

**Caribbean Capacity-Building Workshop on Secured Transactions
and Asset-Based Lending
Kingston, Jamaica - February 10-12, 2015**

**Secured Transactions and Asset-Based Lending for Financial Inclusion and
Women's Economic Security and Citizenship**

**By Maria Celina Conte
Gender Specialist of the Inter-American Commission of Women
Organization of American States**

On behalf of the Executive Secretariat of the Inter-American Commission of Women (CIM) of the Organization of American States (OAS), I would like to thank the organizing institutions for the invitation and the opportunity to address on this matter, in particular the Government of Jamaica and our sister entity, the Department of International Law of the OAS.

Building on the previous presentations, the purpose of this presentation is to contribute with your discussions on the potential impact of the effective implementation of a secured transactions system for financial inclusion, and in particular for promoting women's economic security and citizenship, to the extent that such implementation takes into account the needs and barriers they faced, as well as the differential impact that the implementation may have in their lives.

Twenty years after the Fourth World Conference on Women was held in Beijing (1994), the issue of economic empowerment of women and how an enabling policy environment can help promote gender equality remains a challenge.

I will start my presentation referring briefly to the role the CIM has played in the Americas, followed by the current situation of women from a gender equality and rights-based perspective and its implications on access to credit. In addition, a few success cases and final thoughts and recommendations will be provided.

The CIM was established in 1928 as the first intergovernmental body to ensure recognition of women's human rights. The first goal of CIM was to extend women the right to vote. Since 1948 it is also the OAS specialized body on gender equality and women's rights. CIM is made up of 34 delegates, one for each OAS Member State, and has become the principal forum for debating and formulating policy on women's rights and gender equality in the Americas.¹

CIM leadership in the promotion and elaboration of international legal framework and public policies on women's rights and gender equality is reflected in the adoption of the Inter-American convention on the Nationality of Women (1933), the Inter-American Convention on the Granting of Political Rights of Women, the Inter-American Convention on the Granting Civil Rights of Women (1948), and more recently, the Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against Women ("Convention of Belém do Para" (1994). These binding legal frameworks have been essential tools for the recognition of women as subjects of human rights and active agents of the democratic system. Based on this legal framework, the CIM has influenced public policy. The Principal mandate of the OAS and the Inter-American System to integrate a gender and women's rights perspective: The Inter-American Program on the Promotion of Women's Human Rights and Gender Equity and Equality" - AG/RES. 1732 (XXX-O/00)²:

The Member States committed, among others, to:

¹ Inter-American Commission of Women (CIM) <http://www.oas.org/es/cim/nosotros.asp>

² Approval of the IAP represented the achievement of a political consensus by the OAS Member States on the topic of discrimination against women, and its acceptance meant recognition of the conditions of inequality, discrimination and violence to which women are subjected, as well as the need to promote actions for the advancement of their rights, to combat all forms of discrimination and to promote equity and equality between women and men from a gender perspective.

- Formulate public policies, strategies, and proposals aimed at promoting women's human rights and gender equality in all spheres of public and private life, considering their diversity and their life cycles.
- Provide women's full and equal access to the benefits of economic, social, political and cultural development.
- Provide full and equal access for women to employment and productive resources.

Member States also entrust the GS/OAS to ensure that the gender perspective is systematically incorporated into the elaboration and application of the international instruments, mechanisms, and procedures in within the OAS framework.

Regarding the current situation of women's rights and gender equality, the Hemisphere presents significant advances and challenges. There is a strong international and inter-American legal framework for women's human rights and gender equality, which also has been ratified by almost all countries of the Hemisphere. They include the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW, 1979), the Convención of Belém do Pará (1994), and a series of political commitments.

