Document of the Inter-American Development Bank

**Paraguay**

**Promoting Private Sector Investments in Energy Efficiency in the Industrial Sector in Paraguay**

**(PR-L1146)**

**Gender Assessment and Gender Action Plan**

1. Introduction
   1. The Promoting Private Sector Investments in Energy Efficiency in the Industrial Sector in Paraguay program’s objective is to promote energy efficiency (EE) in the industrial sector in Paraguay, by providing medium and long-term finance for EE investment projects by SMEs, so as to contribute to reduce greenhouse gas (GHG) emissions, supporting the achievement of the country’s climate change goals and improving small and medium enterprises’ (SME) productivity in the long term.
   2. As described in the Proposal for Operation Development (POD), one particular type of investment that is relevant to SMEs is associated to the implementation of EE measures, which can have a significant impact in the firm’s energy consumption, contributing toward reducing company expenses and increasing productivity and competitiveness[[1]](#footnote-1). However, EE investments in Paraguay are hindered by credit constraints, which in the case of SMEs are heightened by extra collateral requirements, lack of credit history and documentation, and high transaction costs that translate into high interest rates. EE technologies involve high up-front costs and long payback periods[[2]](#footnote-2), and there is usually very little information on the performance of new equipment and availability of reliable service for its installation and maintenance. As a result, firms lack the capacity to develop bankable business plans and local financial institutions (IFI) use traditional asset-based lending (future cash flows generated by EE investment projects are not included in the risk analysis), limiting financial flows to these projects[[3]](#footnote-3).
   3. The above-mentioned constraints, are particularly amplified for women-led SMEs in Paraguay.[[4]](#footnote-4) A recent IDB study[[5]](#footnote-5), conducted for the Paraguayan Central Bank, reveals a lack of gender-disaggregated data. Rectifying this situation would require finalizing the crossing of databases of the Superintendency of Banks, changes in the archives of the central information system of the Cooperatives to allow the clear identification and differentiation of loans to different enterprise sizes (Micro, SMEs and other commercial), as well as an assurance mechanism to guarantee quality information provision.
   4. The project foresees a gender baseline study that builds upon the existing knowledge and that facilitates the inclusion of gender aspects in the execution of the loan.
2. Background[[6]](#footnote-6)
   1. Historically, women were linked to domestic chores and care (of children, the sick, or the elderly) and men to paid work. This cultural tradition represents one of the greatest obstacles to women's labor insertion. On the one hand, it limits its labor supply and reduces its economic opportunities due to the need to reconcile domestic and care for paid work. On the other hand, it defines in the collective imagination social representations about the roles and capacities of women, which in turn influence the labor supply and demand, both in their salaries and in the occupations socially assigned to women. Hence, women are concentrated in activities that can be considered as extension of their traditional roles within the family, such as paid domestic work, teaching or nursing, which also present Levels of remuneration lower than other occupations that require levels of education and accountability.
   2. Of the total number of women of working age (10 years and over), 48.1% are inactive (PEI), that is, they do not work or seek employment, compared to 26.2% of men. Of all the inactive, 65.6% are women. Gaps in inactivity are exacerbated by the area of residence. In the rural sector, 52.8% of women are inactive compared to 21.7% of men; While in the urban sector it affects 45.4% of women and 29.4% of men (UN Women, 2015).
   3. The smallest gaps in the urban area are likely to be more flexible gender division of labor towards male responsibility in the care of children, along with the combination of better educational levels, greater opportunities for work, greater possibilities to transfer to the market certain needs such as buying food, washing of clothing, for certain women the possibility of contracting external help, the smallest distance between home and workplaces and increased availability of public transportation, among others.
   4. The reasons for inactivity show differences that could be attributable to gender considerations; 41.5% of the women reported that they were inactive due to "housework" and "family reasons", compared to only 2.3% of men.
   5. There are also inequalities in terms of opportunities and labor conditions. 51.9% of women offered their labor to the market, compared to 73.8% of men, reporting a significant gap in this regard. Of this group, 95% work and the remaining 5% are unemployed, affecting this situation to a greater extent to women with an unemployment rate of 5.7%, compared to men with 4.5% study is the main reason for inactivity for both sexes, in men it had a greater weight than in women. Female youth unemployment increases to 10.7%, showing a double inequality, that derived from sex and age.
3. Land Tenure and women participation in Industrial sectors in Paraguay
   1. The information from the national agricultural censuses of 1991 and 2008 shows advances in the ownership of land by women. According to the latest census (2008), 22% of farms are headed by a woman, compared to 9% in 1991. The smaller the farm size, the greater the probability of being headed by a woman. Twenty-six percent of small farms (up to 5 ha) are headed by a woman, while on larger farms (over 50 ha) this proportion is reduced to 15%.
   2. There is anecdotal evidence, in consultations with several actors in the project’s focus industries (brickmaking, grain drying and sugar industry), that follows the patterns of economic participation and land tenure in Paraguay. According to several people interviewed, there is minimum participation of women as firm owners in the grain drying industry, sugarcane industry and brickmaking. Within non-metal industry, there might be an industry segment that may have a higher participation of women, which is ceramics. There, and upon confirmation, there might be women that are owners/co-owners of ceramic facilities.

