditional financial models. This gave rise to the study of behavioral finance, a theory of special relevance to gender lens investment, giving the existing barriers of bias.¹⁷

In the market, we also find, among other things, the following tools which investors can use to develop financing options with a gender focus. Sasakawa Peace Foundation (SPF) together with the Frontier Incubators program (promoted by the Department of Foreign Affairs and Trade of Australia) developed a gender lens

¹² Pro Mujer (2020)

¹³ Calvert Impact Capital (2018)

¹⁴ <https://iluwomensempowermentfund.com/lente1-herramienta4/>

¹⁵ MedCrave (2019)

¹⁶ By "self bias" we mean self censure, lack of self-confidence or self-discrimination of women themselves because they do not regard themselves as subjects of financing, and thus do not call on credit because they have a biased or distorted view of the possibility of accessing it.

¹⁷ MedCrave 2019

toolbox which has the objective of helping organizations which support entrepreneurship in South-East Asia to develop their own gender strategy by providing practical guidelines, case studies and frameworks which describe mechanisms to apply a gender perspective to their organization, program or ecosystem.¹⁸ Acumen developed a new framework (Lean Data), easy to use and highly effective so that entrepreneurs, impact investors, corporations, donors and philanthropists can measure their impact on women and girls.¹⁹ Value for Women, in association with the Walmart Foundation, developed an online self-assessment tool on gender inclusion which allows agricultural companies to capture data broken down by sex at various levels in the company, including human capital, management of productivity and the market. This simple and easy-to-use data collection tool allows companies to monitor improvements from the adoption of new policies, systems and practices, and how to identify gaps and opportunities to intensify their focus on gender inclusion.²⁰

1.2. Instruments used in latin america to reduce the gender gap

A CAF study on gender discrimination in the consumer credit market in Chile found that there are significant differences in rates of response to loan applications between men and women. While both groups received a response to 90% of application, rates of approval of loan applications are 14.8% lower among women borrowers, which is equivalent to the level of approval of credits to the lowest income terciles. In turn, it was found that the banks with the higher proportion of men account managers are associated with greater discrimination against women, both in terms of response and rates of approval, which requires policies on recruitment of staff which take a better look at gender attitudes and bias among job applicants.²¹

At the development bank level, some have forayed into financial products or programs aimed at women, such as the Nacional Financiera in Mexico (NAFIN or NAFINSA):

exclusive credits for women entrepreneurs with technical assistance; the El Salvador Development Bank: credit and guarantee fund with technical assistance for women entrepreneurs or companies with legal representation by a woman; the Production Development Corporation in Chile: human capital for innovation in women's enterprises, financing up to 90% of the project²² and the Regional Office of UN Women for the Americas and the Caribbean, which in 2018 launched the MELYT program,²³ financed by the AICS (Italian Agency for Development Cooperation)²⁴ to provide technical assistance to El Salvador, Guatemala and Honduras, which have expressed interest in the territorialization of the women's economic independence pillar of PRIEG/SICA (Regional Policy on Gender Equality and Equity of the Central American Integration System).

Several financial institutions in the region have entered the market with products aimed at women. Some of these institutions are: Banorte in Mexico, which has a commission-free women's account for opening and use of ATMs, facilities for insurance and helplines, and access to mobile banking; Compartamos in Mexico, with Tú Crédito Mujer, commission-free (opening, withdrawal and administration), flexibility on renewal and reduction of costs, access to insurance; WWB Bank in Colombia, which is characterized by its flexibility compared with other entities regarding the requirements and experience demanded of businesses, flexibility over times, and financial education programs; Banco de Costa Rica which has its Banca Kristal brand to serve women with a variety of financial products, with certain preferential terms in interest rates, installments and conditions.

Analyzing the financial gap (difference between the need for financing and resources obtained), the majority of MSMEs are stuck when it comes to financing their own growth from their own cash flow. This is both a challenge of economic development and scale, and an opportunity to adopt innovative financial solutions and practical models which meet the needs of MSMEs which could include a gender focus.

¹⁸ <https://toolkits.scalingfrontierinnovation.org/glia/introduction/introduction/>

¹⁹ <https://acumen.org/lean-data/>

²⁰ <https://giabiz.v4w.org/>

²¹ CMF (2020)

²² CAF (2018)

²³ <https://lac.unwomen.org/es/que-hacemos/empoderamiento-economico/melyt>

²⁴ <https://www.aics.gov.it/>

The financial system in general is open to innovate, but not to take risks, according to the interviews conducted. Moreover, Central Bank regulations limit the flexibility of instruments and leverage.

1.3. Financing alternatives

This section describes some of the financial solutions used which are well suited to the objective of reducing the gender gap in access to financing in the MSME and SME segment with a gender lens in Uruguay:

- In terms of structures, MSME fund managers are moving away from closed funds to open-ended funds and holding company structures. This allows the fundraising period to be longer than in a closed fund, having a broader source of capital (i.e. is comes not only from private capital but also public or private debt or subsidies), and allows investors to reinvest the income obtained, and after a determined time,

investors have periodic windows in which they can sell their share.

The greater benefit of these open-ended funds or holding companies is that they have the ability to keep companies in the portfolio for longer periods, mitigating the risk of limited exit opportunities, avoiding unrealistic growth patterns or sale to an acquirer not aligned with the objectives of the company. They have the capacity to finance a broader profile of financially viable companies. They give greater flexibility on how to structure management fees and remuneration to “ensure that the economy of the fund is correct”. They have greater flexibility on how to raise capital; which allows leverage at the level of the fund and financing combined (i.e. subsidies if the structure includes as not-for-profit vehicle). They have greater liquidity with respect to the capital invested given the predefined mechanisms to allow investors to exit and it is better suited to instruments similar to debt.

- As regards financial instruments, a wide range is being used, as can be seen in the following table:

HIGHER RISK - FINANCIAL RETURN							LOWE RISK - RETURN				HIGH IMPACT				
EQUITY		MEZZANINE					DEBT				DONATIONS				
Public markets / Listings	Stocks	Convertible stocks	Preferred stocks	Convertible Notes- SAFE	Royalty-based loans	Unsecured debt	Working capital loans	Trade Finance	PAYGO	Leasing	Secured debt	Soft loans / Consecutive financing	Convertible Donation	Returnable Donation	Restricted and unrestricted donation

Capital (Equity): is the assets of the company. To finance themselves, companies issue capital/shares in exchange for financing.

Mezzanine: is a type of hybrid financing between debt and shares. It is used to fill funding gaps while the company grows and evolves.

Debt: A more traditional form of financing whereby the company receives money for a determined term and interest rate, and repays it on the date of maturity. There are different types of debt depending on the company’s needs.

- In Latin America, many of the alternative solutions for investment in SMEs are mainly related to fintech models and mezzanine instruments and funds. However, as part of the COVID-19 response, the use of subsidies and alternatives such as donation is increasing.
- The fintech sector is breaking strongly into SME financial services in the region (e.g. Microwd, Konfio, Semplici, A55, MELI): (i) fintech models which use alternative data to grant credits and supply working capital to MSMEs; (ii) trade finance, including purchase of invoices (factoring), financing

based on accounts receivable and financing of the supply chain is increasingly used by the principal fintech companies and partners in the value chain. This is one of the reasons why building women's digital skills is so important.