According to the OECD, in the developing world, Latin America and the Caribbean is the region that is showing more progress with respect to formal recognition of the rights of women - from the ratification of the international legal framework and the recognition of equality between men and women at constitutional level, to the formulation of laws and public policy on women's rights and gender equality. This framework has been replicated in different ways in most countries through constitutional amendments on gender equality, laws on different aspects of human rights; public policies for the implementation of this framework; sanction mechanisms of discrimination and promotion of rights; and public awareness campaigns and training of state agents

However, for many women in the region, the international and regional legal framework and the constitutional guarantees on equality have not yet been translated into a lived reality. There is a deep gap between the “de jure” equality and the “de facto” equality. Many obstacles remain to the full realization of women's rights and citizenship - from their access to education paid employment and productive resources, equal benefits, health and other social services, to the ability of women to negotiate their sexual life and their reproductive autonomy, protect themselves against violence, even in their own homes, and influence decision -making in the political, economic and social spheres.

Under this hemispheric context the OAS and the CIM operate to advance gender equality and women's rights, with the mission to " ... support the member states of the OAS in their efforts to fulfill their respective international and inter-American commitments on women's rights and gender equality, so that they become effective public policies contributing to the full and equal participation of women in the civil, political, economic, social and cultural arenas.”

In terms of the current situation of women's economic rights, despite the significant progress experienced in LAC during the last decade in the participation of women in the labor markets – which increased by 35% since 1990, as an exception to the global trend, and although women represent 52.1% of the working age population, they still face persistent barriers. Women are overrepresented among the unemployed, remain confined in more vulnerable positions than their male counterparts and are exposed to other persistent deficits of decent work and gender gaps, such as wage, occupational segregation, precarious and informal positions, participation in decision-making positions and power, and the distribution of unpaid domestic work, among others.³

Women entrance in the labor market is irreversible. However, this situation did not come along with a redistribution of gender roles. Women continue to perform the vast majority of household labor - unpaid domestic work, which is a disproportionate burden on women and in practice it is an invisible subsidy to the economic system that perpetuates women's subordination and exploitation. It is one of the main barriers

³ Inter-American Commission of Women (CIM/OAS) (2011). Advancing Gender Equality in the Context of Decent Work. [http://www.oas.org/en/CIM/docs/AvanceGeneroTrabajoDecente-EN\[Final-Web\].pdf](http://www.oas.org/en/CIM/docs/AvanceGeneroTrabajoDecente-EN[Final-Web].pdf)

faced by women to enter the labor force. In fact, there is evidence that unpaid domestic work in some countries represent at least 25% (Mexico, Peru, El Salvador) of these countries' GDP – a higher contribution sometimes than the contribution provided by their industrial sector.

In addition, women predominate between the poor and the poorest. But poverty is much more complex than simply insufficient income, as its impact is also felt in other dimensions, such as the lack of opportunities, work, time, mobility, and access to social networks.

Despite the persistent gender gaps and obstacles faced by women, research shows that women increasing participation in the labor market has been the biggest engine of global growth and competitiveness. Closing the gap between male and female employment rates can significantly impact per capita income, GDP growth, competitiveness, and poverty reduction. Parity in paid employment rates would increase: GDP of the US by as much as 9%, Eurozone GDP by 13% and Japanese GDP by 16%; as well as per capita income in 15 major economies, including Brazil and Mexico, by 14% in 2020 and 20% by 2030⁴. Also, there is evidence that in terms of poverty levels, in LAC, the increase of women's income has been instrumental in reducing poverty over the last decade. A WB study the growth in female income accounted for 30 % of the reduction of extreme poverty in the region.⁵

Evidence also shows that increasing the share of household income controlled by women, either through their own earnings or cash transfers, changes spending in ways that benefits children and family welfare. This situation can create a **virtuous circle**, to the extent that women's spending supports the development of human capital, which in turn fuels economic growth in the coming years. Therefore, the impact on the household of women gaining access to credit to enable them start or grow their business is likely to be profound.⁶

Despite these important benefits, only one third of the SMEs in the world in the formal sector are run by women. If this contribution is so important how not to encourage a greater participation of women in the economy in more productive sectors. An effective implementation of the secured transaction legislation could help in this direction.

