Development Instruments
with Gender Perspectives

Financial inclusion is a key objective for economic development in Latin America and the Caribbean (LAC), especially of micro, small and medium-sized enterprises (MSMEs) led by women. Despite the advances in the last decade, significant gaps persist in terms of access to financial services, particularly for women entrepreneurs.

The gender gap in LAC in bank account ownership is 7%, behind only the Middle East, Sub-Saharan Africa and South Asia, reflecting the barriers that women face to fully participate in the economy.

The COVID-19 pandemic accelerated the use of digital financial services, such as mobile money accounts, which allowed more women and vulnerable populations to access basic financial products. However, 30% of women in the region are still unbanked, which limits their ability to save, invest, and cope with economic hardship. Gender gaps are more pronounced in access to credit, crucial for entrepreneurship and business growth. Women-owned or women-led MSMEs are confronted with multiple barriers to accessing financing. Thus, we have:

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- **Gender Gap in Access to Credit:** Although almost 50% of companies in LAC have some female participation in their shareholding, there is a significant gap in financing. According to the IDB, the financing gap for women-owned SMEs is approximately US$92 billion, and for microenterprises, US$5 billion. Women are less likely to apply for formal loans, and, when they do, they face higher interest rates and lower amounts compared to men. For example, in Mexico, the average interest rate for women is 8.2%, compared to 7.6% for men.
- **Lack of collateral:** Women often lack the assets needed to offer as collateral, such as property or vehicles. According to a study by the Center for Argentine Political Economy (CEPA), the gender gap goes beyond income, as it is manifested at the equity level, so seven out of ten Argentines with declared personal assets are men.

- **Biases in risk assessment:** The risk assessment models used by financial institutions often do not take gender differences into account. A study by PwC and TotallyMoney shows that, on average, women have a credit score 10 points lower than men and it persists throughout their lives. This results in a perception of greater risk associated with women, despite the fact that female delinquency rates do not support this belief.

- **Concentration in lower-value sectors:** Women-owned businesses tend to be concentrated in sectors that banks perceive as having a lower value or being riskier, such as retail trade or personal services. According to ECLAC, 58% of women-owned businesses in LAC are in the services sector, compared to 42% of male-owned businesses. This limits their access to more sophisticated financing and lower interest rates.

- **Self-exclusion and lack of trust:** Many women exclude themselves from the formal credit market due to the perception that they will not be approved or due to a lack of trust in financial institutions. According to the Global Entrepreneurship Monitor (GEM), 47% of women entrepreneurs in LAC believe that they would not qualify for a bank loan, compared to 38% of men.

In this context, NDBs have emerged as key players in closing these gaps, considering their mandate to promote inclusive economic development, which positions them to design products adapted to the needs of women entrepreneurs. Thus, through a mapping of 30 development banks in 16 countries in the region, we identify the strategies and tools that these institutions are implementing to improve access to financing and promote the business development of women.

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FINANCIAL INSTRUMENTS FOR WOMEN-LED MSMES

Development banks have implemented a variety of financial instruments to address the specific needs of women-led MSMEs. These instruments are adapted to the particularities of the economic sectors in which women entrepreneurs operate, as well as to the challenges that they are confronted with in terms of access to credit, guarantees and business cycles.

- **Direct credits:** One of the most common instruments used by development banks is direct credit, where the bank acts as a commercial bank and provides financing directly to women entrepreneurs. This type of credit focuses on the financing of fixed assets and working capital. According to the mapping carried out, 70% of development banks offer direct loans for working capital, while 50% provide loans for investment. These credits are usually complemented by concessional financing, which consists in loans at reduced interest rates, granted by international institutions focused on gender initiatives.

- **Rediscount credits:** Another key financial tool is rediscount credits, where development banks provide lines of credit to local financial intermediaries, such as banks or microfinance institutions, which, in turn, distribute the funds among the women entrepreneurs. This mechanism is particularly effective in reaching a large number of MSMEs that have difficulty accessing external financing. 23% of development banks offer rediscount loans for investment, while 20% offer them for working capital.