- Within the mezzanine spectrum, income-based financing has generated sufficient evidence to be scaled up and replicated (e.g. ILU Fund of Pro Mujer and Deekten Impact, Adobe Capital / Viwala + Pro Mujer). There is an opportunity to increase the use of these instruments in Latin America, where they still represent only a small part of the available financing compared with private capital and debt instruments.

- Key fund managers with an impact in the mezzanine spectrum for SMEs include: Pro Mujer, Enclude (now Palladium), Adobe Capital, Viwala, Village Capital, Blue like an Orange, Grassroots Business Fund, pyme Capital, Incofin and Pomona Impact. With the exception of Grassroots Business Fund and Pro Mujer, none of these funds so far has a presence in the Southern Cone.

It is important when choosing a tool to be applied to the Uruguayan market to consider the needs of the segment which it is sought to serve and design a custom-made financial solution. The above examples refer to this in other countries in the region.

2.

State of the sector in Uruguay



State of the sector in Uruguay

To understand the state of the sector in Uruguay, the existing literature was analyzed and 60 in-depth interviews were conducted in April and May with representatives of the Government, cooperation, financial institutions, intermediaries, investors, entrepreneurs and private capital companies. For further information on the methodology used, see the Annex.

In Uruguay, the existing regulatory framework includes the gender perspective and promotes women's economic empowerment.

Analyzing gender lens investment with an impact in the country, one can observe an incipient market, which, despite favorable conditions for private and enterprise capital investment, political and economic stability and government, private and multilateral investment to develop the sector, faces the same challenges as other markets in the region.²⁵

2.1. Demand for capital

On the demand side, despite the multiple variables which limit women's access to credit, the interviews and surveys carried out for this study show that there are five main issues: cultural and social barriers which lead to "self bias" in relation to financing, guarantee requirements, lack of self-confidence, lack of role

models and scarcity of credit products aimed at women. In addition, the crisis caused by the COVID-19 pandemic has accelerated the digitalization of the economy, highlighting the importance of including strategies to reactivate components designed to strengthen women's digital skills and to avoid the crisis aggravating pre-existing inequalities in the market.

An analysis of credit data provided by the National Development Agency (ANDE) of the Uruguayan Government, the disparity in women's access to financing can be clearly seen, not only the number of credits granted but also the amounts allocated, which are significantly lower on average (see table). It should be stressed that within the financing granted by ANDE through microfinance institutions (MFI), as observed in other countries in the region, the percentage of credits granted to women is noticeably higher than the percentage granted to men. This shows that women mainly access smaller credits, for start-up companies, and on other terms and conditions than the higher credits or more sophisticated financial products where there is a greater prevalence of men. Likewise, it is important to highlight the weight of the agriculture and livestock sector, which shows that in the interior of the country, the gap in access to financing is still growing.

Types of financial instruments granted by ANDE

Number of credits and amounts of placements supported by ANDE financial instruments. Distribution by gender of borrower.

	Women		Men	
	% Amount of credits	% Amounts	% Amount of credits	% Amounts
ANDE Financing Program *	28%	17%	72%	83%
Microfinance Promotion Package	54%	55%	46%	45%
Targeted Credit Program	42%	37%	58%	63%
	42%	36%	58%	64%

²⁵ UN Women (2019)

The table shows the results of the following programs:²⁶

- **ANDE financing programs:** credits granted to the MSME sector on the following condition (maximum USD 2,000 interest rate 5%)
- **Microfinance promotion package:** an instrument which generates a subsidy to cover a percentage of the cost associated with the contracting of an additional business consultant by the MFI, for the purpose of reaching zones prioritized by ANDE considering the severe limitations on access to financing.
- **Managed credit program:** a financing instrument by which an interest rate subsidy is granted to microfinance institutions, with the objective that they grant productive credits to MSMEs.

The study carried out by the Latin American Development Bank, CAF, in 2018, “Financial Inclusion of Women in Latin America” concurs with the results obtained in the interviews conducted for this study in which it is observed that women display a greater aversion to risk, and more conservative behavior concerning investment decisions, whether to start a business or expand its capital, which consequently results in low levels of indebtedness.²⁷

The OMEU (Organization of Women Entrepreneurs of Uruguay) highlights women’s lack of credit history as the principal barrier to access to financing, as they use their personal accounts (in most cases in the name of the husband) instead of opening bank accounts for their companies. A second factor is the aversion to taking financial risks and opting for maximum use of the resources that they possess, which in many cases prevents scaling up of the enterprise. Training which incentivizes cultural change within the demand for capital sector is a paramount necessity to achieve strengthening of the MSME sector headed by women.

The National Survey of MSMEs by the Ministry of Industry, Energy and Mining (MIEM) for 2012,²⁸ updated by teams of consultants in 2017, establishes the existence of 129,000 microenterprises (in this case urban) in Uruguay

in 2015, defined as: enterprises with annual turnover of less than two million indexed units and with up to four employees. The same survey indicates that rather more than half the microenterprises do not use credit as a way of financing their activities; it detects a certain aversion to taking out loans, and mentions various reasons, chief among them “cultural remoteness from the banks”. Thus, 32% of urban microenterprises do not use a bank. To this world of urban enterprises should be added over 38,000 rural enterprises of owners without employees and microenterprises, according to the report on Data of Contributors to the Social Security Bank (BPS) at December 2018.

From the interviews with women entrepreneurs, it emerges that financial institutions ask them for guarantees which they do not have, and that the credit process is generally slower than they need. In addition, they point to the lack of time to analyze available financing options and that day-to-day pressures very often do not allow them to plan long-term growth. Lastly, the perception that seeking a loan is not good business for entrepreneurs, as it is considered expensive and very risky.

From meetings with the principal actors in the Uruguayan market, it emerges that the impactful investment market with a gender perspective is small and formed on the demand side by three major sectors:

- Emprendedoras de alto impacto, demandantes fuertes de capital.
- Pymes/Mipymes con necesidades de financiamiento para capital de trabajo y maquinaria.
- Emprendimientos familiares con necesidad de financiamiento para capital de trabajo.

La mayoría de las políticas actuales se centran en microfinanzas y micro pymes dejando a las empresas medianas desatendidas por ser demasiado grandes para las microfinanzas, pero aún muy riesgosas para los bancos. Por otra parte, el sector cuenta con mucha informalidad, especialmente en el interior, donde se visualiza una mayor dificultad en el acceso al mercado financiero.

²⁶ ANDE (2020)

²⁷ CAF (2018)

²⁹ Data supplied by MIEM

2.2. Supply of capital

The interviews conducted for this study show, in relation to the supply of financing, firstly, the lack of disaggregation of the data by sex and lack of gender analysis in the performance of the credit portfolio, and women's participation in the various enterprise sectors. This leads financial institutions to miss out on a market with high potential and confines women to financial models with restrictions at the moment of growing their enterprises. In addition, the lack of financial services and products suited to the particular characteristics of women, and the size of the enterprises where most of them operate, constitute an obstacle from the perspective of supply of the products and services of the financial institutions.

The financial system in general is open to innovation, but not to taking risks, as mentioned in the interviews conducted. Moreover, Central Bank regulations limit the flexibility of the instruments and leverage required to operate in the financial market.

The Government has several financing programs through its various ministries, but few with a gender focus.