Some figures in Jamaica:

- As in other regions, the informal sector, a primary employer in Jamaica, engages 38.3% of the labour force in 2012 compared to 39.6% from the formal sector. Data also shows that the majority of informal sector workers were male (60%) and that agricultural and domestic workers are not classified as formal or informal. In this regards, it is important to note that female tend to predominate among domestic workers in the region.⁷
- In Jan 2014, women comprised 45.1% of the labour force, yet are concentrated in the lowest-paying sectors of the economy.⁸
- Although women's employment rate has slightly increased, the unemployment rate for women stands at 17.4% and 10.1% for men by Jan.2014.⁹ Unemployment youth were mainly females (56.6%) and the largest age group was those aged 20-24 (46.9%).¹⁰
- Women and children are the poorest and most vulnerable sector of the population.¹¹
- Regardless of social position, women continue to bear the brunt of domestic responsibilities, including the nurture and care of children and the elderly.¹²

⁴ IFC and ONU Women (2014). *Hechos y cifras: empoderamiento económico*.

⁵ World Bank (2012). The Effects of women's economic power in Latin America and the Caribbean

⁶ Goldman Sachs (2014). Giving credit where it is due. How closing the credit gap for women-owned SMEs can drive global growth.

⁷ ILO (2014). Labour Market Transition of Young Women and Men in Jamaica. The Statistical Institute of Jamaica (STATIN).

⁸ STATIN, <http://statinja.gov.jm/LabourForce/> and Jamaica Gleaner Spt. 30, 2014. "Push for greater gender equality" <http://jamaica-gleaner.com/gleaner/20120930/focus/focus6.html>

⁹ STATIN

¹⁰ ILO (2014). http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_250104.pdf

¹¹ Jamaica Gleaner and Jamaica Survey of Living Condition 2009.

¹² Idem

- In some 45.5% of households, women are solely responsible and face great pressure on all sides.¹³

Furthermore, Micro, Small and Medium-sized Enterprises (MSMEs) are responsible for the majority of employment. In the Americas, MSMEs represent between 90 and 95% of registered companies but only contribute, on average, to 40% of the countries' GDP. More than a third of these companies (50 to 70%) of the jobs created are headed by women.¹⁴

- According to an IDB study, while women accounted for 58% of own-account enterprises, their participation in Micro and Small enterprises is much smaller, around 42% and 21%, respectively.¹⁵
- According to an ICHR (2011) report, although women in Jamaica make up two-thirds of small businesses (65%), they receive a little less than half of government loans (49%). At the Micro level, women receive 62% but this number decreases as the loans amount grows, which reflects women's limited ability to access higher loans.¹⁶

Women-owned MSMEs face the same challenges as every other MSMEs. However, these challenges are usually amplified, and/or harder to overcome. Access to finance is cited by more women-owned SMEs in the developing world as a major constraint to create or develop their business. Access to finance by female entrepreneurs is limited by traditional stereotypes, gender-sensitive factors, as well as by lack of collateral, weak property rights and laws, regulations and discriminatory practices, and barriers related to firm-specific/owner-specific characteristics (e.g. education, training, size of firm, etc). All of them may impact women entrepreneurs disproportionately. In fact, about 63 to 69% of women-owned SMEs, are estimated to be unserved or underserved by financial institutions.¹⁷ In general, women are reduced in their ability – they are asked for collateral that they don't have; their credit history that has depended until that moment on microfinancing is not taken into account; they are asked for a co-signer, which in many cases is her husband. These are aspects of real life that originate in the legal framework.

Legal and Regulatory Barriers¹⁸

In many countries of the developing world women do not enjoy the protection of adequate legal frameworks and clear property rights, which are precisely the basis for entrepreneurship that encourages investment, innovation and growth. The International Financial Corporation (IFC) and the World Bank analyze legal differences based on gender in 143 economies in several (7) areas: such as Access institutions, Using property, Getting a job, Building credit, Providing incentives to work and Going to court.

