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Gender Impact Assessment
of the Law of Georgia on Entrepreneurs

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A special thanks to UN Women Country Office Georgia for their invaluable contributions in peer reviewing this report.

This publication was prepared by ISET Policy Institute, in collaboration with the Investors Council Secretariat, which is funded by the European Bank for Reconstruction and Development (EBRD) through the UK Government's Good Governance Fund (GGF).

ACRONYMS AND ABBREVIATIONS

BPfA	Beijing Declaration and Platform for Action
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CSR	Corporate Social Responsibility
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EPRC	Economic Policy Research Center
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GEL	Georgian Lari
GIA	Gender Impact Assessment
IC	Investors Council
ISET-PI	ISET Policy Institute
ILO	International Labour Organization
IMF	International Monetary Fund
NBG	National Bank of Georgia
OECD	Organisation for Economic Co-operation and Development
ROA	Return on Assets
ROE	Return on Equity
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNDP	United Nations Development Programme
WBL	Women Business and the Law
WoB	Women on Boards

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EXECUTIVE SUMMARY

The underrepresentation of women in entrepreneurship in Georgia is a significant problem that disproportionately affects women's ability to start and to sustain businesses. Despite legislative efforts and economic strategies intended to enhance the business environment, women face considerable challenges, such as limited access to finance, which hamper their ability to start and grow businesses.

The ISET Policy Institute (ISET-PI), in collaboration with EBRD and the Investors Council (IC), implemented a Gender Impact Assessment (GIA) on the Law of Georgia on Entrepreneurs. The GIA detailed within the document aims to evaluate the new Law on Entrepreneurs in Georgia from a gender perspective. The GIA seeks to uncover gender disparities within the law and to provide evidence-based recommendations in order to enhance gender equality in the business and investment climate. This involves assessing the current legislation's impact on different target groups, focusing on the presentation and representation of women, and offering insights into potential legislative changes that could promote more balanced gender participation in entrepreneurship.

This is an ex-ante GIA, conducted during an early stage of the decision-making process and prior to any legislative changes to the new Law of Georgia on Entrepreneurs. This GIA has significant potential in terms of supporting the development of a legislative package that acknowledges and addresses the differing needs of both female and male entrepreneurs, that minimizes unintended negative impacts, and that helps address existing gender differences. Whilst exploring various issues within the Law, this research retained a focus on **1. Gender Quotas on Supervisory Board Representation and 2. Gender Reporting.**

Consequently, the research delves into the gender disparities and inequities prevalent in entrepreneurship, thus **identifying various factors that contribute to the underrepresentation of women entrepreneurs.** These issues include their limited access to capital; differences in business financing; stringent collateral requirements; knowledge gaps in business management; higher borrowing costs; limited investor networks; the underutilization of business support programs; gaps in venture capital and angel investment; limited access to non-financial resources; inadequate market access; networking disparities; impacts on revenue generation and sustainability; limited access to equipment and technology; inadequate training opportunities; and societal norms, gender stereotypes, and informality in female-dominated sectors.

The underrepresentation of women entrepreneurs can lead to restricted female employment opportunities, the underutilization of women's skills, limited gender diversity in leadership, less gender-sensitive corporate governance, a scarcity of role models, restricted social mobility, perpetuation of economic dependence, hindered financial independence, increased vulnerability to domestic abuse, limited influence in economic decision-making, underrepresentation in high-growth sectors, the widening of the gender pay gap, labour migration, reliance on personal finances for entrepreneurship, and to necessity-driven entrepreneurship.

To tackle the various gender gaps in entrepreneurship, the research team, in close cooperation with the IC and EBRD, proposed two Policy Options:

Policy Option 1: Gender Quotas on Supervisory Board Representation - enforcing gender quotas for supervisory board representation in large companies, those listed on both Georgian and international stock exchanges, joint-stock companies (JSC), as well as state-owned enterprises. The initial mandate for women's participation is suggested at 30%, with anticipated compliance by 2026, and a subsequent increase to 40% by 2030.

The quantitative impact assessment of Policy Option 1 focuses on five aspects: **(1) measuring the potential impact of the option on participation in executive and non-executive boards (as well as on CEOs); (2) evaluating the potential impact on company performance and corporate governance; (3) estimating the potential impact on gender pay and employment gaps; (4) appraising the investment costs; and (5) estimating the administrative burden.**

The introduction of gender quotas within supervisory boards has resulted in notable advancements in the representation of women. However, this progress has not been as pronounced in executive roles, such as directorates. While there has been some improvement in the presence of women in these positions, the link between quotas on supervisory boards and increased female involvement in executive bodies remains somewhat restrained. In addition, there has been a slight increase in the overall size of boards of directors. Interestingly, there has also been an unexpected decrease in the number of female CEOs in commercial banks, indicating the need for a deeper investigation into the reasons behind this trend.

Taking a wider view, research conducted across 18 countries in developed markets across Europe and the Americas reveals varying levels of adherence to board quotas across different sectors and industries. For instance, the basic materials sector demonstrates notable discrepancies in meeting the prescribed levels of female board representation – with particularly low compliance observed in the containers and packaging industry. Conversely, the communication services sector, particularly in diversified telecommunication services, exhibits a significantly higher level of adherence. These sector-specific patterns highlight the diverse effects of gender quotas across different industries.

Overall, while increased gender diversity on boards is not universally linked to direct improvements in firm performance, there is a clear trend towards the enhanced external valuation of those companies with diverse boards. This is especially pronounced in regions with high gender equality and strong shareholder protections, where gender-diverse boards also contribute positively to corporate social responsibility and strategic decision-making. Additionally, the introduction of gender quotas fosters a reduction in the gender pay and employment gaps, and it also shifts the focus of board activities towards more specialized committees, potentially amplifying the influence of female members. These findings suggest that, while the direct costs of implementing and maintaining gender quotas are relatively low, the broader, long-term benefits to corporate governance and social equity are substantial.

Policy Option 2: Gender Reporting - requiring companies to conduct annual gender reporting, which gathers data on the diversity of employees and details the key gender indicators based on international best practices, such as the percentage share of women in senior and middle management; the age distribution of the female and male workforce; the share of female and male employees who attended training and the average training cost per employee; the employee turnover rate disaggregated by gender; the total number of female and male employees taking parental leave and the length of parental leave; the total number of complaints received regarding violations of privacy disaggregated by gender; the total number of cases of information leakage, theft, or loss of data disaggregated by gender; the number of complaints filed, reviewed, or resolved regarding the violation of human rights disaggregated by gender; and the gender pay gap. This Option includes two scenarios: Scenario (1) only large joint-stock companies produce gender reports and Scenario (2) all large-size enterprises produce gender reports.[1]

The quantitative impact assessment of Policy Option 2 focuses on two aspects: (1) quantifying the benefits associated with gender reporting **– the impact on the gender pay gap and on female employment;** and (2) measuring the costs associated with gender reporting **– the direct compliance and the administrative costs for enterprises.**

Overall, Policy Option 2 is likely to lower the gender pay gap by making companies more transparent and accountable. Furthermore, introducing gender reporting is expected to encourage more women to work in prominent joint-stock and in larger companies, demonstrating how this policy can help achieve gender equality within the workforce. Although the costs for public administration and enterprises are minimal, the overarching benefits in terms of gender equality and organizational transparency highlight the significance of pursuing such measures.

Additionally, the GIA team formulated recommendations to address gaps in the legal framework of the Law of Georgia on Entrepreneurs, those which focus on 1. legal enforcement, 2. awareness-raising and skills development, and 3. data collection for impact monitoring.

1. Since 2017, the size of enterprises has been determined by the following methodology: **Large enterprises** have an average annual number of employees that exceeds 250 persons or have an average annual turnover volume of 60+ million GEL. **Medium size enterprises** are all organizational-legal form enterprises, where the average annual number of employees ranges from 50 to 249 persons or there is an average annual turnover between 12 and 60 million GEL. **Small size enterprises** are all organizational-legal form enterprises, where the average annual number of employees does not exceed 50 or with an average annual turnover of under 12 million GEL.

CHAPTER 1.
CONTEXT OF THE GIA

1.1.
Background Information

Achieving gender equality in entrepreneurship is crucial for fostering a fair and inclusive society. When both women and men have equal opportunities and the resources to initiate and lead businesses, it not only promotes economic growth but also enriches innovation. In effect, women bring unique perspectives that contribute to a more diverse and vibrant entrepreneurial landscape, thus addressing community needs while also driving social progress and economic development.