The following are the cases that we consider most representative in terms of gender financing by the public sector, or those which, while not gender-focused, resolve the problems faced by companies or enterprises headed by women which are active in Uruguay today:

- **República Microfinanzas** – This unit of the Banco República del Uruguay is focused on microenterprises at the base of the pyramid, mainly women with limited resources. Credits are granted without collateral security, analyzing the risk of default through case-by-case monitoring of clients throughout the process and history of the client.

Of the 18,500 microenterprise clients served by means of microfinance, 7,650 are women business owners, representing 41%. República Microfinanzas financing of businesses headed by women is over 35% of enterprises headed by women according to the National.

- **National Development Agency (ANDE)** – This State agency, while not having a program with a gender focus, deals with many of the problems facing women entrepreneurs. It seeks to democratize and facilitate access to financing on appropriate conditions for micro, small and medium-sized enterprises, pursuing the objective of promoting their development. For this purpose, it designs programs and instruments to strengthen and empower both supply and demand throughout the country.

Its action lines are as follows: promotion and development of microfinance, creation of partnerships, strengthening and training microfinance institutions (MFI). It provides finance to MFI to allow MSMEs, through them, to access quality financial services, it promotes the a financial culture in smaller enterprise, it seeks alternative channels of financing, facilitates access to financing through guarantees under the National Guarantee System (SIGA), and provides direct financing to MSMEs.³⁰

It also has three instruments which address and support MSMEs and entrepreneurs through financial education: ILO Financial Education Programme³¹, Financial Facilitation³² and Promotion of a Financial Culture.

- **Ministry of Livestock, Agriculture and Fisheries (MGAP)** – In the framework of the National Plan on Gender Policies in Livestock and Agriculture, on 31 May 2021 was launched the Rural Women Guarantee Fund. Co-financed by MGAP, ANDE and the Ministry of Economy and Finance (MEF), it will start operating in the second half of 2021, aimed at women's productive enterprises. The Fund at June 2021 is USD 500,000.

The objective is to increase the proportion of women who receive State support for agricultural and livestock production. For this, it is sought to develop specific credit instruments for productive support to women through the Rural Women Financing Programme, and a system of grants for productive training and design of training in financial and estate management.

³⁰ <https://www.ande.org.uy/financiamiento.html>

³¹ <https://www.ande.org.uy/component/zoo/item/educacion-financiera-oit.html?Itemid=148>

³² <https://www.ande.org.uy/convocatorias/item/facilitacion-financiera.html>

MGAP highlights the lack of assets and title in the name of the woman, and how their lesser presence in decision-making and management areas also result in limitations on access to other opportunities and resources such as credits and trade organization representation, among other things. Administrative formats centered on sole ownership generate

distortions in the information on control and ownership, and, at the same time, have symbolic effects on legal and administrative recognition concerning powers and resources available to someone who does not have title. This situation limits even further the access of rural women to credit and financing to upscale their businesses even further.

Proportion of women and men in the administrative records of ownership and property analyzed as of 2020

	Women %	Men %	Sources
Registered vineyard ownership	20%	80%	INAVI
Ownership of companies registered in the wine sector	16%	84%	INAVI
Ownership of seed companies registered as natural persons	25%	75%	INASE
Ownership of natural persons, inheritance and partnership in forest folders	36%	64%	DGF
Registered persons with ownership of beehives	13%	87%	DIGEGRA
Holders of honey extraction rooms	12%	88%	DIGEGRA
Holders of companies authorized to export beekeeping	13%	87%	DIGEGRA
Ownership of artisanal fishing permits	12%	88%	DINARA
Ownership of land fishing permits	26%	74%	DINARA
Associate producer	18%	82%	IPA
Ownership in the Family Production Registry	44%	56%	DGDR
Ownership of colonization family production units	26%	74%	INC

Source: MEGAP

- **Ministry of Industry, Energy and Mining – Women Entrepreneurs 8M.** In the framework of the gender policies pursued by MIEM, it is implementing the Women Entrepreneurs 8M convocation which is designed to support and develop women’s projects to promote innovation, generate substantial improvements in key areas of their enterprises and impact positively on their competitiveness. The projects selected receive a maximum of \$1,500,000, with the objective of promoting productive development and economy autonomy.

In the intermediary sector, we find several programs which aim to reduce the gender lens financing gap in the area of start-up enterprises and MSMEs.

- **OMEU/Socialab/UN Women – Women Investors.** - Its objective is to provide greater financing opportunities to enterprises headed by women and empower other women in the investment sphere. They are developing a training program for women to make them investors with impact, ensuring their access to technical assistance together with an instrument of access to financing, within

a gender lens space on an investment platform. Start date: second half 2021.

- **CIE Universidad ORT - Academia para mujeres emprendedoras.** Es una iniciativa liderada por el gobierno de Estados Unidos y ejecutada por el Centro de Innovación de Emprendimientos de Universidad ORT Uruguay. El programa involucra capacitación a 40 emprendedoras las cuales tomarán 12 cursos ofrecidos a través de la plataforma “Dream Builder” y luego tendrán sesiones de mentoría para escalar su emprendimiento. La ganadora del programa recibirá USD 3.000 dólares. Fecha de inicio: mayo 2021.
- **Initium – Montevideo University – Women in Enterprise Challenge.** The goal of the initiative is to support enterprises with potential for growth and impact which are in the early stages of development, based on financing of a communication plan which fosters visibility of the enterprise and training courses for their members. The initiative is being implemented jointly with Banco Santander which will award USD 3,000 to the winning enterprise to

invest in the communication and marketing plan and six months of pre-incubation in INITIUM of Montevideo University. Start date: May 2021.

- **Planting Program.** Program of the Presidency of the Republic which promotes entrepreneurship throughout the national territory. It connects women entrepreneurs with relevant public and private institutions, linked to the promotion and development of the entrepreneurial ecosystem, to target their goods and services on local and international markets.

On the international cooperation side, as well as the work of UN Women in the country on the incidence and training of private sector actors (financial and corporate), as well as governmental, solid and sustained work can be observed to reduce the gender gap in general, and highly disposed to collaborate in working together to create solutions on the issue of financing.

- **Latin American Development Bank (CAF).** Operating in 17 countries in the region, it is highly committed to reducing the gender gap and especially the gap in access to financing. It has carried out various studies which show this discrimination in the regions. For example, the study Gender discrimination in the consumer credit market in Chile³³ and Gender gaps in CAF surveys of financial capacities: Brazil, Colombia, Ecuador y Peru.³⁴ No studies have been done in Uruguay so far.
- **IDB Invest.** The financial arm of the IDB Group, in 2019 it launched, jointly with Banistmo (subsidiary of Bancolombia in Panama),³⁵ the first Gender Social Bond in Latin America. Banistmo issued the bond for USD 50 million, and IDB Invest structured it and purchased 100%. The Bond is aimed exclusively at expanding access to financing for SMEs headed by women.

