

Paraguay Gender Lens Entrepreneurship and Investing Report

PARAGUAY GENDER LENS ENTREPRENEURSHIP AND INVESTING REPORT

The Paraguayan War (1864-1870) with Argentina, Uruguay, and Brazil was one of the bloodiest conflicts in Latin American history, wiping out nearly 70% of the adult male population at the time. This has had enduring effects on the country's gender norms and dynamics. Paraguay entered the war in March 1864 with a military force of 80,000 men. One year into the conflict, 40,000 men had already lost their lives in battle and to disease. By 1869, only 6,000 men remained. Most of these men died on their way to the northern frontier of Paraguay, with only a handful of men remaining by the end of the war (Boggiano, 2020). The death of Paraguay's army leader, Solano Lopez, in March 1870, marked the end of the war. Since a majority of the country's male population between the ages of 16 and 60 years were conscripted into the army, the colossal loss of life among men led to female-biased sex ratios and defined Paraguay as the "country of women". However, the events that followed the war hardly reflected reverence for women in Paraguayan society. Following the war, the Constitution and the Civil and Marriage Codes (1870-1897) were adopted, which completely appropriated women's rights and their agency, and rendered them under the guardianship of their fathers or husbands. The Marriage Code proscribed women from participating in any economic activities apart from agriculture and household labor. Further, women were not permitted to manage household expenses, and were obliged to request their guardians for permission to practice a profession (Capdevila, 2010). Women were restricted to agricultural activities, while the few remaining men were tasked with rebuilding the institutions devastated by the war.

Fast forward to the 21st century, and the country is still recovering from the machismo culture that emerged after the war. The workplace is predominantly a man's world, and women are expected to attend to all household duties. Although women have gained access to certain political and economic rights, they still face the consequences of male prejudice and gender stereotypes, and a lack of economic resources and personal networks to help them progress professionally. They are also victims of gender-based violence (particularly intimate partner violence), especially when men feel threatened by women's economic and financial independence in the household.

Nevertheless, through the efforts of various NGOs, development institutions, as well as the Presidential Delivery Unit and the Office of the First Lady, there have been several initiatives to provide women with the technical tools, skills, and the knowledge required to establish their own businesses and become financially literate. Fundación Paraguaya offers a range of programs to support women entrepreneurs, including its Junior Achievement program for women which covers a gamut of topics such as the development and management of budgets, business revenue and expense tracking, strategic planning, break-even analysis, teamwork, goal-setting, and self-esteem enhancement (Kiva, 2020). Fundación Paraguaya as well as other financial institutions such as INTERFISA have developed microfinance products to exclusively promote financial inclusion of women. Programs such as WeXchange offer educated women entrepreneurs the opportunity to connect with mentors and investors, to participate in training, and to grow their networks. Since 2018, GEM has been offering the **National Entrepreneurship Context Index (NECI)**, a composite index representing in one figure the average state of the Entrepreneurship Framework Conditions in a given country. In an analysis of 54 countries, Paraguay ranks 52nd with a score of 3.43. In 2020 the country ranks 125th in the World Bank's Doing Business rankings amongst 190 countries, and 160th in Starting a Business.

EDUCATION AND ENTREPRENEURSHIP

At the end of the Paraguayan War in 1870, the country was left with no schools. By 1876, there were 350 schools, out of which 320 catered to approximately 10,000 boys, while the remaining 30 schools catered to only 2,000 girls (Warren and Warren, 1978). However, the most crucial period in setting up the modern Paraguayan education system can be attributed to the dictatorship under Alfredo Stroessner, from 1954 to 1989. Under Stroessner's regime, schools were not allowed to operate for more than five hours a day. Illiteracy rates in Paraguay were one of the highest among all Latin American countries, and Stroessner preferred to maintain the status quo due to fear of the growth of education causing intellectuals to foment a revolution against his regime (Galeano, 2016). Following the fall of the dictatorship, reforms to improve the quality and quantity of schools, and to ensure equitable access to education were implemented. In the 1960s, the literacy rate languished around 60%. This figure reached 80% in the late 1980s, and 92% in the mid 1990s (SU, 2020).

Today, Paraguay has several technical education, vocational training, and entrepreneurship education programs. The Sistema Nacional de Promoción Profesional (SNPP) offers a number of training and skill-building workshops spanning across agriculture, industry, and services. The National System for Skill Formation and Vocational Training also offers similar programs, with activities and opportunities for entrepreneurial development. Since 2013, the National Secretary of Youth of Paraguay has implemented the Paraguay Emprende (Paraguay Entrepreneurs) program, which gives the youth tools to help them set up their own businesses. It organizes regional and national workshops, and provides mentoring and consulting to youth entrepreneurs between the ages of 18 and 30 years. It finally hosts a contest where selected ventures can compete to win a predetermined amount of funding for their enterprises (OECD, 2017). Additionally, the National Council for Science and Technology created a new program in 2018 to support tech-based entrepreneurship, which is significantly lacking in Paraguay.