Georgia recognizes entrepreneurship as a vital catalyst for its economic advancement, one which aligns with international agreements and domestic policies. The EU-Georgia Association Agreement underscores the importance of strengthening industrial and enterprise cooperation, with a specific focus on improving the business climate (The European Union, 2014). Similarly, Georgia's economic strategy embraces a free-market approach that recognizes entrepreneurs as an engine for job creation and economic growth. The government has actively supported this vision by fostering a conducive business climate, facilitating business expansion, and investing in infrastructure to spur innovation and long-term economic prosperity. Despite legislative efforts, including the enactment of the Law on Entrepreneurs in 2022 to align the country with European standards,[2] challenges persist in ensuring the equal participation of women in entrepreneurship. For instance, access to finance remains a significant barrier, particularly for women-owned small and medium-sized enterprises (SMEs), consequently this impedes their growth potential and hampers overall economic progress and job creation.

Data from Geostat's enterprise survey underscores the pivotal role of enterprises in Georgia's economic landscape (Geostat, 2023). Enterprises contribute significantly to the country's GDP, with consistent growth

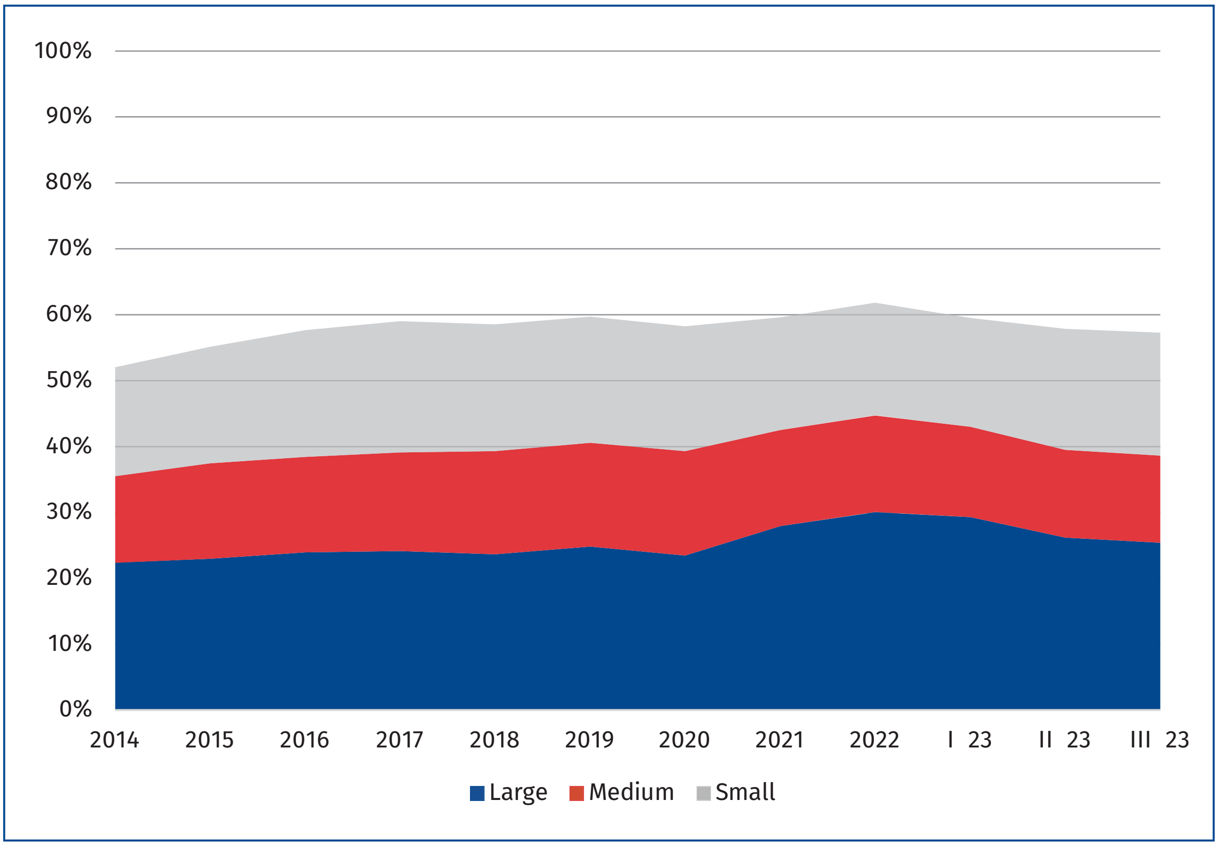
2. On 2 August 2021, the Georgian Parliament approved the new Law on Entrepreneurs, which became effective on 1 January 2022.

in their share over the years. While large enterprises dominate, medium and small enterprises also play substantial roles. Moreover, enterprises are vital employers, consistently engaging more than half of the workforce, with notable shifts occurring in gender dynamics, indicating a narrowing gender gap in employment.

Enterprises moreover generate the majority of the country's GDP, with their share rising from 52% in 2014 to 62% in 2022 (averaging 58% over that period). While large enterprises certainly hold the largest segment, averaging at 25%, medium and small enterprises play significant roles as well, contributing an average of 15% and 18%, respectively (Figure 1). Furthermore, enterprise turnover has seen consistent growth, with high year-on-year increases (Figure A1 in Annex A). It must be noted that the value added from enterprises in Georgia has additionally demonstrated consistent growth over time, with the exception of 2020. Despite experiencing a moderate plummet due to the global pandemic that year, the subsequent strong recovery underscores the resilience of Georgian enterprises (Figure A2 in Annex A) (Geostat, 2023). Between 2014 and 2022, the overall share of value added from enterprises increased by 5 percentage points, rising from 26% to 31%. While large enterprises act as the primary contributors to value added, both medium and small enterprises also hold notable significance.

In 2022, large enterprises accounted for 15% of the total value added. Furthermore, the share from medium and small enterprises has exhibited relative stability over the observed period, hovering around 7% and 8%, respectively (Figure A3, Annex A) (Geostat, 2023).

Figure 1. Share of Enterprise Production in Georgian GDP



Source: Geostat – Statistical Survey of Enterprises

Enterprises are pivotal in shaping Georgian labour market dynamics as they consistently employ more than half of the workforce. In both 2022 and 2023, enterprises constituted 61% and 59% of total employment, respectively, thus demonstrating steady growth with minimal variation. While small enterprises have historically held the largest share of total employment, this pattern has altered since 2022, with large enterprises steadily closing the gap and even slightly surpassing small businesses (Figure A4, Annex A).

It should be noted that there are no country-wide criteria to what counts as a women-owned business when it comes to ownership, control, operation and management of the business. The Geostat data (Figure 1) counts a business as women-owned if at least one woman is registered as an owner in the registry.

Furthermore, enterprises serve as significant employers of both men and women. Since 2011, they have continuously accounted for more than half of male employment, highlighting their sustained significance in the workforce. Likewise, enterprises have emerged as significant employers for women since 2018, thereby indicating a shifting pattern in gender dynamics within the labour market. (Figure A5, Annex A) (Geostat, 2023). Historically, there has been a gap between the number of men and women in work, particularly in small businesses, those which are the main source of employment in the country. However, this gap has been shrinking since 2018, with only a temporary setback in 2020. Medium-sized businesses have consistently retained the smallest gender gap, while large businesses have been making steady progress in closing the gap since 2014. Overall, regardless of business size, the difference between male and female employees is getting smaller, which indicates that Georgia's business environment is becoming more inclusive (Figures A4-A8, Annex A) (Geostat, 2023).

While employment levels are climbing across every business size in Georgia, particularly in small and large enterprises, a different picture emerges concerning wages. The data indicates consistent wage growth for both men and women, yet the widening gap between them is concerning. Women's wages saw a significant increase (115%) from 2014 to 2022, compared to the 100% increase for men. However, despite this growth, the actual difference in pay between the genders has also widened. This gap is most pronounced in small enterprises (up 95.2%) and least pronounced within large enterprises (up 84.1%). The situation is further complicated by the fluctuating nature of the gender pay gap. Although lower in larger companies, the gap has increased in small businesses over the past three years. This highlights the ongoing challenge of achieving true wage equality across all sectors (Figure A9, Annex A) (Geostat, 2023). Therefore, despite positive trends in employment, challenges persist in achieving wage equality. While both men and women have experienced wage growth, the gender pay gap remains concerning, and it is particularly pronounced in small enterprises. This stresses the need for ongoing efforts to promote gender equality in entrepreneurship and beyond.