- In 2020, it carried out the structuring and subscription of a Social Bond issue with a gender focus in Colombia, issued by Banco Davivienda S.A. (Davivienda). The transaction, for an amount of USD 100 million, equivalent to 362,500 million Colombian pesos, has a term of seven years. It is the first issue and investment of a gender social bond in the world with incentives linked to objectives. The resources generated by the placement of the bonds, wholly acquired by IDB Invest, will be used exclusively by the issuer to finance growth of the portfolio of SMEs headed by women (SME Women), and also the purchase of social housing by women in Colombia.
- In 2020, it structured and subscribed a subordinate bond issued by Banco Pichincha, Peru, for USD 13 million over ten years. This issue is aimed at strengthening women's empowerment through microfinance and financing working capital, and improving housing of micro and small enterprises.³⁶
- In March 2021, it launched a Gender Social Bond in Mexico for approximately USD 122 million over three years. It was the first gender bond issued by a multilateral development bank in Latin America and the Caribbean. The Bond has been listed on the Institutional Stock Exchange (BIVA) in Mexico, and the funds raised will finance projects designed to promote gender equality and women's empowerment in the region.³⁷
- **World Bank.** Provides financing and advice on policies and technical assistance to the governments of developing countries with the objective of ending extreme poverty and promoting shared prosperity. Although for the World Bank, Uruguay is the most egalitarian country in Latin America, there are still excluded groups, such as Afro-descendent people, people with disabilities, women and trans persons.

³³ CMF (2020)

³⁴ CAF (2021)

³⁵ <https://www.idbinvest.org/es/medios-y-prensa/bid-invest-y-banistmo-filial-del-grupo-bancolombia-anuncian-la-emision-del-primer-bono-de>

³⁶ <https://www.idbinvest.org/es/medios-y-prensa/bid-invest-apoya-banco-pichincha-en-la-emision-del-primer-bono-social-en-peru>

³⁷ <https://www.idbinvest.org/es/medios-y-prensa/bid-invest-emite-su-primer-bono-de-genero-para-financiar-proyectos-que-apoyan-las-mujeres>

This institution is undertaking a study on wage gaps in Uruguay, and, at regional level, launched the Gender Innovation Laboratory for LAC³⁸ and has applied gender lens financing programs in Mexico.³⁹

- **European Union.** Through its Instrument of Association, the European Union in the region has financed the UN Women Win-Win: gender equality means good business program (2018-2021), with Uruguay as one of

the beneficiary countries. Currently, the quinquennium 2021-2026 in Uruguay is at the planning stage, focusing on the green new deal, digital transformation, migration, decent work and democracy.

Although there are many programs seeking to reduce the financing gap with a gender focus, there is still much to do with regard to training and creation of new instruments to achieve that aim.

³⁸ <https://www.bancomundial.org/es/programs/latin-america-and-the-caribbean-gender-innovation-lab>

³⁹ LACGil (2020)

3.

Characteristics of the gap in access to financing by women entrepreneurs, SMES headed by women or with a positive impact on women and relevant sector in Uruguay



Characteristics of the gap in access to financing by women entrepreneurs, SMES headed by women or with a positive impact on women and relevant sector in Uruguay

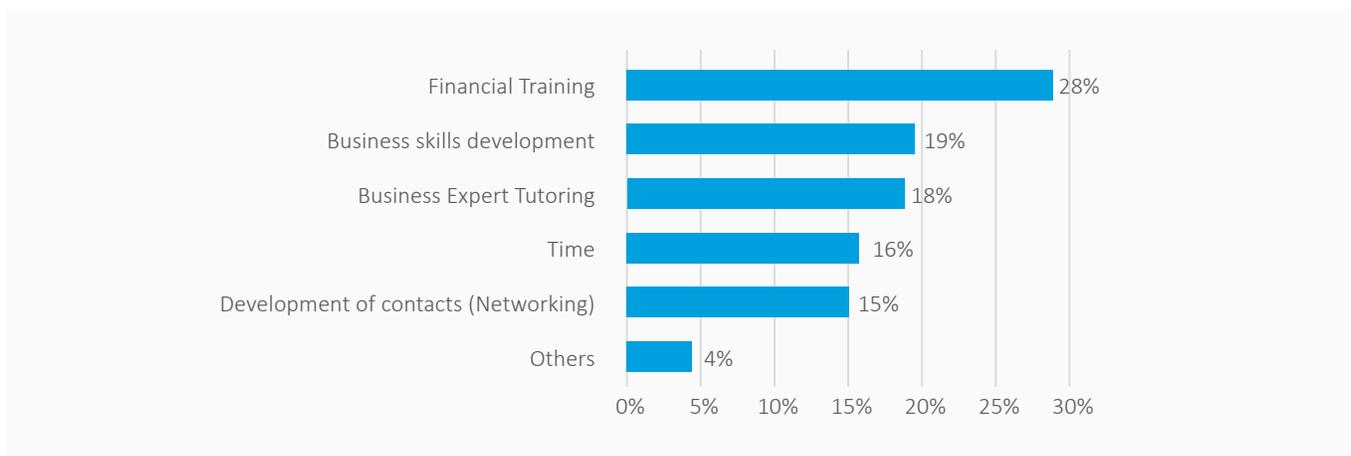
In order to identify conditions of access to local credit in the MSME sector, an online survey was carried out (with the support of ANII, ANDE, Chamber of Industries and OMEU) in the months of April and May 2021, which obtained 96 replies.

The MSMEs reached by this survey fulfill the following characteristics: enterprises which have left the start-up stage and are consolidating as more mature enterprises, they have less than 10 employees and their average annual turnover is less than 1 million pesos. This group of enterprises is poorly served by support programs for the enterprise sector which is focused mainly on new enterprises or companies with greater financing needs.

Of the total number of MSMEs surveyed, 37% are between 1 and 3 years old, 8% startups and 55% have been in business for over 3 years. 24% are in the services sector, 17% in food, 12% textiles industry and 10% technology. In 52% of cases, they only work with the partners in the enterprise and 37% have 1 to 4 employees. 98.8% have women in business decision-making positions and 65% have turnover of less than 1 million pesos a year.

Within the survey group, 90% have needed or currently need capital to upscale their business, saying that the principal skills that they need for access to financing is financial training, development of commercial and business skills and mentoring from business experts.

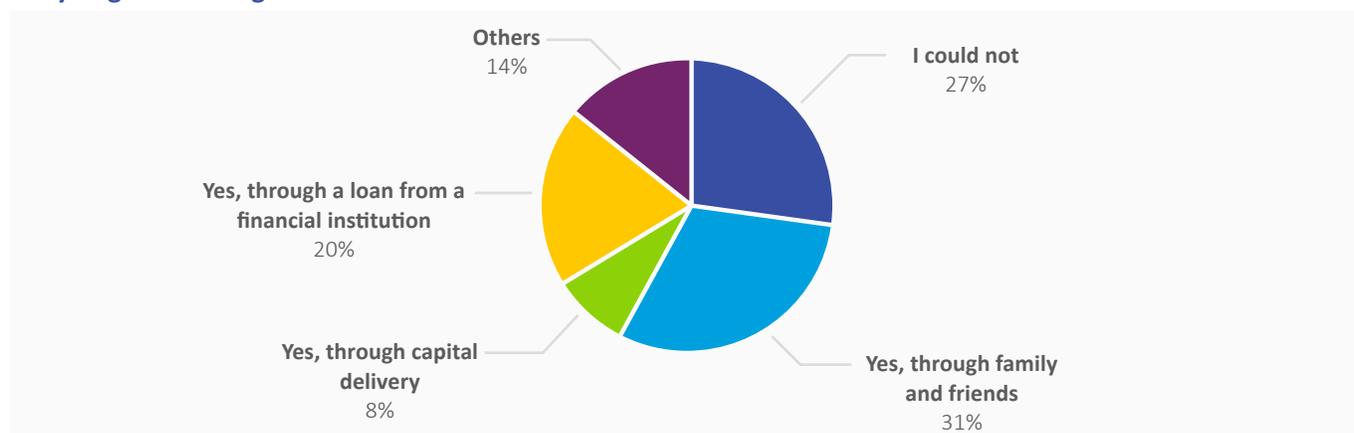
Main needs to access the financial market



Source: Own elaboration from survey data.

