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Gender Gaps and Digital Solutions

By

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Questions

1 There are different types of digital platforms and some of them have been developed to facilitate the participation of small companies in online trade and their internationalization. Could you please share the experience of *ConnectAmericas*, a matchmaking and information platform that the Inter-American Development Bank contributed to establish, and tell us how small businesses, especially those owned by women, have benefitted from it, and what are the challenges that still need to be overcome?

ConnectAmericas is a business media platform –the most important in Latin America and the Caribbean—developed by the Inter-American Development Bank (IDB) with support from Google, DHL, SeaLand (Maersk), MasterCard, and Meta with the purpose of facilitating firms' internationalization. It was launched in 2014.

ConnectAmericas has three main functions: *Learn, Connect, and Finance*.

The **Learn function** offers firms a number of capacity building services that furnish them with general trade information. These services include: free online courses and webinars and training materials such as video testimonials and articles on trade-related matters; access to trade datasets and business self-evaluation tools; lists and contact data of public and private organizations that manage support programs for firms in countries where they operate; and the possibility to share relevant information and ask questions to the community or reply to posts by other firms.

The **Connect function** provides firms with specific commercial information. It primarily allows firms to search for potential partner's profiles and interact with members of their staff, either through a messaging system provided by the platform or through e-mail. In addition, firms can participate in business communities, which are forums where they can write posts to make announcements about goods or services that they want to buy or sell; and be notified about business opportunities, which consist of purchasing announcements by large firms, and apply to these opportunities.

The **Finance function** provides firms with information about financial services offered by (53 partner) commercial banks and allows them to fill in application forms to those services.

By the end of 2022, more than **240,000 firms** (and around **700,000 users**) from **180 countries** had registered and created their profiles in the platform, which received visits from more than **12 million unique visitors**.

ConnectAmericas is therefore primarily an informational business platform. It provides access to relevant information to firms.

In this regard, it is well-known that, despite of the progress of ICTs, **international trade is still subject to information incompleteness**. Firms must therefore engage in a costly search process

to find business partners. **Online platforms can reduce these search costs and thereby favor firms' overall exports.**

In a study we conducted at the IDB with Jerónimo Carballo, Marisol Rodriguez, and Catalina Salas, **we examined whether this is actually the case.** Specifically, we combined detailed information on firms' participation in *ConnectAmericas* with customs data from Peru covering the entire universe of the country's export transactions over several years. Consistent with its interpretation as a search cost-reducing mechanism, we found that **the use of *ConnectAmericas* has resulted in greater firms' exports. On average, export values increase 17% in response to joining the platform.** The evidence further suggests that impacts are pronounced for firms that are small or lack their own website or media accounts, particularly in more distant and developed destinations, and for differentiated consumer products.

Overall, **these results reveal that, to a substantial extent, the baseline effects are primarily explained by a higher visibility of exporters through the creation of a digital presence, which helps them become more noticeable to buyers from countries and in products subject to higher information frictions.**

In a follow-up study with Jennifer Poole at American University, **we used information on the composition of firms' management teams in terms of gender to specifically examine whether the increase in export associated with participation in *ConnectAmericas* was similar or different for female-led and male-led firms.**

Our results indicate that **female-led firms experienced a significantly larger increase in their foreign sales than their male-led counterparts** and that such a larger increase can be traced back to both larger quantities and higher unit values, with the latter being potentially related to the sale of higher quality varieties and better buyers –improved matching with foreign buyers. **In short, digital platforms can play an important role in making trade more gender equal.**

We are currently working on a new study that aims to establishing the channels through such effects may arise using data from more than 50,000 Colombian firms in *ConnectAmericas*. These channels include:

- i. *on the supply side*, online platforms allow for greater flexibility to reply to requests (no fixed office hours), thus weakening the implicit bias against women, which could be perceived as less flexible;
- ii. *on the demand side*, first, managers of firms in more gender-equal destinations, in general, and female-led firms in these countries, in particular, may prefer to buy from female-led firms, and, second, large public firms may need to adhere to relevant ESG criteria and show stronger commitment to social inclusion in response to market developments and social demands.