Some of the most noteworthy entrepreneurship education programs are those established by Paraguayan NGOs and foundations. Fundación Paraguaya's Agricultural Schools in Cerrito, Belen, and San Pedro follow a self-sustaining educational model wherein the students engage in entrepreneurial and commercial activities to generate resources for running the schools. Students acquire knowledge and skills through the "Learning by doing, selling, and earning" methodology. The students engage in various commercial activities including the production of cheese, yoghurt, dulce de leche (caramel paste), as well as agricultural activities such as chicken, dairy, goat, and pig farming (Fundación Paraguaya, 2018). Fundación Moises Bertoni's Centro Educativo Mbaracayu is an educational institution exclusively for girls, and also follows the self-sustaining educational model. This institution targets rural girls and girls from indigenous communities in the region, such as the Ache and the Ava Guarani indigenous groups. Each year, 50 high school girls graduate from the program and enter the agro-forestry industry, the eco-tourism and hospitality industry, or they start and run their own enterprises, and/or enroll in university education. The school uses on-campus agro-forestry enterprises as a platform for the girls to develop technical, business, and entrepreneurial skills to attain economic success.

Paraguay has achieved equal numbers of girls to boys – parity – in pre-primary education and in youth and adult literacy. There is also almost parity in enrollment in primary education, with 96 girls enrolled for every 100 boys. However, once in school, girls are more likely than boys to stay there longer: in 2011, 86% reached the last grade of primary school compared with 82% of boys. Girls also outperform boys in reading, while gender gaps are narrowing in mathematics. At the secondary level, as is found across many Latin American and Caribbean countries, boys are enrolling less than girls and, as found elsewhere, the disparities get worse the further up the education system you look. Only 91 boys were

enrolled per 100 girls in upper secondary education in Paraguay, for instance, something that is worsening very slowly over time. In tertiary education, only 71 men were enrolled per 100 women. Such overrepresentation of women does not necessarily tell whether they enjoy equal opportunities when it comes to what subjects they study, of course. Even in countries where more women than men are enrolled in higher education, like in Paraguay, they tend to be less represented in fields like science, engineering, manufacturing and construction. This underrepresentation of women in scientific and technical fields exacerbates gender gaps in income, as workers in these fields tend to earn significantly more than their counterparts in other fields.

In addition, more women enrolled does not necessarily result in gender equality in society. The country has one of the lowest percentages of women in Congress in the region. Paraguay is a particular case in the region: it is a country with 20 indigenous tribal groups, and is the only country in Latin America where an indigenous language (Guarani) has been officially recognized alongside Spanish. It has a very young population: 58% of the population is under 30 years old, and 40% is under 19 years old. During the 1990s when Paraguay embarked on a major educational reform, 1 million boys and girls gained access to school for the first time. And yet, there still remain gender gaps, particularly in rural areas and among indigenous populations that now need to be addressed.

Poverty Stoplight, a Paraguayan non-profit studying and eliminating multidimensional poverty in the country, examined girl's education. The "Poverty Stoplight" approach to eliminating multidimensional poverty also focused on education and entrepreneurial spirit. They observed that for girls the problem was worse. A huge percentage of the country's out-of-school high school-age youth were girls. They were certain that with entrepreneurial training in a high-quality school, young people could create their own employment and transform their communities. This would result in alleviating themselves from poverty. Given Paraguay's small industrial base and hence its few factory-related jobs, creating jobs required creating entrepreneurs. Educating entrepreneurs required a school that practiced what it preached—entrepreneurship. By incorporating small businesses into the educational program the school could teach students entrepreneurship and practical skills while generating income to cover operating costs, resulting in a self-sustainable educational institution. Students thus would obtain the skills and knowledge needed to find jobs, create their own jobs, or continue their education—and the self-confidence, passion, and motivation to do so.

In the classroom, students learn the underlying business concepts and organic agriculture alongside general education courses. Then in field-based classes they learn how these concepts operate in practice and how to use them effectively. Through learning by doing, selling, and earning, students gain the practical, theoretical, and technical know-how required to master such disciplines. Students rotate through the school's 15 business units and then pick a specialization and take on greater responsibilities. They learn how to manage financial transactions, monitor profitability, market and sell their products, and provide good customer service. Teachers and students develop business plans and sometimes run these income-generating educational enterprises.