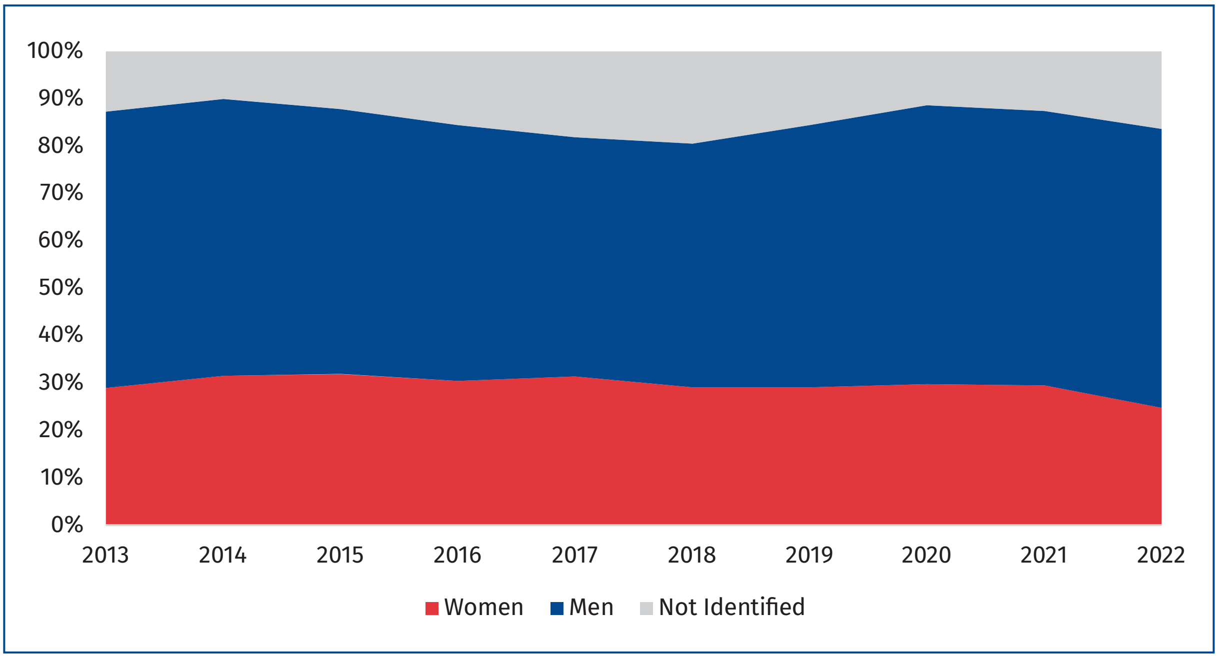
1.2. Understanding the Current Gender Context

In Georgia, although women represent a substantial portion of the labour force in small and medium enterprises, they nev-

ertheless encounter obstacles in business ownership. Only around one-third of economically active enterprises are owned by women, most of which are small-scale ventures (UN Women, 2023). Moreover, as underscored by insights from the Women Entrepreneurs Survey (WES) (UN Women, 2023), women's representation in managerial roles, across diverse sectors, is notably low. The survey emphasizes that many businesses, especially in the trade sector, are characterized by small-scale operations, revealing a sector-specific pattern in women's entrepreneurship in Georgia (UN Women; ILO, 2023). Understanding the current gender context therefore remains crucial for guiding future actions aimed at addressing these challenges and promoting gender equality in entrepreneurship, which is a key pillar of the Georgian economy.

Despite the growth in entrepreneurial activity, the data reveals a significant gender gap in Georgia, with women leading only a small fraction of new businesses.[3] In 2022, only 25% of the 77,864 newly registered businesses were founded by women, compared to nearly 60% by men. This gap has also widened since 2017, highlighting ongoing challenges in achieving gender parity (Geostat, 2023). A 2023 World Bank survey confirms this trend – revealing that just 29.5% of firms have female ownership and only 14.8% with a female majority. Additionally, only 21% of firms reported having female top managers (The World Bank, 2023).

Figure 2. Newly Registered Enterprises by Gender of the Owner

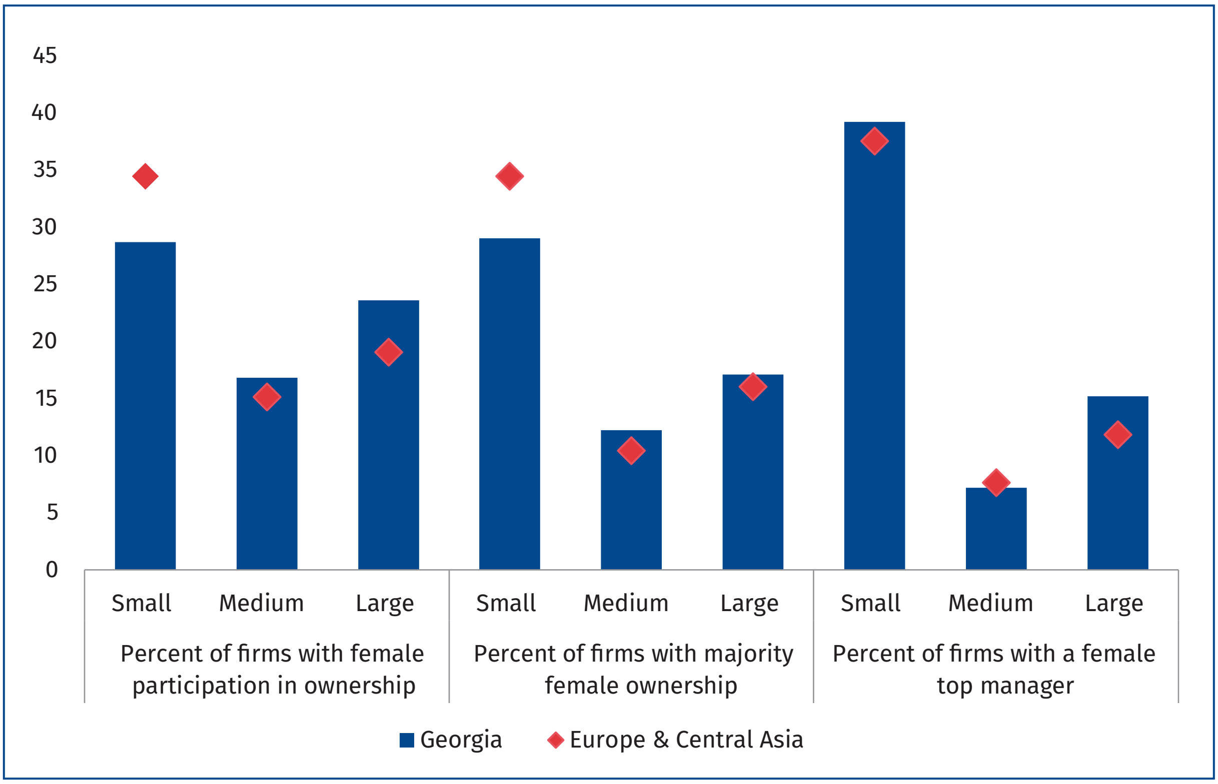


Source: Geostat – Statistical Survey of Enterprises

3. It should be noted that Geostat data counts a business as women-owned if at least one woman is registered as an owner on the registry.

A 2023 survey also revealed the complex ownership landscape in Georgia. While small businesses boasted the highest female ownership rate (28.7%), this still fell short of the regional average in Europe and Central Asia (ECA) by nearly 6 percentage points. Interestingly, medium and large enterprises showed a higher percentage of female ownership and leadership compared to the regional averages. However, women's participation dipped specifically among medium-sized businesses (Figure 3) (The World Bank, 2023). **Moreover, the World Bank 2023 Enterprise Survey indicates that by gender there is a noticeable discrepancy in firm ownership across various industries.** The service sector leads this trend with a 32.3% female ownership rate, particularly prominent in hospitality (41.6%) and retail (35.2%). In contrast, manufacturing trails behind at 20.7%, predominantly within food manufacturing (23%) (The World Bank, 2023). The Women Entrepreneurs Survey from UN Women provides another perspective on entrepreneurship in Georgia. By focusing on businesses where women own at least half of the company's shares, WES indicates that 59% of female-owned enterprises operate in the trade sector, with relatively lower participation in manufacturing (9%), other services (6%), accommodation and food (5%), and professional services (5%). The survey also notes minimal representation in sectors of administrative support, information and communication, and education (UN Women; ILO, 2023). Additionally, a 2018 FAO study underscores the underrepresentation of women in agriculture, where only a quarter of farmers' cooperatives have female members (FAO, 2018).