What else? **Information frictions are just one of the obstacles firms and especially those female-led must confront when attempting to operate or expand in international markets,** which compound those related to information frictions that need to be addressed for digital platforms to realize all their potential in terms of spreading the benefits of trade. **On top of the need to ensure enabling general conditions such as fast internet, reliable postal**

services, efficient customs processing of shipments through the application of new technologies (including machine learning for risk management), operative and effective cross-border payment systems, among others, challenges remain in several areas including access to financing, capacity building, innovation, certifications, etc.

2 What kind of support would governments and other stakeholders need from development partners, such as the Inter-American Development Bank or UNCTAD, to make online businesses an opportunity for all? Which tools and initiatives are already in place to reach this goal?

Organizations such as the Inter-American Development Bank can help and is actually helping countries, through both technical and financial assistance:

- i. **generate appropriate, detailed data**, which is extremely scarce—for example, how much do firms in general and female-owned/female-led firms sell online and offline? what/where do they sell online and offline?
- ii. **produce accurate, comprehensive diagnoses of female participation in international trade and investment**, in general, and through digital means, in particular, and **identify the barriers faced by firms and particularly those by female-owned and female-led firms when venturing abroad through offline and online channels** using administrative social security, tax, customs, and central bank microdata (combined with adequate surveys) (e.g., Brazil's SECEX study and IDB planned study on Brazil);
- iii. **rigorously assess both the direct and indirect impact of trade and investment and specifically public policies and programs to promote them through offline and online channels on gender equality and social inclusion** –which requires to look not only at firms that trade or invest or participate in these programs but also to those connected with the latter through labor turnover or sales and purchases (VAT data);
- iv. **use the insights of these diagnoses and evaluations (and complementary surveys) to design and implement better (and continuously improve), evidence-based policies** and programs to favor firms' internationalization taking advantage of the immense possibilities opened by digital technologies, in general, and focused on female-owned and female-led firms, in particular; and
- v. last but certainly not least, **improve the *fundamentals*** through coordinated actions: customs and other border agencies' processing of shipments, the quality of postal services, the existence of cross-border payment arrangements, and access to finance, support for innovation, and relevant (sustainability) certifications.

Let me now move to the second question: Which tools and initiatives are already in place to make online businesses an opportunity for all?

The results of our studies reveal that digital platforms can play an important role in making trade more gender equal. Trade promotion agencies' purposefully designed programs and activities to take advantage of the opportunities created by digital technologies in general, and for women, in particular, can work similarly. In this line, **several LAC countries have already launched dedicated digital business platforms with assistance from the IDB and *ConnectAmericas***, including Colombia (Compra lo nuestro), Panama (PROPANAMA Conecta), Mexico

(ComerciaMX), Paraguay (Paraguay Export), and Ecuador (Ecuador Mi Opción) and **programs to support firms' participation in global online platforms.**

ConnectAmericas has several dedicated initiatives for female-led and female-owned firms that have provided training to and certified more than 100,000 female entrepreneurs. These include:

1. **ConnectAmericas Women**, a special chapter of the platform with more than 170,000 register female entrepreneurs that has contents and technical assistance activities specifically designed for women who lead or own firms, including webinars and online courses, based on their profiles in the platforms and surveys gathering information on the barriers they faced in their internationalization efforts.
2. **Growing Together in the Americas**, a program that explicitly aims to promote the participation of female-led and female-owned SMEs in international trade in general –and thereby allow them to play a greater role in employment generation—through the provision of technical assistance in the following areas: digital transformation, improvement of financial structure to facilitate access to financing, and capacity building.
3. **Development of Providers**, a dedicated capacity building program to favor the participation of female-led and female-owned firms in value chains focused on: the creation of the value proposition of the firm, learning about buyers' requirements and how to comply with them, learning about business opportunities as providers (for firms and governments) and how to apply to them, and access to opportunities as IDB providers [application to the program is still open].

Note that online platforms such as *ConnectAmericas* can also help countries gather detailed data disaggregated by gender –thereby complementing the more general efforts needed in this regard—and in having a more agile communication with female-owned firms to promptly identify the specific barriers they face.

Gender and social inclusion remain critical issues in LAC today. The agenda for promoting gender equality is broad, and it includes a variety of policy actions and training opportunities. The IDB Group will continue to support this agenda as one of its institutional priorities.