This experience seamlessly leads the high school graduates in Paraguay from poverty into the Paraguayan middle class. Many adolescent girls from backgrounds of extreme poverty almost levitate materially and mentally into a non-poor state. In one case, a young woman convinced her father to switch from planting cotton (a back-breaking job) on five hectares to growing a half-hectare of chili peppers for greater profit. This is an opportunity for girls to uplift themselves to become entrepreneurs. Recent research examined the "Poverty Elimination Stoplight" Program of the Fundación Paraguaya and its empowering effect. The Stoplight is a methodology that allows its female microfinance clients to

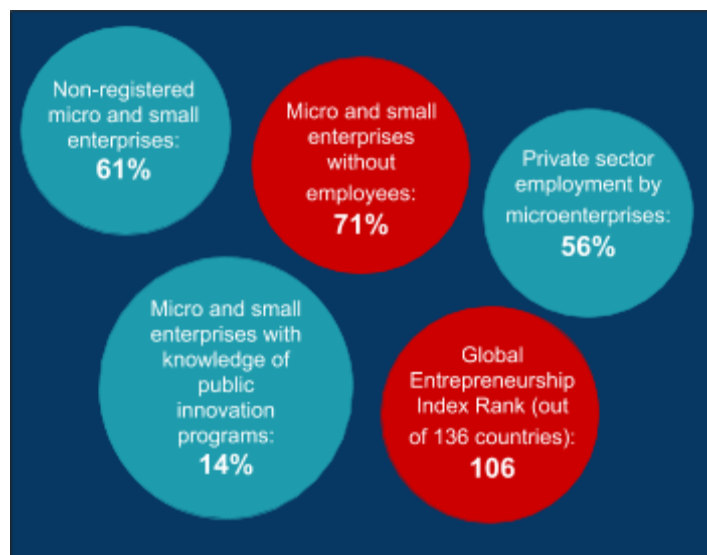
self-assess their poverty in a multidimensional way as a starting point for a mentoring process that aims to empower them to get out of poverty usually by education and necessity-driven entrepreneurship. The research is based on the following research question: what does empowerment mean for these female Stoplight participants? The contribution of this work is mainly methodological and is based on a discussion on how to understand and collect information about the concept of empowerment based on the Capabilities Approach. They utilize a new participatory data collection method called Path Map, the objective of which was to inform the organization about the meaning of the word empowerment based on the experiences of the Semaphore participants. The participants drew a visual map of the path traveled in solving problems related to poverty, reflecting on their experiences, assigning emotions to the experiences, and explaining how they or did not overcome important situations in their lives. This is particularly useful in understanding female aspirations to pursue roles in the entrepreneurship and investment ecosystem.

PARAGUAY WOMEN ENTREPRENEUR AND INVESTOR PROFILE

Entrepreneur Profile

Micro and small enterprises account for 98% of all companies in Paraguay. There are roughly 220,117 micro and small enterprises in the country (GEM, 2020), and these enterprises form the base of Paraguay's economic structure. Although they represent 98% of all the private sector companies in the country, they only generate 24% of total private sector revenues. Nevertheless, they account for 63% of private sector employment. In terms of the number of companies and revenue generation, commercial enterprises represent the largest sector, followed by services and industry (GEM, 2020).

Women-owned small and microenterprises roughly represent 20% of all businesses in Paraguay (IDB, 2020). However, most of these enterprises are in the informal sector, and they are either self-employed



entrepreneurs or small family businesses that employ no more than five people. Since these enterprises are not formally registered, they usually cannot access external finance (from formal financial institutions) and they do not have a bank account (GEM, 2020). It is common for women entrepreneurs to work in the service industry, owning and operating beauty salons and restaurants. Many solo entrepreneurs set up food stalls and sell traditional Paraguayan food items. However, many women entrepreneurs, particularly those from indigenous communities, also manufacture and sell artisanal products such as traditional hats, baskets, pots, mugs, jewellery, and other handicrafts. Micro enterprises are usually

not digitized and have no online presence. However, some small businesses run by women entrepreneurs in cities such as Encarnación and Asunción are active on Instagram, and they also promote their businesses by sharing flyers with special offers through WhatsApp forwards. In fact, many

of these small businesses do not have a website to take online orders, but they do the same through Instagram and WhatsApp, and accept payments through mobile money services such as Tigo Money.