Figure 3. Female Participation in Ownership by Size of Enterprise (2023)



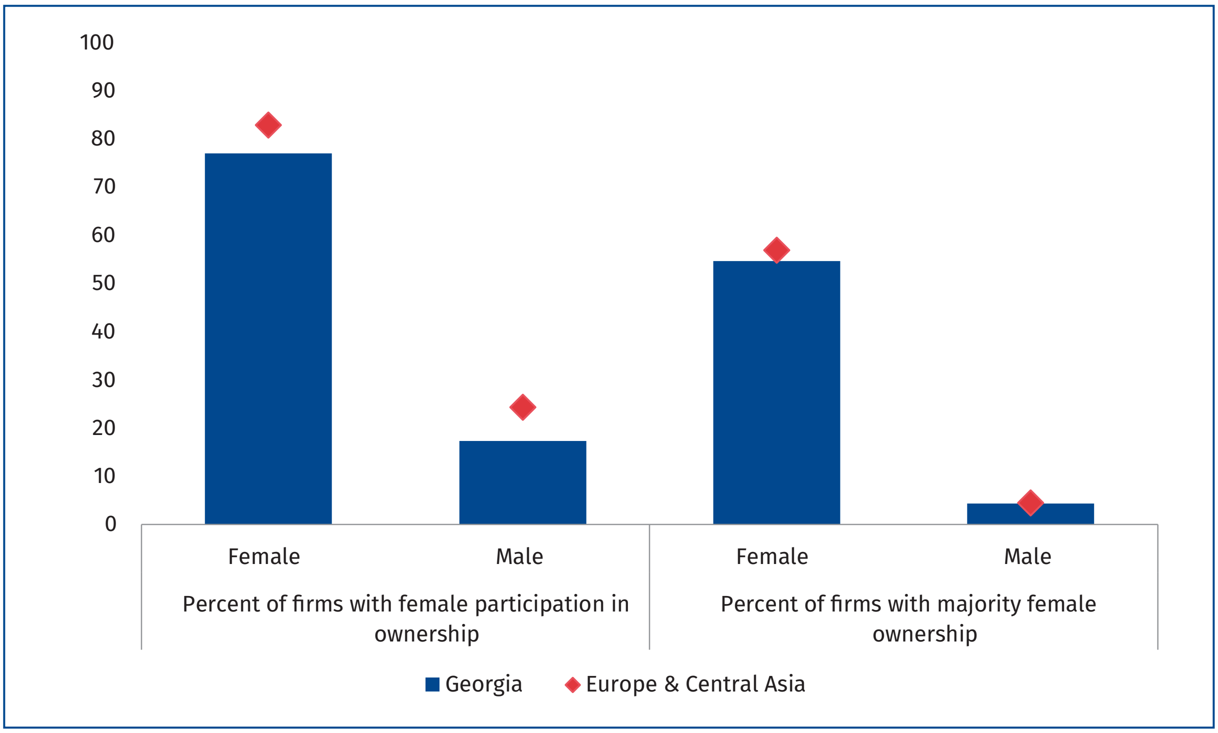
Source: The World Bank – Enterprise Survey 2023

The World Bank's study also uncovered disparities between enterprises led by top female managers and those with male leadership. Those enterprises under top male managers exhibit a higher proportion of skilled workers (87.9% compared to 74.9% in enterprises led by top female managers) and boast a larger workforce (32.8 thousand individuals compared to 29.6 thousand in firms led by women). Additionally, according to the World Bank, a relatively high percentage of firms with female top managers (35.1% compared to 28% of male managers) identify an inadequately educated workforce as a major constraint (The World Bank, 2023).

Moreover, the same study further identified a strong correlation between female leadership and a more balanced workforce. Companies with female top managers demonstrate significantly higher rates of female ownership (76.9% with some ownership, 54.6% with majority ownership) compared to those with male leadership (17.3% and 4.4%, respectively). This trend extends to the composition of the workforce, with a higher proportion of female employees in companies led by women (55.2%) versus those led by men (35.4%) (Figure 4). Even after adjusting for the industries these companies operate in, the data suggests a compelling association between female leadership and a more equitable workforce (The World Bank, 2023). **These findings underscore the importance of promoting gender equality in leadership roles, which can consequently lead to greater gender parity across an entire organization and even across the labourforce.**

The evidence suggests that companies with female leadership tend to foster environments that are more inclusive and supportive of gender diversity (Pierli, Murmura, & Palazzi, 2022). Female-led businesses often prioritize initiatives that aim to promote gender equality, such as implementing policies that address gender biases in hiring and promotion practices; providing mentorship and leadership development opportunities for women; and creating supportive work cultures that value diverse perspectives.

Figure 4. Firm Ownership by Gender



Source: The World Bank – Enterprise Survey 2023

The World Bank survey found that domestic firms have a higher percentage of female ownership.[4] Among which, 15.6% have mostly female ownership and 30% have some female ownership. In contrast, for foreign-owned firms (with 10% or more foreign ownership), only 2.2% are predominantly owned by women, while 21.6% have some level of female ownership. Significantly, the rates of female ownership in Georgia are lower than those seen in Europe and Central Asia (The World Bank, 2023). This difference suggests the impact of cultural attitudes – especially at the top management level where conforming with local culture is important. The findings also imply that foreign owners might be exceedingly cautious in selecting top managers who match local cultural norms, thereby possibly excluding qualified female candidates. This trend moreover has implications for international businesses, as it contradicts the efforts in respective home countries to promote gender diversity (Khorana & Webster, 2023).

In addition, data from an Asian Development Bank (ADB) survey reinforces the gender gap observed within enterprise ownership. In Georgia, 37.7% of businesses are owned solely by men, compared to 20.9% owned by women. Interestingly, 13.6% of enterprises are jointly owned by officially married couples (Asian Development Bank, 2023). This breakdown suggests underlying social and demographic factors that influence who becomes an entrepreneur in Georgia.

The ADB data reveals a notable disparity between attributes such as educational attainment and marital status among female and male entrepreneurs. Notably, a gender gap exists in marital status. Among entrepreneurs, 82.8% of men are married compared to 68.8% of women. Male entrepreneurs are also less likely to be widowed, separated, or divorced (3%) compared to female entrepreneurs (24.7%). This further indicates potential social factors influencing entrepreneurship (e.g., women inheriting businesses after being widowed, separated, or divorced; married women having fewer opportunities to be involved in entrepreneurship due to the unequal distribution of the family work; etc.). In addition, household roles differ. For instance, only 28.7% of female entrepreneurs are heads of households, while 46.8% are spouses. Conversely, 57.9% of male entrepreneurs are heads of households, and only 5.9% are spouses. These disparities thus highlight the complex interplay between marital status, household dynamics, and entrepreneurial participation (Asian Development Bank, 2023). Entrepreneurs of both genders exhibit a similar average number of household members who engage in waged employment, as well as nearly equal proportions of ownership of agricultural lands or dwellings. However, there is a notable incongruity regarding the ownership of other forms of real estate, with nearly twice as many male entrepreneurs (30.8%) owning such assets in compared to their female counterparts (15.3%) (ADB, 2023).

Moreover, disparities in educational attainment between genders are apparent. Women entrepreneurs are more likely to have post-secondary, non-tertiary education (34.8%) compared to men (21%). However, this trend reverses at the tertiary level, where 43% of male entrepreneurs hold a tertiary degree or higher, compared to only

4. A company is considered domestic when it is incorporated in the same country as where the exchange is located.

30.5% of females. UN Women reports similar findings – with 44% of female entrepreneurs holding higher education degrees, followed by an equal proportion (28%) of those with vocational education or secondary education degrees (UN Women; ILO, 2023).

In addition to their educational background and family support, entrepreneurs rely heavily on access to digital tools. These resources play a crucial role in expanding their market reach, enhancing marketing strategies, and facilitating vital communications, networking, and collaboration with partners, suppliers, and clients. According to a 2022 survey conducted by UN Women, most female entrepreneurs in Georgia use digital tools (76%). Smartphones with internet access are the most popular choice (60%), followed by laptops/portables (37%), desktops (33%), landline phones (12%), and tablets (8%). Interestingly, younger women, divorced women, and those based in Tbilisi are more likely to embrace digital tools compared to older entrepreneurs and those outside the capital. Despite using digital tools, only 32% of female entrepreneurs have an online presence for their businesses. This presence is primarily through social media (30%), with fewer having websites (14%). Entrepreneurs in Tbilisi and those with higher education are more likely to have an online presence compared to those outside the capital or with a lower educational attainment (UN Women, 2023). Although there is notable awareness and interested in technology, only 23% of female entrepreneurs leverage it for online sales. Website sales are uncommon (6%), with social media following closely behind (4%). However, online financial services have seen greater adoption, with 54% of women entrepreneurs using mobile devices. Notably, entrepreneurs with higher education and those based in Tbilisi are more likely to utilize online financial services (UN Women; ILO, 2023).

In terms of technological utilization, 64% of women entrepreneurs employ technology primarily for communication purposes, while 52% utilize it to source suppliers and 47% to connect with customers. Additionally, 43% leverage technology for their day-to-day business operations and 37% for decision-making processes. Fewer women engage in activities such as selling (31%) or promoting (27%) their products or services, learning new skills (24%), or networking (19%). Notably, smartphones are the preferred choice, over non-mobile internet or computers, for conducting various business-related tasks (UN Women, 2023).

In addition to these technological trends, **the World Bank survey sheds light on the significant differences in management styles between top female and male managers in Georgia. Despite the notable strengths demonstrated by top female managers in understanding production and service provision targets, they lag behind males in aspects like reassigning or dismissing underperforming non-managers.** However, women excel in rewarding good performance by promoting non-managers based on merit. It is also worth noting that while such differences exist, the gender gap in management practices appears to be narrower in Europe and Central Asia (The World Bank, 2023).