27% of the MSMEs surveyed had not so far succeeded in obtaining financing, and those that had, did so mainly with loans from family and friends.

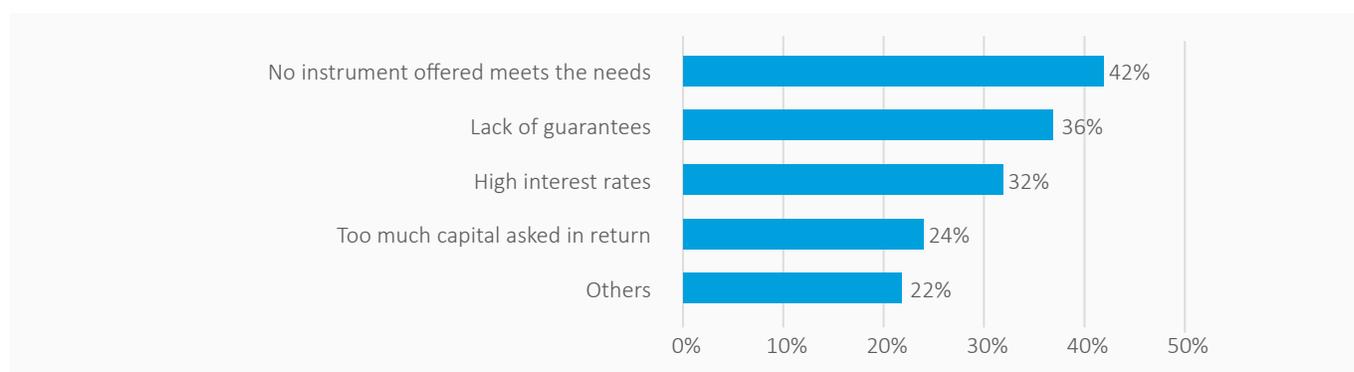
Did you get financing?



Source: Own elaboration from survey data.

Among the barriers encountered by MSMEs in accessing capital, the principal barrier is lack of a financial instrument suited to the sector, then the lack of collateral and high interest rates.

Barriers to access to capital



Source: Own elaboration from survey data.

In the case of enterprises that do succeed in accessing capital to finance themselves, they point to high interest rates, lack of collateral and too much capital required in return as the greatest challenge.

In addition, 53% of those surveyed say that they do not know how much capital they need to grow their business.

The need for advice, mentoring and support from financial and business experts is crucial for MSMEs and these needs are even more acute in the interior of the country.

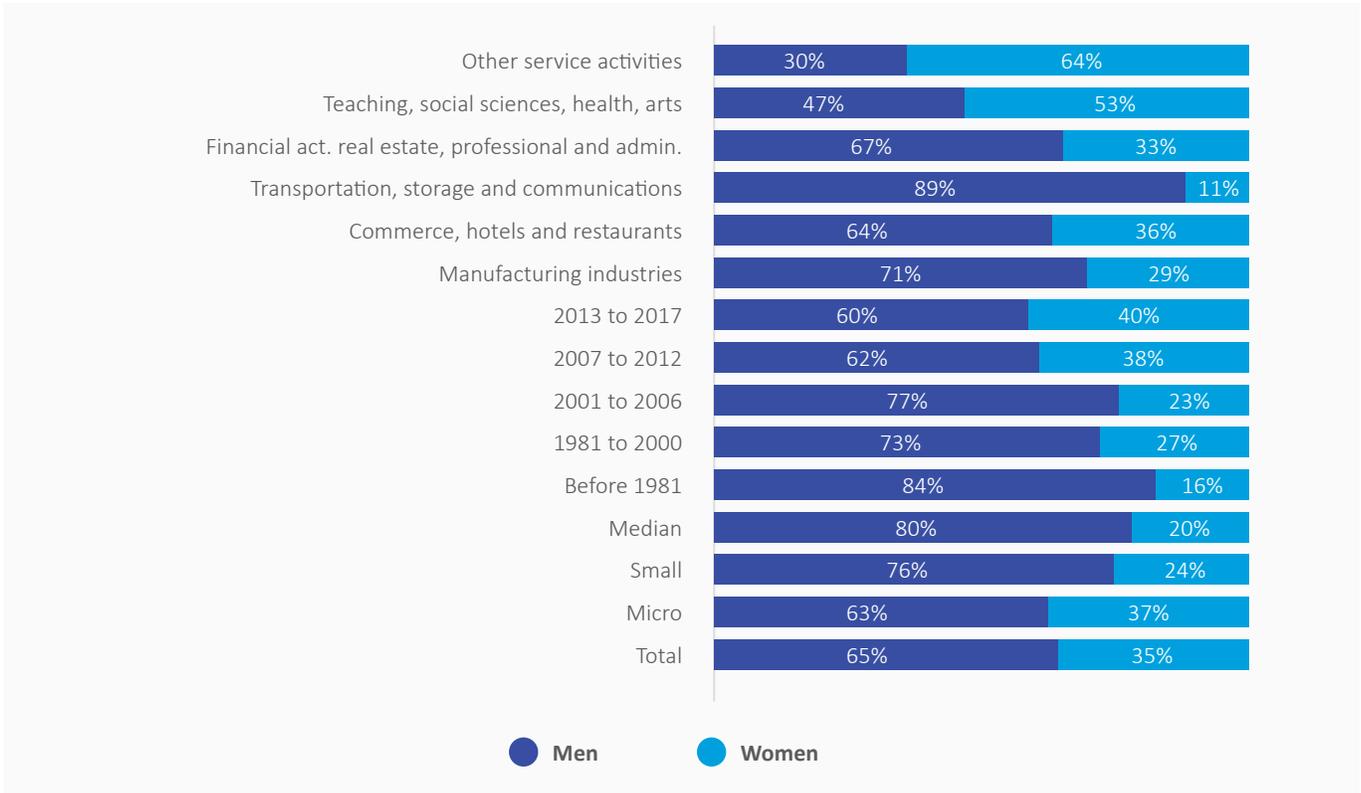
To underpin this survey, studies provided by some of those surveyed were analyzed:

- From an analysis of MSMEs based on the national survey carried out by the MIEM in 2017,⁴⁰ we find that differences by sex increase as the size of the enterprise grows.
- The management of MSMEs in Uruguay is mostly male. Women represent only 35%.
- Women's access to management positions increases as the size and age of the enterprise diminish.
- As regards size, it was found that only 20% of medium-sized enterprises are managed by women, while in micro enterprises, their share of these positions is almost double (37%).