Table 1: Paraguay Private Sector Structure
Source: GEM, 2020

Company	Number	Percentage
Micro	216,288	96%
Small	3,829	2%
Medium	2,628	1%
Large	1,497	1%
Total	224,242	100%
Employment	Number	Percentage
Micro	449,579	56%
Small	53,530	7%
Medium	78,106	10%
Large	217,938	27%
Total	799,153	100%
Revenues (\$ million)	Number	Percentage
Micro	37,342	15%
Small	20,636	9%
Medium	31,096	13%
Large	151,920	63%
Total	240,994	100%

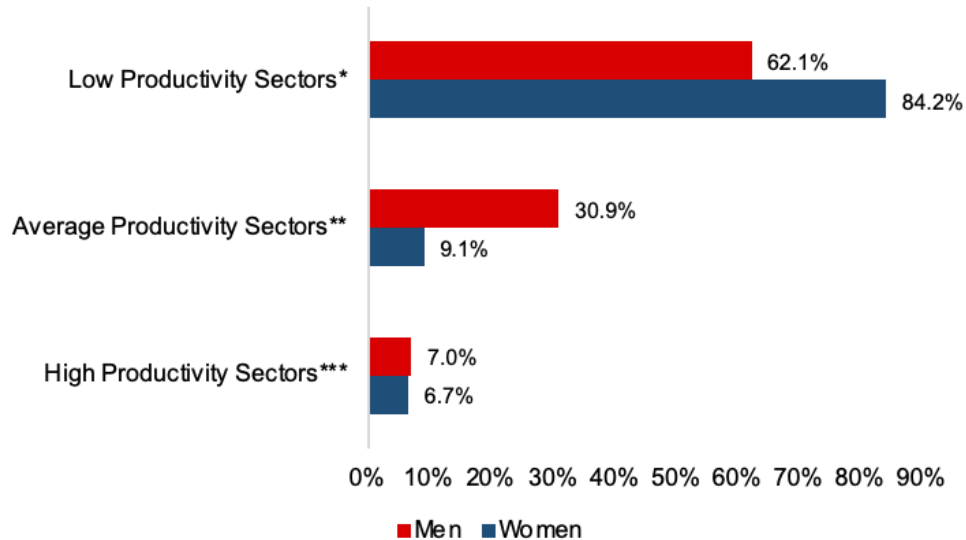
While examining the entrepreneurial ecosystem through the necessity-opportunity lens, the lion's share of women-owned enterprises in Paraguay are born out of necessity (initiating a business due to a lack of income-generating alternatives) rather than opportunity (capitalizing on unique ideas and creating market opportunity). The dearth of innovative business ideas is linked to the weak education system in the country. Additionally, the entrepreneurial ecosystem in Paraguay has largely remained disconnected from the international community, and the country is missing a strong network of universities offering innovation and entrepreneurship programs.

"Being a woman entrepreneur in Paraguay is a bit of a daring task, although the years go by and I think we are positioning ourselves much better than the rest of the world."

Claudia Carolina Mendoza, Business Consultant, Investment Boutique

However, this is quickly changing as the government has been working with various stakeholders to launch initiatives that will spur entrepreneurship. The Ministry of Industry and Commerce has created the Paraguayan National Entrepreneurship Directorate (DINEAM) to coordinate entrepreneurial initiatives and advocate for more business-friendly laws. Additionally, Mario Abdo Benitez, Paraguay's President, launched the National Innovation Strategy in August 2019 to boost innovation efforts (Contxto, 2020).

Figure 1: Structure of Total Employed Population by Productivity Levels
Source: UN Gender Equality Observatory for Latin America and the Caribbean



*Low productivity sectors include agriculture, commerce, and services

**Average productivity sectors include manufacturing, construction, transport, and telecommunications

***High productivity sectors include mining, electricity, water and gas, finance and real estate

Women-owned small and micro enterprises at the base of the pyramid (BOP) account for nearly 20 percent of businesses in Paraguay. However, they mostly cannot access credit because they lack documentation to prove their repayment capacity or collateral such as a property title, which is usually in the name of the man of the household. The problem is particularly worse in rural areas, where women in traditional families do not generally make investment decisions, lack the technical knowledge about the capital needs of their business or how to apply for a loan, and operate informally. They thus have limited productivity and little access to formal financing.