Table 1. Gender Disparity in Management Practices

	Subgroup Level	Man-age-ment practices index	Score on action when a problem arose	Score on number of performance indicators monitored	Score on time focus of production / service provi-sion targets	Score on achievability of production / service provi-sion targets
Europe & Central Asia	Top manager is female	50.5	72.5	42.3	56.8	47.1
Georgia	Top manager is female	48	71.4	35.1	45.9	37.9
Europe & Central Asia	Top manager is male	50.8	72.3	42.8	56.2	47.8
Georgia	Top manager is male	51.4	68.5	29.5	48.4	35.9

Source: The World Bank – Enterprise Survey 2023

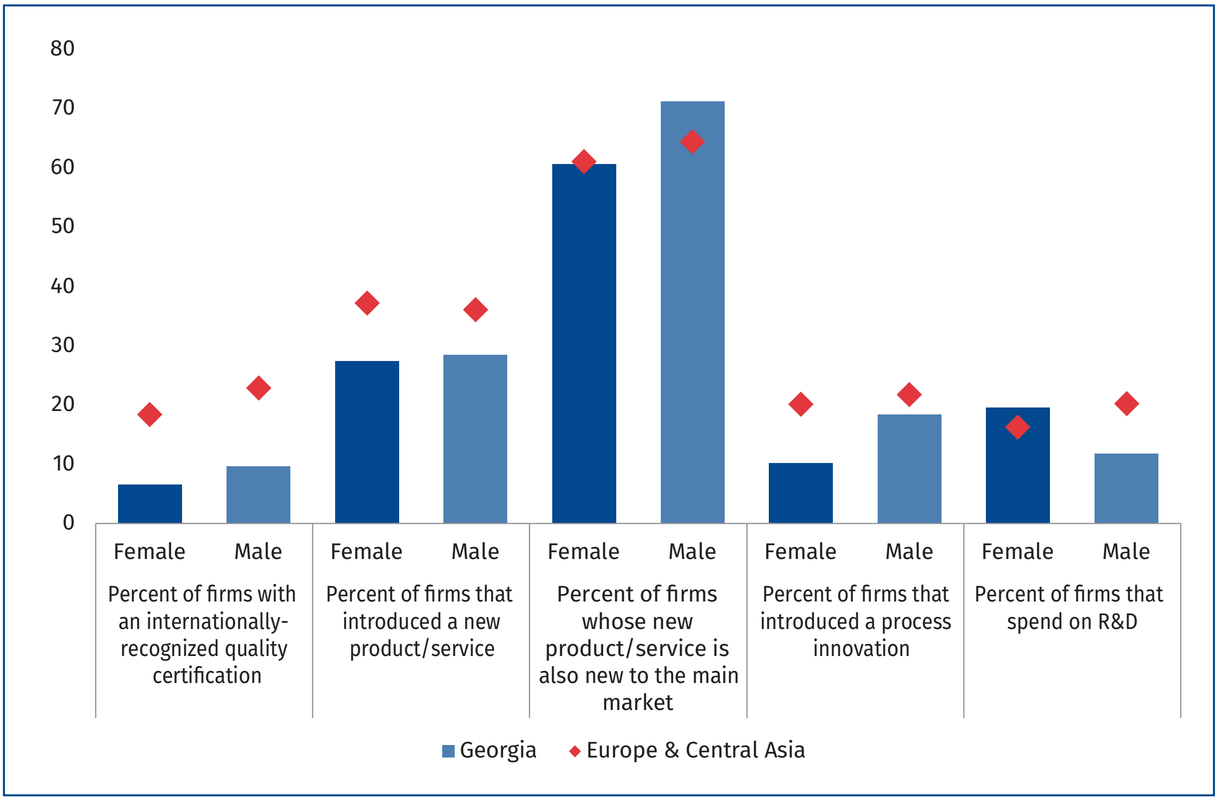
Table 2. Gender Disparity in Management Practices

	Subgroup Level	Score on knowledge of production / service provision targets	Score on basis of managers' performance bonuses	Score on extent to which non-managers are promoted based on performance	Score on extent to which under-performing non-managers are reassigned or dismissed
Europe & Central Asia	Top manager is female	40.9	27.1	63.7	38.5
Georgia	Top manager is female	34.1	53.6	71.9	32.1
Europe & Central Asia	Top manager is male	39.7	31.5	63.5	39.3
Georgia	Top manager is male	24.8	55.6	61.4	45

Source: The World Bank – Enterprise Survey 2023

The survey found that companies in Georgia with male leaders are more likely to have international quality certifications and to introduce new products compared to those led by females. The biggest gap is seen in the launching of new products or services unique to the market. Male-led firms also tend to adopt process innovation more often than female-headed businesses. However, female-led firms invest more into Research and Development (R&D). In Europe and Central Asia, the gender gap in innovation is smaller, but male-led firms do invest more in R&D. This difference could be due to barriers like lower entrepreneurial ability and limited access to funds and technology (Nair, 2020). Companies led by female top managers are less likely to hold international quality certifications (6.5% versus 9.7% for males) or introduce new products (27.4% versus 28.5% for males). The most significant gap exists in the launching of products or services that are novel to the primary market (60.6% for females and 71.2% for males). Moreover, there is a notable difference in the implementation of process innovation, with firms under male leadership surpassing those under female leadership (10.2% for women compared to 18.4% for men). However, female-led firms exhibit higher investment in Research and Development (R&D) (19.5% versus 11.8% for males) (The World Bank, 2023). Interestingly, the gender gap in innovation is narrower in Europe and Central Asia, where top male managers generally have a slight advantage in most categories, except for introducing new products and services (37.1% for women versus 36% for men). Notably, the most significant difference in the ECA lies in R&D spending, with male leaders investing more than their counterparts (20.2% versus 16.2% for females) (The World Bank, 2023).

Figure 5. Innovation and Technology Utilization of Top Managers by Gender

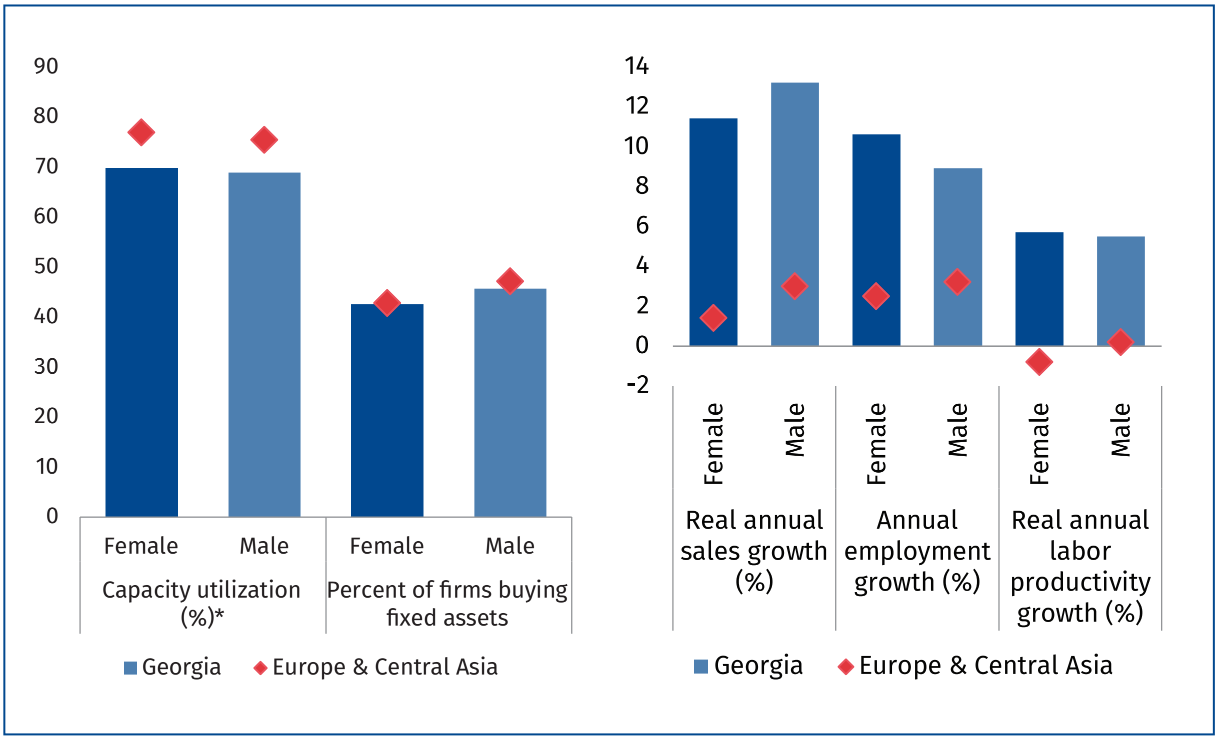


Source: The World Bank – Enterprise Survey 2023

The same World Bank study suggests that companies with female managers performed just as well as those with male managers in most areas. Female-led firms boasted slightly higher capacity utilization (69.8% versus 68.8% for males), employment growth (10.6% over 8.9% for men), labour productivity growth (5.7% compared to 5.5% for males), and fixed asset purchases (45.7% versus 42.5% for males). The only area where female-led firms modestly lag is in real annual sales growth (11.4% versus 13.2% for male-led firms) (The World Bank, 2023).