⁴⁰ MIEM (2017)

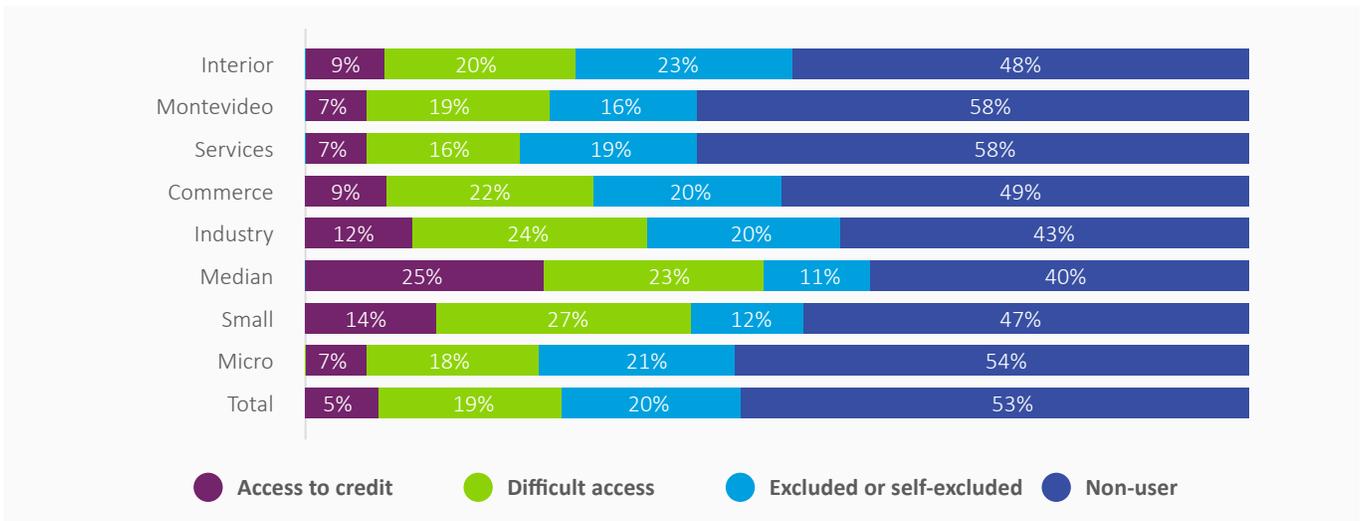
- In relation to age, the survey shows that women's access to management posts is 16% in companies formed before 1981 and rises to 40% in companies created between 2013 and 2017.

The owner of the company is a woman or a man



Source: MIEM

Typology of access to credit in the last three years according to selected variables



Source: MIEM

- MSMEs show restricted conditions of access to credit. Only 8% of MSMEs have full access to credit, because they could access a loan (bank, non-bank or personal loan for use in the enterprise) and did not present any indication of difficulty.
- 19 % accessed credit but with difficulty.
- 20 % of enterprises found themselves “excluded” or self-excluded from credit (some 30,000); they indicated that they had already needed credit, but did not obtain any.
- Finally, 53% of MSMEs do not use credit.

The study highlights that in the services sector and in those located within Montevideo, there are more enterprises that do not use credit (58%). In the interior, on the other hand, they find greater difficulty in access, with 23% of enterprises excluded or self-excluded.⁴¹

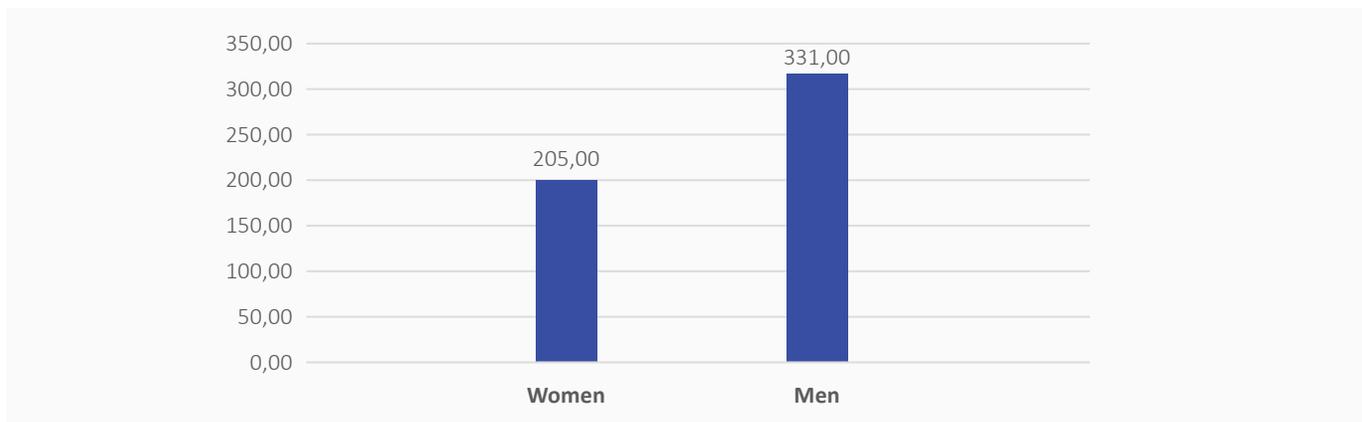
The Center for Entrepreneurship in the Faculty of Economic Sciences and Administration of the University

of the Republic (UdelaR) together with the MSME unit of the Intendency of Montevideo, the Eastern Regional University Centre (CURE), UdelaR (Maldonado and Rocha), GEPIAN Business Incubator and the Khem Incubator with the support of ANII have carried out a survey on the effects of COVID-19 on 500 entrepreneurs and MSMEs,⁴² chiefly women aged between 35 and 54 years, the result of which was that the principal problem encountered was financial: fall in turnover and inability to meet payments. 70% of the people surveyed feel high financial pressure, and say that they cannot keep up to date with payment of their debts. 32% need technical assistance, 2% need mentoring.

ANDE, through its Entrepreneurship Sector, summarized the Seed and FCPP convocations since 2016 as follows:⁴³

- 265 enterprises have been supported, comprising a total of 536 entrepreneurs.
- Of the 265 enterprises, 26.8% are exclusively made up of women (71), 33.6% by mixed teams (89) and 39.6% by men (105).

Number of people who received support by gender



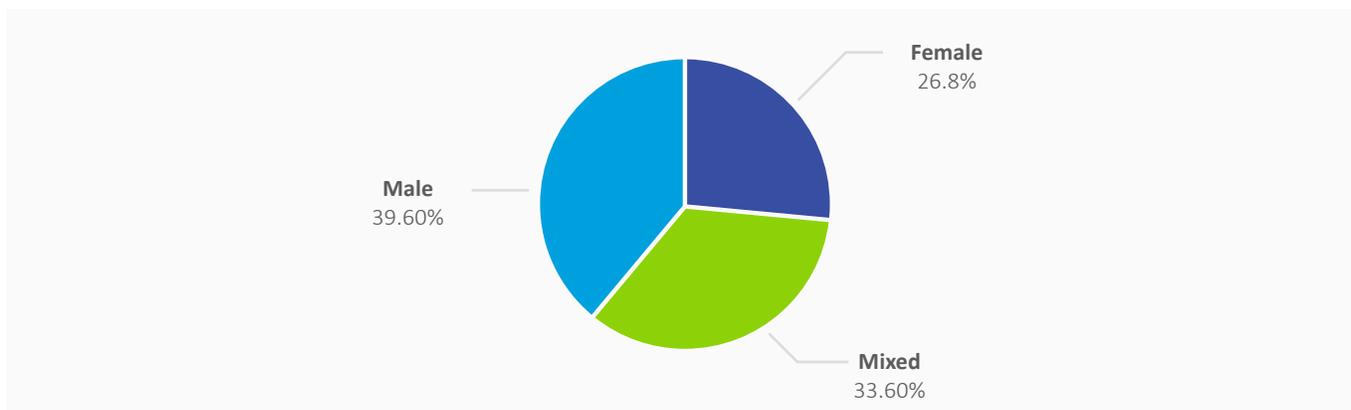
Source: MIEM

⁴¹ MIEM (2017)

⁴² ANII (2021)

⁴³ Official data ANDE

Composition of entrepreneurial teams



Source: ANDE

- Finally, 60.4% of enterprises which have received support from ANDE have at least one woman in the founding team.
- With regard to the rate of femininity of the supported population, a total of 205 women and 331 men received funds, which means that 38% of the members of the teams of entrepreneurs are women.