When formal credit is available, the loan guarantees required are on average three times higher than the total value of the women-owned business. The Multilateral Investment Fund's WEVentureScope Index ranks Paraguay 19th out of 20 Latin American countries in terms of its business environment for female entrepreneurs. Only one-fifth of women micro entrepreneurs have access to credit, and there is a wide disparity between the proportion of credit-financed working capital for male versus female run businesses. Launched in 2014, INTERFISA looks to expand financing for women-owned micro and small enterprises with little or no access to formal credit by offering flexible financing solutions specifically designed to meet their needs, particularly in underserved rural areas. With its NdeVale credit line, INTERFISA uses a specialized credit mechanism to provide working capital according to the capital flows of each particular client, most of whom sell agricultural and small retail products. Building on an earlier pilot program

financed by Women's World Banking and the Multilateral Investment Fund, the project will also work through local NGOs to train women entrepreneurs in business and other skills. For its part, INTERFISA will train its credit agents to carry out detailed profiles of potential clients in order to tailor credit amounts, grace periods, and installment amounts and frequency to the clients' needs and capacity. In all, the project had aimed to provide credit to more than 14,000 women microentrepreneurs and small and medium-sized business owners. INTERFISA's most notable innovation is the creative distribution channels and strong marketing and financial education campaigns that complement the NdeVale product. INTERFISA promoted NdeVale locally through education seminars and established alliances with associations of microentrepreneurs and NGOs with local knowledge and experience working with women and entrepreneurship. The project also included a mass marketing campaign to promote women as entrepreneurs.



Investor Profile

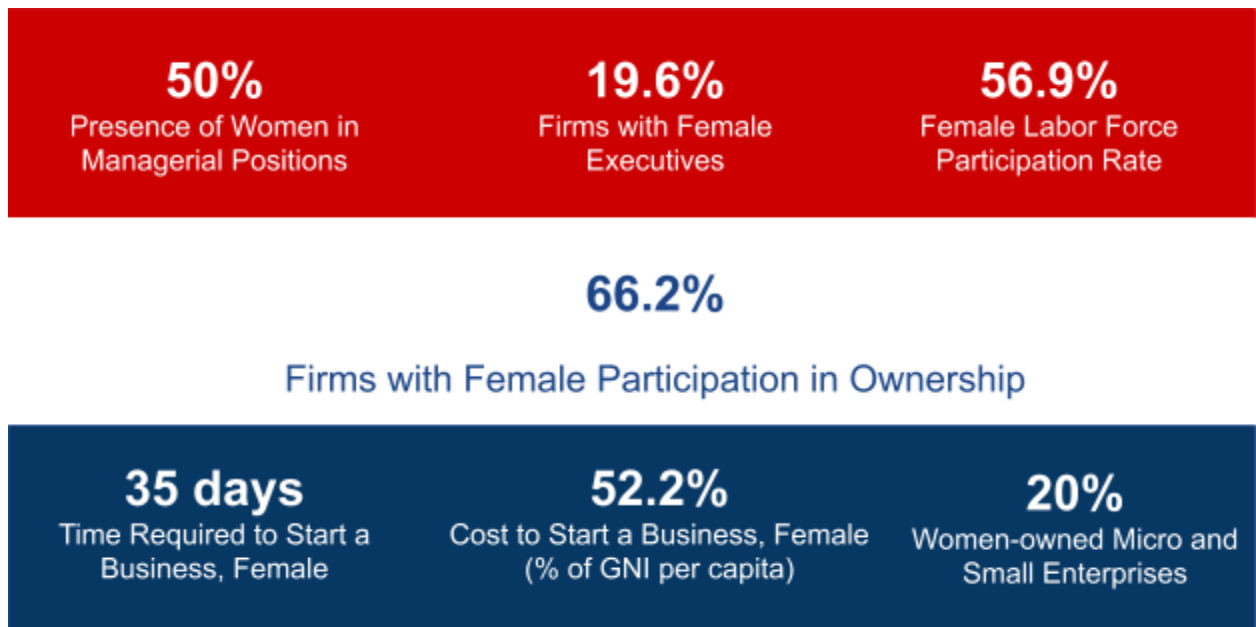
The startup ecosystem and the venture capital landscape in Paraguay find themselves in a bit of a chicken and egg situation- having sources of funding is necessary for entrepreneurship to flourish. However, innovation is also a key requirement for the development of competitive and financially sustainable enterprises. Due to a dearth of the latter, the risk appetite of investors is extremely low, leading to insufficient seed capital in Paraguay. Therefore, the angel investment and venture capital ecosystem is extremely nascent and is only beginning to come into existence now. The first angel investment fund in Paraguay- Red de Inversión Ángel Paraguay, was launched by a group of 29 angel investors in 2019, and is led by Vivianne Bernardes-Cibils and her husband Cristian Cibils, who run Cibersons International. In 2018, Argentina-based Alpha Imperial Group rolled out its Fondo de Inversión en Innovación de Paraguay (FIIP), to bring in more seed capital as well as support in the form of mentorship and network-building for emerging entrepreneurs in Paraguay. However, the FIIP fund is also grappling with finding high-quality deal flow, since many of the existing enterprises don't necessarily scale up. Nevertheless, there are a number of programs and initiatives to stimulate tech-based entrepreneurship. Penguin Academy, a coding school, has been offering courses on coding, data science, and on using technology to solve problems. Additionally, the Ministry of Technology, Information, and Telecommunication launched the InnovandoPY program in 2015, which includes a startup acceleration program, an annual pitch competition, and ideathons and hackathons.