- **Guarantees:** These are another important financial instrument that these banks use to facilitate access to credit for women-led MSMEs. These guarantees reduce the uncertainty generated by asymmetric information, a particularly serious problem for women entrepreneurs who lack tangible assets to offer as collateral. 20% of development banks offer women-specific guarantee funds, such as the Guarantee Fund for Women (FOGAMU) in Paraguay and FOGAIN Women in Chile. These funds allow women entrepreneurs to access loans with lower interest rates and in larger amounts.
- **Seed capital and venture capital:** Although less common than debt instruments, some development banks also offer capital financing for women-led MSMEs. This type of financing is crucial for early-stage or growth-stage businesses, as it allows them to access resources without the pressure of immediate payments. However, only 10% of development banks offer seed capital and venture capital programs, which indicates that there is still ample margin to expand this type of financing.
- **Factoring and leasing:** These are alternative financing mechanisms that seek to grant resources for working capital and capital goods, respectively. These products are increasingly being geared towards women entrepreneurs, although their use continues to be limited. Only 7% of development banks offer factoring, and 3% offer leasing. These instruments are particularly useful in reducing transaction costs and the dependency on traditional collateral.

NON-FINANCIAL SERVICES FOR WOMEN-LED MSMES

Aside from financial instruments, development banks are offering a variety of non-financial services that are essential for the success of women-led MSMEs. These services complement financial support with tools and resources that allow women entrepreneurs to better manage their businesses and improve their competitiveness in the market.

- **Training and capacity building:** 70% of development banks offer training programs for women entrepreneurs, focused on entrepreneurial skills, financial management, technological updating, and legal procedures. These programs are critical to improving the ability of women to manage their businesses and make informed decisions. For example, the "BN Mujer" (BN Woman) program in Costa Rica offers virtual training workshops and personalized technical advice to help women entrepreneurs scale their businesses. Moreover, in Bolivia, the "BDP Mujer" (BDP Woman) program, through different platforms and training workshops, promotes women to have digital and financial inclusion, through its applications, remote technical assistance and financial inclusion workshops that favor the empowerment of the different entrepreneurial and productive sectors led by women.
- **Technical assistance and mentoring:** 47% of development banks offer technical assistance and mentoring to women-led MSMEs. These services include direct interactions with experts in areas such as accounting, finance, and marketing, allowing women entrepreneurs to receive personalized guidance to overcome their specific business challenges. For example, the "BICE Mujeres que Lideran" (BICE Women Who Lead) program in Argentina combines credit with mentoring and networking activities, generating valuable connections among businesswomen.
- **Information dissemination:** 40% of development banks offer information dissemination services, which include the publication of guides, manuals, and online resources to help women entrepreneurs access relevant information on financing, markets, and regulations. These resources are particularly useful for women in rural or remote areas, where access to information may be limited.
- **Creating support networks:** 24% of development banks offer opportunities for creating networks, which allow women entrepreneurs to connect with other market players, such as suppliers, buyers, and mentors. These networks are essential to foster collaboration and knowledge-sharing among women entrepreneurs, which can lead to new business opportunities and strategic alliances.

MAIN CHARACTERISTICS OF FINANCIAL AND NON-FINANCIAL PRODUCTS

They are designed to adapt to the specific needs of women-led MSMEs. Some of the key features of these products are described below:

- **Terms adapted to the needs of women entrepreneurs:** Deve-

lopment banks have structured repayment deadlines according to the objectives and characteristics of the projects of women entrepreneurs. For example, working capital credits typically have short deadlines (up to 3 years), while investment credits can have longer deadlines (up to 10 years). This flexibility allows women entrepreneurs to better manage their cash flow and make long-term investments.

- **Interest rates and subsidies:** These rates vary amply among programs, but many development banks offer preferential rates for women entrepreneurs. For example, the "Semilla Mujer" (Seed Woman) program in Bolivia offers rates of 7% per year for productive activities. Moreover, some programs include government or international donor subsidies to lower interest rates and make credit more accessible to low-income women entrepreneurs.

- **Flexible guarantees:** Collateral requirements are a key factor in access to credit. Many development banks have adopted flexible approaches to collateral, such as the granting of loans on mere signature or the use of personal and community guarantees. These approaches are particularly useful for women who lack tangible assets to offer as collateral.

- **Disbursement mechanisms:** Development banks use different disbursement mechanisms, such as direct disbursement and rediscounting. Direct disbursement allows for a closer relationship with women entrepreneurs, while rediscounting is more efficient in terms of scope and cost. The choice of the mechanism depends on the institutional capacity of the bank and the country's financial infrastructure.

- **Geographic perspective:** These institutions are designing financial products that address the specific needs of women entrepreneurs in urban and rural areas. In rural areas, programs tend to focus on agricultural-livestock activities and offer longer deadlines and subsidized interest rates. In urban areas, programs are more geared toward sectors such as commerce, services, and manufacturing.