## It is worth noting that some of the challenges in terms of available data of credits directed to women in the focus sectors, are:

## Lack of gender data on credit lines to industrial sectors. Currently, there is no statistical significant information to establish a baseline of credit in the industrial sectors focus of this study. That is, at the moment, there is not enough information to stablish a baseline. At the same time, and explained in the financial context of Paraguay, there are few credit lines in those sectors, which exacerbates the situation of data reliability to establish a baseline.

## Business ownership. Even if there is information of credit lines where there is a differentiation between men and women, the main problem is that firms are usually registered (in most cases) under the husband’s name, and not the wife’s name. That is the case, even if the women is the one doing the work on the firm/business. That may present challenges in setting up targets/goals of directing credit lines to groups of women.

## The project will set up a Gender Action Plan to reduce those data challenges, as it will incorporate a system to identify women participation in the credit lines, as well as target women in the selected industries to incentivize the use of the financial and non-financial products by those women business owners. The Gender Action Plan will be aligned with the Inter-American Development Bank’s (IDB) Operational Policy on Gender Equality in Development.

1. Gender Action Plan

## The activities of the Gender Action Plan are focused on ensuring women have equally benefits to financial and non-financial products offered by the Program both through the technical assistance and the loan component.

A. Technical assistance

## The project will provide technical assistance to AFD to ensure that in the design and development of the Strategy:

## The needs and realities of women and men are addressed during project consultations

## Women and men equally benefit from the trainings and services

## The needs and realities of women and men are addressed during project consultations

## The needs to collect gender disaggregated data to track the real gender impact of the project[[7]](#footnote-7), and a sex-disaggregated analysis for actively assisting women-owned and women-led SMEs to gain access to zero or flexible collateral credit to undertake EE projects

## Address any gender inequalities real or potential in the project

## That the electronic registry system collect sex–disaggregated data and qualitative information to track the real gender impacts of the project

B. Capacity building

## The objective of this activity is to ensure women and men have equal access to capacity building, project resources and services. The capacity building will ensure:

## women and men equally benefit from the trainings and services

## The needs and realities of women and men are addressed in project activities

## Collect and analyze sex–disaggregated data and qualitative information to track the real gender impacts of the project

## For reference, capacity building activities will include workshops and training. See in particular Table 2 for a list by component and activity, and specifically in activity 1.2. *Strengthen capacity of IFIs, ESTPs and validators for EE project development*:

## AFD staff, with at least at least 20% women participating, on Project mechanisms and methodologies

## Workshops and seminars to inform and train five (5) IFIs and its staff (2 per IFI) on financing EE projects

## Two (2) local technical validators (total of 6 staff) informed and trained (at least 20% women) about Project methodology.

## Training thirty (30) technology solution providers (at least 20% women) about Program mechanisms

## Training of SMEs on Program mechanisms

## Development of six (6) products/publications, knowledge sharing events, country market reports published, and webinars

## Development of 15 pilot demonstration projects

## Support of 160 SMEs to have access to credit from the Project’s financing to invest in EE projects

## The capacity building on finance and women empowerment will be provided through AFD with a view to attain the following indicators in Table 1.

**Table 1: Impact indicators disaggregated by sex**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Impact: women have equally benefit to financial products offered by the Program.*** | | | | |
| **Indicator** | **Baseline** | **Target** | **Timeline** | **Source of Verification** |
| **Result 1:** Women access to financial products offered by IFIs | | | | |
| Percentage share of loans for investments channeled to SMEs managed by women | 0 | 20 | By the end of the program | Source: Executing Agencies six-month reports and survey |
| Analysis of disaggregated data on women-owned and women-led SMEs to gain access to credit | 0 | 1 | By the end of the program | Source: Tracking Registry- recollection, surveys |
| **Result 2:** Women trained in their capacity for EE project development | | | | |
| % of women trained out of the total of training beneficiaries under Activity 1.2. | 0 | 20 | By the end of the program | Source: Executing Agencies six-month reports and survey |
| **Result 3:** Tracking registry of gender impact | | | | |
| One registry that includes a report of real gender impact of the project (collect and analyze sex-disaggregated data) | 0 | 1 | By the end of the program | Source: Executing Agencies six-month reports and survey |