Georgia consistently exhibits slightly better performance across various metrics in contrast to Europe and Central Asia. In this region, unlike in Georgia, top male managers regularly show slightly higher performance than females, except in capacity utilization. Therefore, it can be concluded that there is no significant gender-related discrepancy observed in the performance indicators on both fronts (The World Bank, 2023).

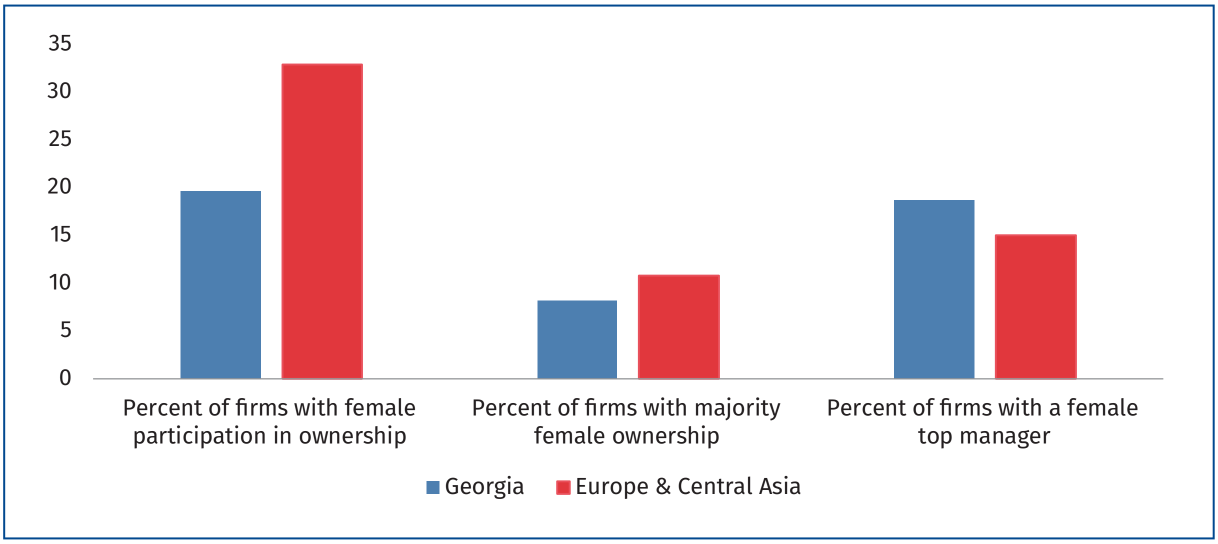
Figure 6. Performance of Top Managers by Gender



Source: The World Bank – Enterprise Survey 2023

The World Bank's findings reveal various insights into female leadership and into export activity in Georgia. While progress has been made, Georgia trails behind Europe and Central Asia in the proportion of those firms with female leadership or ownership exporting over 10% of their sales. This gap is particularly notable for female ownership, with a difference of 13.2 percentage points. However, in terms of those firms that engage in direct export of over 10% and have a woman top manager, Georgia slightly outperforms the ECA, with rates of 18.7% compared to 15%, respectively (The World Bank, 2023).

Figure 7. Direct Exports Reaching Over 10% of Sales



Source: The World Bank – Enterprise Survey 2023

In conclusion, Georgia's business landscape reflects a combination of factors that influence gender dynamics in participation, ownership, management practices, and performance across different business sizes. Despite the relatively balanced educational attainment and comparable performance between male and female top managers, persistent gender gaps exist. Although there have been advancements in female entrepreneurship, particularly in ownership and leadership, significant disparities remain, especially in medium-sized enterprises. Recognizing these challenges is crucial for informed policymaking and initiatives, those which nurture an inclusive entrepreneurial environment that supports gender-balanced participation and economic empowerment in Georgia. Addressing these issues requires cooperation between the government, civil society, and private stakeholders in order to create a supportive environment that promotes gender equality and unlocks women's full potential in entrepreneurship. This would consequently contribute to sustainable economic growth and development in the country.

CHAPTER 2.
METHODOLOGY

The Gender Impact Assessment (GIA) for the Law of Georgia on Entrepreneurs was designed to help a company law reform working group at the Investors Council (IC) Georgia identify gender disparities within the Law. Its goal was to provide the Government of Georgia with evidence-based recommendations that can enhance gender equality and the local business and investment environment towards women's economic empowerment.

The primary aim of this Gender Impact Assessment is to incorporate a gender perspective into the recommendations the IC will offer to address deficiencies within the new Law of Georgia on Entrepreneurs. This, in turn, could be used to rectify certain shortcomings in the Law, thus empowering women and advancing gender equality.

The purpose of the GIA is to:

- ✓ Help the IC assess the gender impact of the new Law on Entrepreneurs.
- ✓ Shape concrete recommendations intending to sensitize legal reform on entrepreneurship.
- ✓ Provide the IC with the technical knowledge for initiating a dialogue between the public and private sectors to achieve the best possible outcomes in addressing deficiencies in the Law and advocating for legislative changes.

This is an ex-ante GIA, conducted during an early stage in the decision-making process, before legislative changes have been made within the new Law of Georgia on Entrepreneurs. This GIA has significant potential in terms of supporting the development of a legislative package that acknowledges and addresses the differing needs of both female and male entrepreneurs, minimizes unintended negative impacts, and helps address the existing gender differences.

The aim of the GIA on the Law on Entrepreneurs is to emphasize the most pertinent stakeholder queries and to aid their comprehension of how the current legislation affects both men and women. Additionally, this assessment endeavors to assess whether the present Law affords equal rights and opportunities across genders, and questions to what extent it fosters gender equality.

The Gender Impact Assessment was conducted between October 2023 and April 2024, comprising three distinct phases:

a) **Preparatory work and desk research (October-January)** – During the first phase, the GIA team, with the help of a legal and gender expert, conducted a desk review and an analysis of the existing legal framework, including all the major strategic and policy documents, the national and international context, and international best practice and standards on strengthening women's participation in entrepreneurship. During this phase, the existing gender inequalities, those which hinder women's participation in entrepreneurship, were identified.

   After analysing the legal context, the team conducted an internal workshop related to a gap analysis and to the alternative scenarios. Subsequently, the GIA team presented the initial results of the gap analysis to representatives of EBRD and IC. They then aimed to discuss the existing gender gaps and the main obstacles to female participation in entrepreneurship, along with the proposed alternative scenarios. Together with the EBRD and IC representatives, the GIA team focused the scope of the GIA specifically towards **1. Gender Quotas on Supervisory Board Representation and 2. Gender Reporting.**

Beyond these two alternatives, the GIA team also considered the **formalization of domestic work** alternatives, which suggests including domestic work within the list of exemptions for business activities, and recommends that domestic workers be covered by the Labour Code of Georgia in line with the International Labour Organisation's (ILO) definition of domestic work as a labour relationship. As a result of formalized domestic work, workers would gain access to all the benefits guaranteed under the Labour Code of Georgia, including annual leave, maternity leave, and accumulated pension benefits. Moreover, individuals engaged in occasional or sporadic domestic work, who do not fall under the category of domestic workers – "workers who perform domestic work only occasionally or sporadically" – would have the opportunity and the incentive to register as entrepreneurs to formalize their work.

However, the stakeholder interviews and in-depth desk reviews revealed that such a formalization for any type of domestic work should happen through the Labour Code in order to guarantee that these workers have access to every benefit and protection mechanism offered by the Code. Resultingly, this GIA solely focuses on Gender Quotas in Supervisory Board Representation and Gender Reporting.

Following refinement of the GIA's focus, the team investigated international perspectives and gender-related challenges to comprehend the barriers impeding female engagement in entrepreneurship. They concentrated on the relevant literature, guided by four key criteria: (1) participation; (2) resource accessibility; (3) cultural norms and values; and (4) rights. The primary issue identified was the underrepresentation of women in entrepreneurship. Subsequently, the GIA team formulated a problem tree, dissecting the causes and repercussions of this underrepresentation within the entrepreneurial sphere.

b) **Qualitative and quantitative research was conducted (from December to February) as part of the GIA process** – This stage involved desk research, analyses of secondary data, stakeholder consultations, and the synthesis of findings from both the qualitative and quantitative research methods. A desk review was also undertaken to identify and analyze the existing national data.