While there is differentiation between men and women established by the laws, regulations and institutions, women will be disincentive to work, initiate or run a business.

Our region is among those that managed to reduce by 50% the legal restrictions on access to property rights or carry out legal acts. In Brazil, for example, until 1988, married men were the heads of households and the only ones in capacity to represent his family, select the family home and manage the marital goods and those that belong of his wife. Since then, women have advanced in a considerable way their rights in these areas.

Within this context:

- How to contribute to tackle main challenges faced by female entrepreneurs?

¹³ Idem

¹⁴ OAS (2012). Credit where credit is due: How collateralized lending in the Americas helps MSMEs growth.

¹⁵ Ministry of Industry, Investment and Commerce of Jamaica (2013).

<http://www.miiic.gov.jm/PDF%20Files/MSME%20ENTREPRENEURSHIP%20POLCY%2014TH%20DRAFT.pdf>.

¹⁶ CIDH (2011). *El trabajo, la educación y los recursos de las mujeres: la ruta hacia la igualdad en la garantía de los derechos económicos, sociales y culturales*.

¹⁷ IFC Enterprise Finance Gap Database 2011.

¹⁸ World Bank y IFC (2014). Women, Business and the Law; Goldman Sachs (2014). Giving the Credit where it is due; and UN Women (2014)

- How to articulate and translate the economic growth with the generation of formal and decent employment?

An effective implementation of a secured transaction reform - the Security Interest in Personal Property Act (SIPPA) in Jamaica, has the potential to contribute with financial inclusion and women's economic empowerment, but also to fight other major problems such as informality and poverty.

Examples of how Secured Transactions schemes can help in practice

Ghana: In the case of Ghana, loans have been mostly reaching women entrepreneurs from the informal sector who did not have access to credit due to the lack of traditional collateral (real estate and land titles), but who own movable assets. After the creation of the collateral registry in Ghana, financial and non-financial institutions expanded their loans operations to MSMEs. More than 63,000 registrations took place. Of them, 21% were SMEs and 66% Microenterprises. More than US \$14,000 million in funding was provided to more than 13,000 SMEs and 40,000 Microenterprises, including 70% owned by women.

China: After the national online security interest registry of accounts receivable was established in 2008, thousands of SMEs have been able to access credit through accounts receivable as collateral. In the first 5.5 years after the reform, more than US\$ 6 billion in secured financing with receivables was facilitated by financial and nonfinancial institutions. An independent evaluation showed that almost 60% of recipient firms of secured loans by accounts receivables were owned by women and that women had majority ownership in 20% of these firms.¹⁹

Reflections and Recommendations

- Considering the significant restrictions faced by women to start and grow their businesses, and their potential contribution to the economy and growth, any measure that facilitates their access to economic resources, including access to credit, in fair and safe conditions, promotes a solid economic regime, social and political development and poverty reduction.
- In the process of amending the legal framework to encourage the financial system to change its interaction with business and other sectors, it is important that financial institutions understand the differentiated needs and importance of women-owned business in their markets.
- Main potential beneficiaries of secured transactions reforms are small business, women-led firms, youth, and entrepreneurs, in particular in remote communities – all of whom lack voice and presence in policy making environments. For this reason, political consensus building must be combined with outreach and educational efforts aimed at those left behind.

The biggest challenge of the progress of the secured transaction reform is having a real impact in the lives of those facing the greatest difficulties in gaining access to economic resources while facing “de facto” inequalities.

¹⁹ World Bank Group and IFC (2014) *Impacto crediticio de las Garantías Mobiliarias, El Salvador y Colombia*. http://www.oas.org/en/sla/dil/docs/secured_transactions_seminar_el_salvador_2014_presentations_Elsa_Rodriguez_1.pdf and <http://www.asomicrofinanzas.com.co/pdfs/memorias/Alejandro%20lvarez%20de%20la%20Campa%20-%20IFC.pdf>