SPECIFIC EXPERIENCES AND PRODUCTS

Over the last few years, the number of NDBs recognized for their success in financing women-led SMEs has been increasing. This section provides a brief overview of their models and impact:

- Banco de Inversión y Comercio Exterior (BICE) of Argentina: It stands out for its "Mujeres que lideran" (Women who lead) program which offers the use of variable interest rates, along with solid training and networking services. Its direct lending approach fosters close collaboration and support. From its inception until the end of 2023, the program financed 418 companies, granting more than US$210 million. During this period, the share of women-led companies in the total financing portfolio increased from 8% to 16% in the number of companies served, and from 7% to 16% in terms of disbursements. Moreover, 47% of these companies received financing that covered more than 80% of their investment.

- Banco de Desenvolvimento de Minas Gerais (BDMG) of Brazil: Reflects its commitment to gender equality through its internal diversity programs providing significant credit support for women-led businesses. Its Woman Entrepreneur from Minas Gerais line, launched in October 2018, offers interest rates lower than those of other products in the same category offered by the Bank, which constitutes another differentiating characteristic of the product, in order to give women in Minas Gerais the opportunity and incentive to grow their businesses, with the aim of reducing gender inequality in the State of Minas.

The line is 100% digital, in order that women-led MSEs may have access through the BDMG Digital online platform in a simple and agile manner. The credit analysis is carried out using the algorithm developed for the platform and takes up to one hour, based on integration with databases, the information provided by the customers and a risk analysis model based on credit scoring. The system is integrated with the databases of verification bodies such as the Banco Central do Brasil and the State Secretariat for Finance. Between 2018 and late 2023, the Bank backed women entrepreneurs with exclusive financing lines. In total, US$54 million have already been granted to 5,054 women entrepreneurs in Minas Gerais.

- Development Finance Corporation (DFC) of Belize: demonstrates how NDBs collaborate with governments and other institutions to achieve financial inclusion. Its "Préstamos Empresariales Empoderados" (Empowered Business Loans) program, with reduced interest rates, seeks to support women entrepreneurs. As of December 2023, the value of these loans to women also doubled, given that women accessed 78% of these loans. This product is training women entrepreneurs to establish and grow their businesses. In late 2023, the loan portfolio of the Corporation was US$76 million, of which more than 36% is aimed at women.
- Banco de Desarrollo Productivo (BDP) of Bolivia: through its "BDP Mujer" (BDP Woman) program, it successfully provides financing and the related training, directly serving women entrepreneurs in the agriculture-livestock and manufacturing sectors. Through the program, it was possible to finance 9,269 women entrepreneurs, with an amount disbursed of US$78 million in order to strengthen productive units belonging to women throughout Bolivia, 92% directed to investment and 8% to working capital. In terms of technical assistance, until February 2024, the BDP benefited close to 14 thousand women with specialized training and more than 26 thousand women with generic training. Moreover, some 2,500 women received mentoring for the preparation of Business Plans, resulting in 1,559 women who succeeded in obtaining financing to establish their business.
- Banco de Comercio Exterior de Colombia (Bancoldex): stands out by its important initiatives to improve the response capacity of the financial sector to female entrepreneurship. It operates with direct credit models and through intermediaries. In attending to microenterprises, the Bank disbursed close to US$240 million to more than 100,000 microentrepreneurs, of which about 62,000 are women.

These cases underscore the crucial role that NDBs play in promoting the economic empowerment of women through tailor-made financial and non-financial products and services. By working closely with entrepreneurs, designing innovative products and investing in capacity-building, these institutions play a crucial role in reducing the gender finance gap. The success of these initiatives demonstrates that financing for women entrepreneurs cannot be approached solely from a traditional credit perspective. A holistic approach is required that combines financial innovation, capability-building, digital technology and building sustainable business ecosystems.

These case studies stand out because they are tailor-made, designed to address specific needs and contexts. While significant advances have been made, the challenge of closing the financial gender gap, continuous monitoring, evaluation, and innovation are essential to address persistent barriers, refine strategies, and ensure that financial products and services reach the women entrepreneurs who need them most. Furthermore, initiatives that promote gender equity across the financial sector are crucial, including fighting against implicit bias in credit assessments and fostering greater awareness of gender equality in financial decision-making. In order to fully develop the potential of women entrepreneurs and to contribute to inclusive and sustainable economic growth, it is fundamental to foster the collaboration among NDBs and public and private bodies.