Within the quantitative analysis, the GIA team aimed to estimate the varied effects (positive, negative, or neutral) of Georgia's existing Law on Entrepreneurs concerning several aspects of gender equality concerns. These areas of concern include:

1) The balance between entrepreneurial and family responsibilities.
2) Access to financial and non-financial services, as well as access to land.
3) Access to markets, technology, and business networks.
4) Representation in the policy dialogue process.

The GIA team subsequently analyzed:

- ✓ Statistical Survey of Enterprises, Geostat, 2012-2022
- ✓ Business Register, Geostat, 2012-2022
- ✓ Financial Access Survey, IMF, 2012-2022
- ✓ Survey of Women Entrepreneurs in Georgia, UN Women; Geostat, 2023
- ✓ Time Use Survey, UN Women; Geostat, 2020-2021
- ✓ Enterprise Survey, World Bank, 2019
- ✓ Enterprise Survey, World Bank, 2023
- ✓ Pilot Survey on Measuring Asset Ownership and Entrepreneurship from a Gender Perspective, Geostat, 2018
- ✓ A case study on access to financial resources for women and girls, Parliament of Georgia, 2022

In terms of the qualitative analysis, the team organized stakeholder meetings involving key participants at various phases of the GIA process. These consultations had a multifaceted purpose, with the primary aim being to evaluate the present situation and pinpoint legal deficiencies. They also sought to determine essential actions for enhancement, to gather insights on the current challenges, and to scrutinize how these issues impact gender equality and the empowerment of women.

c) **Gender impact, quality assessment, and drafting the report (February-April)** – All the information gathered during the previous stages was consequently analyzed through a gender lens during the final phase.

The Gender Impact Assessment was conducted across the following dimensions:

1) Participation – assessing the effect of the legislation on female involvement in entrepreneurship.
2) Resources – examining how the legal frameworks influence the distribution of vital resources (such as time, information, financing, economic power, etc.) between female and male entrepreneurs.
3) Norms and values – identifying the gender roles, attitudes, and behaviors of women and men, the disparities in the value attributed to men and women, and the prevailing gender stereotypes evident in the legal framework or in its interpretation.
4) Rights – evaluating the impact of the Law on existing legal rights.

The GIA explored the potential strengths and weaknesses of the different gender-sensitive policy options (potential changes to the existing Law) in comparison to the status quo. The GIA team conducted a qualitative analysis of the proposed options, for instance how the options affect participation, access to recourses, norms and values, and rights, in comparison to the status quo scenario. The team thereafter calculated the quantitative costs and benefits of implementing each proposed option. After evaluating the gender impact of the potential changes, seeking to promote gender equality and increase female participation in entrepreneurship, the GIA team developed core recommendations for (1) amendments to the Law; (2) supporting and empowering women entrepreneurs; and (3) establishing a sex-disaggregated data collection system for tracking and evaluating gender equality. The final report was validated by EBRD, IC, and all the relevant stakeholders, and their feedback was also incorporated.

The study faced several limitations, primarily those stemming from the absence of gender-disaggregated data on the key variables. Notably, data concerning women's representation and the gender pay gap within supervisory boards, boards of directors, and the percentage of women CEOs were unavailable, thus hindering a comprehensive analysis. Additionally, a lack of information regarding the number of policies implemented that foster gender equality posed a challenge to understanding the broader context. Moreover, the estimation of the impact of gender quotas on supervisory board representation within commercial banks faced constraints exacerbated by the COVID-19 pandemic, Russia's conflict with Ukraine, and the short time series data, thereby also restricting the depth of the study's findings.

CHAPTER 3.
INTERNATIONAL AND NATIONAL FRAMEWORKS FOR WOMEN'S ENGAGEMENT IN ENTREPRENEURSHIP

Entrepreneurship serves as a vital diver for economic advancement, fostering innovation, development, and societal progress. Within this intricate landscape, advocating for women's entrepreneurship goes beyond basic equality; it emerges as an essential priority with profound global and local consequences. Women entrepreneurs have become a driving force globally, where they significantly contribute to economic growth, job creation, and innovative endeavors. The GIA team therefore leveraged both global and local regulatory frameworks as well as development strategies to assess the potential impact of the proposed legislative changes in Georgia, specifically emphasizing the pivotal role of gender equality in entrepreneurship. While the subsequent section offers a condensed analysis of the key international frameworks guiding the promotion of women's engagement in entrepreneurship, a comprehensive examination of each legal framework can be found in Annex B.

3.1. International Frameworks

International frameworks, such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), serve as inspiration in the mission for gender equality. CEDAW, a landmark treaty advocating for women's rights globally, emphasizes the importance of non-discrimination and equal opportunities for women across all spheres – including entrepreneurship. Its principles challenge stereotypes, advocate for access to credit, and underscore the necessity of eliminating the barriers that hinder women's entrepreneurial activities.

Similarly, the Beijing Declaration and Platform for Action (BPfA), crafted during the Fourth World Conference on Women in 1995, echoes the call for women's empowerment and gender equality. It emphasizes equal access to economic resources and opportunities, while also challenging gender stereotypes and advocating for policies supporting women's entrepreneurship. The Declaration not only sets strategic goals but also provides a blueprint for governments and organizations to advance women's economic empowerment.

Moreover, the Sustainable Development Goals (SDGs), adopted by the United Nations in 2015, provide a holistic framework for promoting sustainable and inclusive development. These goals directly address poverty eradication, gender equality, and economic growth, thus aligning with the objectives of empowering women entrepreneurs. By integrating themes such as education and health, the SDGs recognize the interconnected nature of sustainable development, and emphasize the importance of creating an environment where women entrepreneurs can thrive.

In terms of employment, the International Labour Organization Conventions set global labourstandards, including provisions for women's rights and gender equality in entrepreneurship. Recommendations like No. 204, which focuses on transitioning from informal to formal economies, offer insights into creating supportive environments for women-led businesses. Georgia's endorsement of several ILO Conventions underscores its commitment to aligning with international labour standards, although there is room for ratification to address pertinent issues further.

Additionally, as an EU candidate country, Georgia has been tasked with aligning its policies with the EU standards outlined in its directives. These directives, designed to promote gender equality and foster a supportive environment for female entrepreneurs, provide a roadmap for Georgia's integration into the European market, while equally advancing women's empowerment.

In essence, by embracing and aligning with international frameworks, Georgia is cultivating an inclusive and dynamic entrepreneurial environment where women entrepreneurs are empowered to excel. By implementing the strategic interventions and policy reforms guided by these frameworks, Georgia can unlock the complete potential of its women entrepreneurs, thereby fostering sustainable economic growth and prosperity for all.

3.1.1. Gender Indexes in Women's Entrepreneurship

Global Gender Gap Index (World Economic Forum):

This index assesses gender-based gaps in economic participation and opportunity, educational attainment, health and survival, and political empowerment. The Economic Participation and Opportunity dimension is particularly relevant for entrepreneurship, as it covers aspects like labor force participation, wage equality, and the ratio of women to men in professional and technical roles.

Women, Business and the Law Index (World Bank):

This index evaluates legal barriers to women's economic participation in 190 economies. It covers aspects such as accessing institutions, using property, getting a job, providing incentives to work, going to court, building credit, and protecting women from violence. The index helps identify legal hurdles that may affect women's ability to engage in entrepreneurship.

Entrepreneurship Index (Global Entrepreneurship Monitor):

The Global Entrepreneurship Monitor (GEM) provides insights into the entrepreneurship rates, characteristics, and motivations of entrepreneurs worldwide. While not exclusively focused on women, it offers valuable data on the prevalence of female entrepreneurs, the types of businesses they start, and the challenges they face.

Gender Inequality Index (UNDP):

The Gender Inequality Index reflects inequalities between men and women over three dimensions: reproductive health, empowerment (measured by educational attainment and parliamentary representation), and the labour market. The labourmarket dimension is crucial for understanding disparities in employment opportunities, including entrepreneurship.

The utilization of thorough gender indexes is essential in an investigation of women's entrepreneurship. These indexes, detailed below, help reveal the respective landscape, and they provide valuable insights into the various challenges and opportunities women face in business:

- ✓ The Global Gender Gap Index[5] from the World Economic Forum assesses gender-based gaps in economic participation and opportunities, providing a nuanced understanding of the factors that influence women's roles in the workforce.
- ✓ The OECD Social Institutions and Gender Index[6] evaluates gender-based discrimination across societal norms, shedding light on the influences that impact women's engagement in business.
- ✓ The Gender Inequality Index,[7] a UNDP creation, reflects on inequalities in reproductive health, empowerment, and the labour market, providing a holistic perspective on gender disparities in entrepreneurship.
- ✓ The Entrepreneurship Index,[8] from the Global Entrepreneurship Monitor, contributes valuable data on the prevalence of women entrepreneurs, the types of businesses they initiate, and the challenges they confront, offering a nuanced portrayal of the entrepreneurial landscape through a gendered lens.
- ✓ Finally, the World Bank's Women, Business and the Law Index[9] evaluates the legal barriers impacting women's economic participation, addressing aspects such as accessing institutions, property rights, employment, incentives, legal recourse, credit, and protection from violence.