Paraguay has also witnessed the emergence of accelerators and incubators over the last two years. In 2019, Paraguay was selected as a new site for UNDP's Accelerator Lab, which will be vital to spurring social innovation and investment. In December 2019, Universidad Nacional de Asunción's StartUp Lab launched the Center of Innovation, in collaboration with various government agencies to provide a coworking space for students and young entrepreneurs to work on projects, attend entrepreneurship events, and network (Contxto, 2020). Paraguay has therefore made laudable progress with respect to bringing together the various components required to develop an entrepreneurial ecosystem.

Regardless, it will take time for the entrepreneur and venture capital investment landscape to fully develop, but women are already playing a vital role in this development, betokened by the fact that the first angel investment fund is being led by a prominent female investor, Vivianne Bernardes-Cibils. The burgeoning angel and venture capital investment ecosystem may also attract female investors from traditional financial institutions. According to Gloria Ayala Person, Director of Cadiem Casa de Bolsa, a brokerage house in Asunción, women are inclined to work in finance because of the opportunity to live and work in the city, the work environment, good pay, and opportunities for career progression.

Figure 2: Female Entrepreneur and Investor Indicators

Source: GEDI, UNDP, World Bank





Vivianne Bernardes-Ciblis is a Computer Scientist by training. She started her journey as an entrepreneur, founding a company with her husband. She co-founded a bunch of startups in the areas of agricultural systems and software, was granted several patents and inventions, and worked in 40+ countries.

After 27 years, the husband-wife duo decided to launch their VC fund. Since the last 8 years, she has been actively investing in Paraguay's economy. According to Vivianne, "Paraguay is a country run by men. The movement of women in entrepreneurship is starting. There needs to be a realization about the value of a woman in entrepreneurship and investment. There are more women entrepreneurs than investors. Compared to other economies investing in startups is unknown in our country call it men or women. All companies are family run businesses that don't operate as startups in Silicon Valley. Females face several challenges including patriarchal culture and family related responsibilities. Hence they need supporting husbands and family to fulfill ambitious dreams. To be a founder is very demanding if you want to be successful. You can't say you can't go to the meeting because you have to take your child to the doctor. When women start they find it complicated, so they back out. Paraguay is making huge efforts to leverage ecosystems such as the Silicon Valley. The government is changing related laws and policies. Though it takes time to change laws, they are nevertheless making it easier for female entrepreneurs. Vivianne is very optimistic about the changing environment. The country has a very high youth population. This population is just eager to create, to change, and to become important players in the arena." Vivianne believes that the ecosystem for women can improve by leveraging the Paraguayan diaspora and exchanging experiences with established entrepreneurial communities to become international entrepreneurs. Additionally, the universities can strengthen innovation, entrepreneurship, and VC training for women. Vivianne wants to start a fund focused on female founders.

PARAGUAY HUMAN DEVELOPMENT INDICATORS

Paraguay's HDI value increased by 21% between 1990 and 2017, from 0.580 to 0.702. As of 2018, its HDI value of 0.702 positions Paraguay at 110 out of 189 countries. However, it is important to note that when discounting for inequality (in the distribution of human development outcomes across the population), Paraguay's HDI falls to 0.522, a loss of 25.5%. Additionally, Paraguay's GII (Gender Inequality Index) value of 0.467 is significantly higher than the Latin America and Caribbean average of 0.386, and ranks it 113 out of 160 countries as of 2017. There is a large gender gap in labour force participation- female participation in the labour market is only 56.6%, compared to 83.9% for men (UNDP, 2018).

Gender Development Index (GDI)	0.968
Mean years of schooling, female	8.4
Child marriage (% of women aged 20-24 years who were first married or in union before age 18)	22%
Estimated GNI per capita, female (2011 PPP \$)	8,326
Female share of graduates from STEM programs at the tertiary level (%)	NA
Gender Inequality Index (GII)	0.482
Human Development Index (HDI), female	0.710
Share of employment in nonagriculture, female (% of total employment in nonagriculture)	41.9%
Share of seats in parliament (% held by women)	16%
Total unemployment rate (female to male ratio)	1.45
Unmet need for family planning (% of married or in-union women of reproductive age, 15-49 years)	12.1%
Account ownership at a financial institution or with a mobile-money service provider, female (% of population ages 15+)	46%
Youth unemployment rate (female to male ratio)	1.45
Labor force participation rate, female (% ages 15+)	56.6%
Violence against women ever experienced, intimate partner (% of female population ages 15+)	20.4%

GENDER POLICY

Paraguay's National Equality Plan, launched in February 2019, has set out multiple public policies for achieving gender equality by 2030. The plan has wide-ranging goals, including eliminating discrimination against women, providing equal opportunity and reservation for women in decision-making positions at government offices, ensuring women's access to courts, as well as economically empowering indigenous women (Agencia EFE, 2019).