In short, according to the surveys and interviews carried out for this study, the MSME sector is the least well served by the market, and this characteristic is exacerbated if we look at MSMEs headed by women. Reducing the gap in access to financing and opportunities to upscale the segment requires the following:

1. Access to financing through instruments suited to the segment, already proven with success in other markets, which analyze the ability of the recipient of the credit/financing to repay, and not only guarantees with longer repayment times, and which offer appropriate interest rates to allow them to fulfil their commitments. Here the range of products in mesofinance (loans for projects which seek to solve or improve environmental or social problems in the segment comprising the recipients of the microcredit and already consolidated MSMEs) are particularly effective in working in the sector.
2. In addition, there is a clear need for financial training and support in order to be able to upscale the business and request financing in the form and amount necessary to upscale, thereby reducing the current gender gap.

4.

Training needs identified for both recipients of capital and institutions in gender lens financing



Training needs identified for both recipients of capital and institutions in gender lens financing

This study shows a general need for training in the market on the subject of gender lens financing, both for enterprises and entrepreneurs and for financial institutions that provide investment or credit.

There is evidence that women have less information or less knowledge or understanding of concepts or tools which are useful in accessing, choosing and using financial products/services compared with men.⁴⁴ For this reason, fostering women's financial skills is a challenge for public policy and a need for the financial system to have a clientele with a financial culture which minimizes their levels of risk and promotes competence.

Although interventions can be at different levels, it is important to establish the bases in primary and secondary education, which means adapting the curriculum and teacher training in financial education with a gender perspective.

Addressing sociocultural norms in the family and community, as well as peer relations which limit the use of financial products or services by women, is one pillar of the fundamental work in financial education programs, which means not only involving women as beneficiaries of these programs, but also focusing on work with men, which is also important given the power relations in homes and in financial institutions.

To address these issues, it is important not only for men and women to sing from the same song sheet, but to convene and permeate decision-makers in the various spheres that need to be influenced.

Despite the fact that financial education actions have been implemented in the public and private sector, many of them have remained at the pilot level and have not been institutionalized in public policies. It is important to push the implementation of measures in a comprehensive manner to give force to the impacts on women and the financial sector.

An analysis of the supply of financing shows interest in the subject, but a lack of instruments and products to put it into practice.

- The banking system does not have an adequate classification system to identify the gender of those who grant credits, and to develop and implement products that meet the specific needs of the sector or with a gender focus. Gender analysis in the credit portfolio is fundamental. Some institutions have begun to work on this issue within the institution before going out into the marketplace, and others recognize that adequate internal training could help in launching more specific products.
- Microfinance, which mainly finances MSMEs and family businesses, has few products specifically for women. In the case of República Microfinanzas, support and training is provided for entrepreneurs who are mainly women.
- In the risk capital segment, although there is no gender discrimination, because the type of enterprises that they finance generally focus on low technology enterprises with greater risk, the entrepreneurs in the main are men. In addition, the teams which define investments in the funds are mostly male, with some exceptions such as Magma Partners, Maya Capital or NXP Ventures, thus investments dedicated to feminine markets are less well understood and do not receive investment.
- The Government, through various ministries, provides training, but it lacks the institutionalization in public policies to ensure that they are integral and have general coverage in the population and can be adopted by the education sector.

Also observed is a lack of measurement of the impact with a gender focus among actors in the financial sector or investors which could be mitigated with the use of some of the resources available in the market so that investors can measure what they are financing in terms of gender, among them:

⁴⁴ CAF (2015)

- ILU Tool Box,⁴⁵ created by Pro Mujer and Deekten Impact with USAID support which provides a toolbox divided into four lenses which will help companies to implement different strategies to advance towards gender equality.
- The Gender Lens Incubation and Acceleration (GLIA) toolkit,⁴⁶ is a gender lens and acceleration toolbox developed by Sasakawa Peace Foundation (SPF) jointly with the Frontier Incubators program (promoted by the Department of Foreign Affairs and Trade of Australia) which has the objective of helping organizations that support entrepreneurship in South-East Asia to manage their own gender strategy providing practical guidelines, case studies and frameworks which describe mechanisms to apply a gender perspective to their organization, program and ecosystem.
- 60_Decibels (lean data),⁴⁷ developed by Acumen to measure the impact of investments in women and girls. These data make use of the power of lowcost technology and basic experimentation principles to collect high quality data in a fraction of the time and cost of other methods.
- Gender self-diagnostic for agribusinesses,⁴⁸ a self-assessment tool on gender inclusion, developed by Value for Women in association with the Walmart Foundation, which allows agricultural businesses to capture data broken down by sex at various levels in an enterprise, including human capital, management of productivity and marketing. This simple and easy-to-use data collection tool allows enterprises to monitor improvements resulting from the adoption

of new policies, systems and practices, and identify gaps and opportunities to enhance their focus on gender inclusion.

By analyzing demand for financing, three main sectors can be distinguished: family businesses, SME/MSME and high impact enterprises. Although the type of training necessary in each case is different, in all the sectors, a major lack of financial training and support can be observed. In many cases, the lack of good communication of training programs means that they do not reach the beneficiaries concerned.

As mentioned above, it is necessary to address the following points to facilitate women's access to financing, and it is recommended to focus training on them, namely:

- Cultural and social barriers
- Collateral requirements
- Lack of self-confidence
- Lack of role models
- Scarcity of credit products aimed at women or adapted to the needs of enterprises headed by women, especially MSMEs
- Strengthening women's digital skills

This will lead to avoiding the crisis in the present and future world of work deepening the inequalities that already exist in the market.

⁴⁵ <https://iluwomensempowermentfund.com/toolbox-espanol/>

⁴⁶ <https://toolkits.scalingfrontierinnovation.org/glia/introduction/introduction/>

⁴⁷ <https://acumen.org/lean-data/>

⁴⁸ <https://giabiz.v4w.org/>

Conclusions



Conclusions

As a result of the analysis of the current market for financing with a gender focus in Uruguay, the most relevant characteristics that emerge are a great need for financial and business training, as well as financing of the various demand sectors (SMEs, MSMEs), together with a training and lack of adequate instruments with a gender lens on the supply side. It also highlights the need to intensify the work of awareness-raising and impact that has already begun, to overcome the situation of bias (in the financial sector) and “self-bias” (of women entrepreneurs and women themselves) concerning access to financing. In this regard, we highlight the following:

1. Education, training and impact to facilitate access to financing and overcome gender bias and “self-bias”

The need is emphasized to create solutions among the various market actors and government to obtain better results. Enterprises headed by women need a more integrated approach in terms of financing, which includes not only access to capital in an appropriate form, but also training for developing and upscaling their business. In this sense, one of the fundamental considerations when designing a new instrument is to identify the beneficiary group/sector or type of enterprise which it is sought to support or empower, and define what are the principal challenges and conditioning factors, features and opportunities to be able to support the financing with custom-made training and support relevant to the needs identified.