**Table 2. Gender Considerations by Project Component and Activity.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Project Component** | **Activity** | **Sub-Activity** | **Gender Considerations** |
| 1. Improved access to financial and non-financial instruments and operational mechanisms to deploy them for financing EE investments by SMEs | 1.1. Develop financial and non-financial instruments, including standard performance contract, insurance policy covering energy savings and validation methodologies to account energy savings | 1.1.1. Development of a standard performance contract for risk sharing between SMEs and ESTPs | Ensure the needs and realities of women and men are addressed during project consultations |
| 1.1.2. Development of insurance policy covering energy savings |
| 1.1.3. Develop methodologies accounting for technology / project level energy savings | Ensure women and men equally benefit from the trainings and services  Ensure the needs and realities of women and men are addressed during project consultations |
| 1.1.4. Development of a Business Plan for the Project promotion and execution | Ensure the needs and realities of women and men are addressed during project consultations |
| 1.1.5. Hiring and operationalization of two (2) validators | Address any gender inequalities real or potential in the project |
| 1.1.6. Establishment at AFD of a business unit dedicated for EE financing and Project and pipeline development | Ensure the needs and realities of women and men are addressed during project consultations |
| 1.1.7. Establishment of electronic registry system for monitoring and evaluation of projects and program’s results | Ensure that the electronic registry system collect sex–disaggregated data and qualitative information to track the real gender impacts of the project |
| 1.2. Strengthen capacity of IFIs, ESTPs and validators for EE project development | 1.2.1. Training of AFD staff (at least 20% women) on Project mechanisms and methodologies. | Ensure women and men have equal access to project resources, services, capacity building  Ensure women and men equally benefit from the trainings and services  Ensure the needs and realities of women and men are addressed in project activities |
| 1.2.2. Training activities (workshops, seminars, etc.) to inform and train five (5) IFIs and its staff (2 per IFI) on financing EE projects |
| 1.2.3. Two (2) local technical validators (total of 6 staff) informed and trained (at least 20% women) about Project methodology. |
| 1.2.4. Training thirty (30) technology solution providers (at least 20% women) about Program mechanisms |
| 1.2.5. Training of SMEs on Program mechanisms |
| 1.2.6. Development of six (6) products/publications, knowledge sharing events, country market reports published, and webinars | Collect and analyze sex–disaggregated data and qualitative information to track the real gender impacts of the project |
| 2. Increased annual dollar amount of medium and long-term loans granted to EE projects in SMEs using the ESI strategy | 2.1 Increase second tier medium and long term credit line for EE projects provided to SMEs in key industrial sectors | 2.1.2. Support of 160 SMEs to have access to credit from the Project’s financing to invest in EE projects | Ensure the needs and realities of women and men are addressed in project activities  Collect and analyze sex–disaggregated data and qualitative information to track the real gender impacts of the project |

1. [Industrial EE and competitiveness](https://www.unido.org/fileadmin/user_media/Services/Research_and_Statistics/WP052011_Ebook.pdf), Working Paper 05/2011, United Nations Industrial Development Organization (UNIDO), 2011. [↑](#footnote-ref-1)
2. The average payback period of these projects is 3.6 years, which is incompatible with the conditions offered by the banking system, generating mismatches in loan amortization periods. [↑](#footnote-ref-2)
3. Carlino  et al. 2017. *[Guía para la estructuración de instrumentos financieros para la promoción de la eficiencia energética - Estudio de caso de la Agencia Financiera de Desarrollo de Paraguay](https://publications.iadb.org/handle/11319/8241?locale-attribute=es&)*  [↑](#footnote-ref-3)
4. See for instance: Narain (2009) [Gender and access to finance](http://siteresources.worldbank.org/EXTGENDERSTATS/Resources/SushmaNarain-AccesstoFinanceAnalyticalPaper.doc), Bardasi et al. (2007) [Gender, Entrepreneurship, and Competitiveness in Africa, Worldbank Group.](http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.497.4003&rep=rep1&type=pdf) Ellis et al. (2007) [Gender and Economic Growth in Kenya, Worldbank Group](http://www.ifc.org/wps/wcm/connect/84f6b48048855d698ee4de6a6515bb18/Gender+and+Economic+Growth+in+Kenya.pdf?MOD=AJPERES), Demirguc-Kunt et al. (2013) [Financial Inclusion and Legal Discrimination Against Women: Evidence from Developing Countries](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2254240), DiCaprio (2016) [Trade Finance Gaps, Growth, and Jobs Survey](https://www.adb.org/sites/default/files/publication/190631/trade-finance-gaps.pdf). Furthermore, according to Fundera (2016) [The State of Online Small Business Lending – Focus on Women Entrepreneurs](http://go.fundera.com/the-state-of-online-small-business-lending-q2-2016) in the US the rejection rate for women-led SME’s loan is three percentage points higher than for male-led SMEs. Additionally, the average tenor of loans is shorter for women-led SMEs. [↑](#footnote-ref-4)
5. IDB, 2018. A relevant gender perspective for financial inclusion [Original Perspectiva de Género relevante para la Inclusión Financiera – Diagnostics e Estrategia]. [↑](#footnote-ref-5)
6. Source: ONU Mujeres, 2015. *Igualdad de género y principales brechas en Paraguay*. [↑](#footnote-ref-6)
7. There are sufficient SMEs that are women owned or managed that are interested in taking up loans on EE investments to have a share of loans for investments channeled to SMEs managed by women. [↑](#footnote-ref-7)