Year	Name of the Policy	Responsible Entity
2019-2030	National Equality Plan	Ministry of Women's Affairs
2015-2020	Public Policy Law for Rural Women	Ministry of Women's Affairs
2017-2020	Law for Comprehensive Protection for Women against Violence (Law No 5777)	Ministry of Women's Affairs

Through the Public Policy Law for Rural Women launched in 2015, thousands of rural women have been trained on agriculture techniques and other livelihood activities (UN Women, 2017). The Law for Comprehensive Protection for Women against all forms of Violence recognizes femicide and obstetric violence as criminal offences, outlaws online abuse against women and girls, and provides additional measures such as free legal assistance, access to shelter, and skills training for survivors of gender-based violence (UN Women, 2018). The constitution guarantees equality before the law and domestic violence legislation was passed in 2000. But women suffer from trafficking and a form of domestic servitude known as **criadazgo**. Abortion is illegal in nearly all cases.

The gender pay gap certainly exhibits inequality. The integration of women in the workplace occurs unequally, with markedly different rates of labor economic activity between men (87.1 per cent) and women (62.0 per cent), 25.1 percentage points lower for women. For those living in poverty, the proportion of economically active women is considerably less (50.9 per cent), while it remains almost the same for men (86 per cent). Women's monthly incomes are equivalent to only 71.0 per cent of those of men. Majority of women working in the informal sector are in highly vulnerable working conditions and have no access to social security. UN Women is developing its mandate under the CEDAW provisions and its General Recommendations, in addition to those specific to the country. The cooperation agenda is structured into four thematic areas prioritized according to the needs identified in Paraguay and considered strategic to achieve gender empowerment and equality.

- Leadership and political participation of women
- Women Economic empowerment
- The elimination of violence against women
- The promotion of international regulatory frameworks and intergovernmental political commitments on gender equality and the empowerment of women.

Paraguay is no exception to the rest of the world with an inequitable percentage of women in decision-making positions. In recent years the number of female candidates in politica at all levels is on the rise, but results from last year's General Elections show a relative stagnation in the number of


women elected to office. All 17 governors are men, and there was only one female governor in the previous administration. In the Senate, 8 women and 37 men were elected, which represents one seat less for women, compared to the previous legislature. In the Chamber of Deputies female representatives hold only 15 percent of the seats. There has been active advocacy for women's greater participation in politics, elections and decision-making processes, with a focus on youth, indigenous population and women with disabilities. Strategies required to achieve political gender equality includes developing effective gender policies and practices, supporting effective political training programs, actively training potential women political candidates. After the 1864-1870 War of the Triple Alliance, a conflict that was the bloodiest between states in the history of Latin America, wiped out nearly 70 percent of the adult men in Paraguay. Interestingly, they recognize and celebrate the "women who rebuilt the country", proving that Paraguayan women can empower the country's economy.

CHALLENGES

Establishing a business in the formal sector in Paraguay is an extremely complex process, since the myriad procedures required to start a business are mired in bureaucracy. Therefore, this encourages women to set up businesses in the informal sector, and discourages female business owners in the informal sector from shifting to the formal sector. Paraguay ranks quite low on the World Bank's Ease of Doing Business Index- it is ranked 125 out of 190 countries. More importantly, its rank on "Starting a Business" is 160 out of 190 countries, even lower than the Doing Business rank. The average number of days required to complete procedures associated with setting up a business is 35, significantly higher than the Latin America and Caribbean average of 28 days. Furthermore, the cost of establishing a business is 52.2% of per capita income on average, compared to 31.4% for Latin America and the Caribbean, on average (World Bank, 2020).