The fruit of the qualitative interviews conducted and consistent with the findings of other studies, both national and regional, on the subject, it is concluded that it is important to have a role model which helps women to identify themselves and break with the ruling stereotypes and paradigms, thus it is important to raise the visibility of women and increase their participation in the financial and investment system.

Continuing the work of impact and awareness-raising by civil society, government and cooperation actors is fundamental; intensifying it in those sectors which it is sought to influence such as the financial institutional, risk capital and enterprise sector in the country. The financial sector recognizes the lack of training to be able to focus loans and financing options for women or enter-

prises headed by women differently, and to be able to design new instruments more suited to the needs of women.

Likewise, joint action is necessary with the educational system, both at elementary level (primary and secondary) and tertiary and university in Uruguay, to work on the biases and “self-biases” of gender and women concerning professions or future economic development or professional decisions. IN addition, to develop basic financial skills and understanding from an early age both in women and in men.

2. Access to guarantees – to allow women’s access to financing on better terms

Based on the interviews and the surveys, the need emerges for greater access to guarantees which allow the MSME segment to access bank loans, especially better interest rates and durations than those secured through microfinance and personal consumer loans, which are more accessible because they do not have sufficient collateral.

In this regard, the Government, through ANDE, has facilitated market access for MSMEs, providing support with the SIGA system of guarantees aimed at various sectors heavily affected by the pandemic, such as tourism, and MSMEs in the interior of the country or companies with a turnover in excess of \$ 1 million.

The development banks, as second tier banks which mobilize resources at preferential interest rates and terms to facilitate economic development or development of specific productive sectors or population segments, have the potential to channel resources to the financial system to allow it to expand financing opportunities for women through guarantees.

3.3. Data – to raise the visibility of the scale and market opportunity and measurement of impact with a gender focus

The financial system must analyze its portfolio with a gender focus and use an appropriate classification system to evaluate women’s financing. Data analysis is fundamental in designing strategies and developing new instruments suited to the needs of enterprises headed by

women or with a strong imprint on women's economic development.

In Uruguay, the lack of data on the entire financial system prevents estimating the scale of the market that is missing out by not investing in gender. Of 27 people interviewed in the capital supply sector, none breakdown data by gender, except ANDE and República Microfinanzas. Also emerging from the survey is the lack of training in measurement of investment with a gender focus in the market as a whole.

According to the WEF report 2021⁴⁹, the gender gap in women's economic opportunities and participation in Uruguay was 31%, which means that there is still much work to do, given that at this rate, it will take 73.9 years to close the gender gap in the country.

4. Development of investment vehicles with a gender focus adapted to the needs of the segment that it is sought to address

When choosing a tool to be applied to the Uruguayan market, the needs of the segment that it is sought to serve must be considered, and design a custom-made financial solution, taking account of the context.

The use of instruments on a larger scale in the range of microfinance is still something that remains to be done in the Uruguayan market, especially to serve the portfolio of SME and MSME headed by women or with an impact on them. The objective of these instruments is to contribute to the capital which lies between contributions by partners and the financial obligations assumed by an enterprise throughout its life cycle, allowing improved profitability and organic growth of the company.

It is also highlighted that, given that there is no single solution for all investors, the following actions can be used as a point of reference, and adopt all or a mix of them depending on the starting point, motivations and objectives. In addition to this, investors can add more elements on an incremental basis to constantly increase their gender inclusion practices and gender impacts.⁵⁰

- Provide capital to enterprises headed by women and with a gender perspective
- Apply a gender perspective throughout the investment process
- Promote gender diversity in the investment company

In addition, the use of technological tools or "fintech" to break with paradigms of the financial system in gender lens investment is fundamental. If we consider that the best solution to financing needs is debt, it is recommended to use other risk assessment criteria as an alternative to guarantees and in all cases support loans with training and support to break down the barriers which prevent women from accessing the financial market.

Once the instrument has been defined, it is most important to support it with good communication so that all women concerned can apply. It also emerges from the survey that it is possible in many case that women do not seek financing because of lack of information due to the way in which investment opportunities are disseminated and communicated.

⁴⁹ WEF (2021)

⁵⁰ V4W (2020)

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Annex



Methodology

This study seeks to ascertain the situation of investments with a social impact from a gender perspective in Uruguay, including:

- What instruments are available from the point of view of supply of capital with a gender focus in Uruguay and how so you measure their impact?
- Identifying the challenges and needs of women entrepreneurs in accessing the financial system.
- Identifying the principal barriers between the supply of capital in the financial sector and enterprises headed by women or women entrepreneurs.

To address these questions and collect the information available, quantitative and qualitative methods are used:

1. Bibliographic analysis

An exhaustive analysis of the existing literature was carried out (publications, studies, documents and surveys), consultation of websites of relevant actors and organizations, and news in the communication media, both the mass media and specialized media with the objective of finding information on the subject in the country.

This information also allowed us to produce a list of key actors for interview and identify trends/and themes with the most relevant impact on companies, entrepreneurs, organizations and investors.

2. In-depth interviews:

90 organizations were contacted during the months of April and May 2021. This led to 60 in-depth interviews with representatives of government, cooperation, financial institutions, intermediaries, investors, entrepreneurs and private capital companies.

The interviews were semi-structured with key actors to validate and/or adjust the results obtained during the bibliographic analysis.

Set out below are the interviewees broken down by sector to which they belong:

Governmental sector

- ANDE
- ANII
- CENTRAL BANK
- SEMBRANDO
- MGAP
- INMUJERES
- MIDES
- URUGUAY XXI
- CHAMBER OF INDUSTRIES
- INEFOP

Cooperation

- IDB INVEST
- WORLD BANK
- SPANISH AGENCY FOR COOPERATION
- EUROPEAN UNION
- CAF

Financial sector

- BBVA
- ITAU
- SANTANDER
- SCOTIABANK
- BROU
- FONDES INACOOOP
- OIKOCREDIT
- REPÚBLICA MICROFINANZAS
- ABPU
- MONTEVIDEO STOCK EXCHANGE
- CREDITEL
- AIVA HOLDING

Intermediaries

- SOCIALAB
- GEPIAN SALTO
- DERES
- ENDEAVOR
- CIE ORT
- INITIUM
- CENTRO ITHAKA
- UDELAR
- OMEU
- CHAMBER OF EXPORTERS OF URUGUAY
- CPA FERRERE
- PRICE WATERHOUSE COOPERS
- INALE

Investors

- THALES LAB
- X-CALA
- PISO 40
- TOKAI VENTURES

Entrepreneurs

- 4D ENGLISH
- ABITO

- YOUHUB
- ZHU
- LITTLE REBELS
- SELLIN
- CODEVERSITY
- EYECUE

Private capital companies

- TRES CRUCES
- SALUS
- DANONE BLUE OPERATIONS

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- Carmen Sanguinetti, Senator
- Teresa Aishemberg, Union of Exporters of Uruguay
- Mónica Bottero, INMUJERES
- Macarena Botta, BRAVAS
- Carolina Ferreira, AUCI

3. Survey of demand for capital:

To ascertain the conditions of access to credit, an online survey was carried out, and 96 replies were received from the MSME sector. This survey was carried out with the support of ANII, ANDE, Chamber of Industries and OMEU.



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