Roughly 62% of the employed female population in Paraguay works in the informal sector (Vargas, 2015). This issue is even more acute in rural areas and among the income-poor population, with 98% of extremely poor workers (male and female) employed in the informal sector (Vargas, 2015). Additionally, women-owned small and micro-enterprises account for roughly 20% of all businesses in Paraguay. These women face significant difficulties accessing credit from formal financial institutions since they lack the required

documentation to prove their repayment capacity, or collateral such as land or property, which is usually in the name of the man of the household. Although these women have access to various microfinance and other financial institutions to borrow money, the interest rates are extremely high, and the loan guarantees required are three times higher than the total value of the woman-owned business (IDB, 2014). According to the Multilateral Investment Fund's WEVentureScope Index, Paraguay ranks 19 out of 20 Latin American countries in terms of its business environment for women entrepreneurs (IDB, 2014). More importantly, women-led businesses in the informal sector often do not scale up to become established businesses since the income obtained from these businesses is usually used to cover household expenses. Women from indigenous communities and rural areas also require business



"Sexual harassment is a big problem. You also constantly have to prove yourself to the men around you, and this is worse for women working in the informal sector."

Fiorella Arza
Owner, Online Shoppe Paraguay

advisory assistance, and financial literacy training on budget and expense management in order to maintain or grow their businesses.

Another challenge is that innovation in Paraguay is lacking compared to the rest of Latin America. Chile, Colombia, Mexico, and Peru have burgeoning start-up ecosystems since the early-stage entrepreneurial activity is linked to opportunity, rather than necessity. Micro and small enterprises represent 98% of all businesses in Paraguay (GEM, 2020), and most of these are either family businesses or businesses that hire less than ten people. According to Isabelle Foster, Fulbright Research Scholar from Stanford University, these are born out of a necessity to generate income for the family, or to maintain a steady source of income due to a lack of livelihood alternatives, especially for men and women who are not educated at the secondary or tertiary level (or who have no education at all). Many of the existing medium and large enterprises are also based on replicas of business ideas of companies in other countries or regions. Therefore, there is a lack of fresh and innovative ideas associated with a thriving entrepreneurial ecosystem. She also believes that there is a lack of high quality deal flow, and there is hardly an investing ecosystem. Foster mentioned that the concept of startups is very new to women and very difficult to scale. One big challenge that the country faces is to increase STEMpreneurs to spur innovation. A poor education system exacerbates the problem as it is one of the lowest ranked in Latin America, which narrows the possibility of females pursuing entrepreneurship, innovation, and venture capital. Girls lack awareness about such professions. They are more likely to become lawyers or work in the government. Paraguay requires efforts to acclimate women with entrepreneurship and venture capital. The Startup Lab at the Facultad Politécnica UNA (FP-UNA) are the beginnings of hands-on entrepreneurship university education. Foster informed us that the Paraguayan Presidential Delivery Unit created a new Innovation Unit for the country that will bring together different stakeholders to spur social innovation and build the start-up ecosystem, but it is imperative that they also focus on female entrepreneurship.

Claudia Carolina Mendoza, a business consultant at Investment Boutique says that being a woman entrepreneur in Paraguay can be daunting, due to the machismo culture in Paraguayan society. She adds that although this is certainly changing, women entrepreneurs as well as women working in finance constantly have to prove themselves and demonstrate that they are capable of undertaking significant responsibilities.

COVID-19

Due to inefficient online registration of businesses (in the formal sector) with the SUACE (Sistema Unificado de Apertura y Cierre de Empresas) and the Social Security Institute, many companies that were supposed to receive emergency aid (for small businesses affected by COVID-19) have not received the funding. However, since most women-owned enterprises are in the informal sector, they have little to no assistance during this time. They are mostly surviving with the help of NGOs and volunteer workers.

Claudia Carolina Mendoza who owns an Investment Boutique, did not suffer great deficits. For her it is the contrary, there are some great opportunities, as her work is the provision of services. She ended up acquiring new clients and decided to expand our services". Due to the strict lockdown in April and May, at least 80% of entrepreneurs experienced a drop in revenues and were unable to earn the same level of revenues and profits prior to the lockdown, according to Fiorella Arza, owner of Online Shop Paraguay. She also brought to light the disproportionate effect of COVID-19 on women entrepreneurs, since they now additionally have to help their children with school work. Mothers with little or no education are

unable to help their children with school, while many educated mothers could not continue working because they have had to take care of their children and help them with school.

Many women work in the service industry- they own and run beauty salons, small restaurants, and food stalls. These enterprises are practically out of business currently. Some of these businesses attempted to remain open during the lockdown even if it was not legally permitted, because they needed the money to provide for their families.

When we spoke with Gloria Ayala Person she mentioned that Paraguay is well prepared with a lot of liquidity in the funds under management, expecting a huge sell off from investors, but that has not happened yet. As per Gloria. “the dollar has remained stable (a key indicator for economic stability) and the funds under management have grown, the volume traded on the Stock Market has also continued to grow, and we at Cadiem have grown our client base at the same rate as before the pandemic. I feel that the market is very calm and reacting very cautiously.”

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