According to the 2023 Global Gender Gap Report by the World Economic Forum, Georgia ranks 68th globally in Economic Participation and Opportunity (scoring 0.697). The report reveals that 11.50% of firms in Georgia have female majority ownership, indicating room for growth in women's entrepreneurial leadership. Additionally, 16.50% of firms have female top managers.[10] While these figures highlight some progress, they also underscore the need for continued efforts to enhance gender diversity and equality in leadership roles, thus leading to a more inclusive and equitable economic landscape. Within the 2022 Women, Business and the Law Index (The World Bank, 2022), Georgia is evaluated based on the lifecycle of a working woman – under an index that spans 190 economies and covers 35 questions across eight indicators. The country achieved the commendable score of 88.1 out of 100; surpassing the regional average for Europe and Central Asia, which stood at 84.1. In the region, the highest observed score was 94.4 in Cyprus, therefore underscoring Georgia's notable performance in fostering an enabling environment for women in business.[11]

5. For detailed information please refer to: https://www.weforum.org/publications/global-gender-gap-report-2023/
6. For detailed information please refer to: https://shorturl.at/stuyF
7. For detailed information please refer to: https://hdr.undp.org/data-center/thematic-composite-indices/gender-inequality-index#/indicies/GII
8. For detailed information please refer to: https://www.gemconsortium.org/
9. For detailed information please refer to: https://wbl.worldbank.org/en/wbl
10. World Economic Forum. (2023). The Global Gender Gap Report 2023. pp.186-187. Available at: https://www3.weforum.org/docs/WEF_GGGR_2023.pdf
11. World Bank. (2022). Women, Business and the Law. Available at: https://wbl.worldbank.org/content/dam/documents/wbl/2022/snapshots/Georgia.pdf

3.1.1.2. Key Indicators for Women's Participation in Entrepreneurship

The table below illustrates how the different indicators and international frameworks are connected, highlighting the key elements required for achieving these indicators in entrepreneurship. Each row focuses on a specific aspect of the women in entrepreneurship indicator, breaking down the measures used to assess participation under the corresponding framework. The table outlines the primary indicators for women's involvement in entrepreneurship, alongside the associated human rights, legal frameworks, and specific international documents that help anchor this concept.[12]

Table 3. Key Indicators for Women's Participation in Entrepreneurship

Women in Entrepreneurship Indicator	Corresponding Human Rights and Legal Frameworks
Access to Financing	✓ Equal access to credit and loans without discrimination (CEDAW, Art. 11) ✓ Economic and financial rights without discrimination (Universal Declaration of Human Rights)
Equal Pay for Equal Work	✓ Equal remuneration for work of equal value (CEDAW, Art. 11) ✓ Elimination of wage discrimination (ILO Equal Remuneration Convention No. 100)
Workplace Discrimination	✓ Freedom from discrimination in the field of employment (CEDAW, Art. 11) ✓ Right to work without discrimination (CEDAW, Art. 11(1)(a)) ✓ Equal employment opportunities and criteria for selection (CEDAW, Art. 11(1)(b))
Maternity and Family Leave	✓ Right to maternity leave (ILO Maternity Protection Convention No. 183) ✓ Prohibition of dismissal on the grounds of pregnancy (CEDAW, Art. 11(2)) ✓ Right to family and personal life (Universal Declaration of Human Rights)
Access to Education and Training	✓ Right to education without discrimination (Universal Declaration of Human Rights) ✓ Access to vocational training and retraining opportunities (CEDAW, Art. 10(h))
Access to Business Resources	✓ Equal access to resources, information, and opportunities (CEDAW, Art. 14) ✓ Right to property and access to economic resources (Universal Declaration of Human Rights)
Access to Networking Opportunities	✓ Right to freedom of association and participation in cultural, social, and economic life (Universal Declaration of Human Rights) ✓ Equal opportunities for professional and career development (CEDAW, Art. 11(1)(b))
Innovation	✓ Equal access to technology and information (CEDAW, Art. 14) ✓ Right to participate in the cultural, social, and technological progress of society (Universal Declaration of Human Rights) ✓ Elimination of gender stereotypes in education and technology (CEDAW, Art. 5)
Work-Life Balance and Flexible Policies	✓ Right to work and right to rest and leisure (Universal Declaration of Human Rights) ✓ Equal opportunities for family responsibilities between men and women (CEDAW, Art. 5) ✓ Support for work-life balance, including parental leave (ILO Maternity Protection Convention No. 183, Art. 8)
Access to Mentorship Programs	✓ Equal opportunities for mentorship and professional guidance (CEDAW, Art. 11(1)(b)) ✓ Right to freedom of association and participation in cultural, social, and economic life (Universal Declaration of Human Rights)
Support for Minority Women Entrepreneurs	✓ Elimination of discrimination based on ethnicity and gender (CEDAW, Art. 2) ✓ Right to economic, social, and cultural development without discrimination (International Covenant on Economic, Social, and Cultural Rights)

12. The indicators presented in this document are not exhaustive, and the selection is tailored to provide a focused analysis of women's participation in entrepreneurship. The compilation herein serves the purpose of this document's scope and focus. Other indicators relevant to this topic may exist.

Protection Against Gender-Based Violence in the Workplace	✓ ✓	Right to work in an environment free from violence and harassment (CEDAW, Art. 11) Elimination of gender-based violence (Beijing Declaration and Platform for Action)
Equal Representation in Entrepreneurial Leadership	✓ ✓	Equal opportunities for leadership roles and decision-making (CEDAW, Art. 7) Right to participate in government and public affairs (CEDAW, Art. 7)
Access to Affordable Childcare Services	✓ ✓	Support for work-life balance, including access to affordable childcare (CEDAW, Art. 11(2)) Right to rest and leisure, including reasonable working hours (Universal Declaration of Human Rights)
Recognition of Unpaid Care Work	✓ ✓	Equal recognition and valuation of unpaid care and domestic work (CEDAW, Art. 5) Right to just and favorable conditions of work (Universal Declaration of Human Rights)

3.2. National Legal Framework for Women's Participation in Entrepreneurship

A firm commitment to gender equality emerges as a salient feature in Georgia's trajectory towards democratic consolidation, which manifests through the conscientious fulfilment of significant international obligations. This commitment materializes in the proactive implementation of policies that are designed to nurture inclusivity and equity. A pivotal dimension of this commitment is discernible in the meticulously crafted legislative and institutional framework in Georgia, that which serves as a foundational pillar for the advancement of gender equality and the safeguarding of women's rights.

Furthermore, Georgia's commitment to upholding human rights is underscored by a comprehensive legal framework; wherein pivotal legislations, such as the Labour Code,[13] the Law on Elimination of All Forms of Discrimination,[14] the Law on Gender Equality,[15] the Law on Domestic Violence and VAW,[16] and the Law on the Rights of People with Disabilities,[17] collectively address numerous dimensions, including sex, gender, ethnicity, religious beliefs, socio-economic status, disability, political opinions, sexual orientation, gender identity, and expression. The commitment to gender equality also resonates across institutional strata, including governmental bodies,[18] Parliament,[19] and local self-governments.[20] The proactive establishment of internal mechanisms within various state agencies and the appointment of dedicated individuals tasked with addressing gender-related issues is equally noteworthy.

After careful examination of the 2021 Law of Georgia on Entrepreneurs,[21] it becomes apparent that there is a noticeable absence

13. Labour Code of Georgia. (2010). Available at: https://matsne.gov.ge/en/document/view/1155567?publication=24
14. Law of Georgia on the Elimination of All Forms of Discrimination. (2014). Available at: https://matsne.gov.ge/en/document/view/2339687?publication=0
15. Law of Georgia on Gender Equality. (2010). Available at: https://matsne.gov.ge/en/document/view/91624?publication=9
16. Law of Georgia on Violence Against Women and/or Elimination of Domestic Violence, Protection and Support of Victims of Violence. (2006). Available at: https://matsne.gov.ge/en/document/view/26422?publication=18
17. Law of Georgia on the Rights of Persons with Disabilities. (2020). Available at: https://matsne.gov.ge/en/document/view/4923984?publication=0

of provisions that promote gender inclusivity. Specifically, the legislation prohibits certain aspects of an entrepreneur's brand name, which could potentially incite discord based on various factors, including gender. As a result, the primary objective of the upcoming chapter is to conduct a comprehensive analysis of the 2021 Law of Georgia on Entrepreneurs, and thereafter to identify any deficiencies and constraints within the legal framework that might impede the realization of gender-inclusive entrepreneurship.

However, preceding the analysis of the Law itself, this section delves into the national frameworks that influence the sector and identifies potential gaps requiring attention in the amended Law so that gender inclusivity within entrepreneurial frameworks can be effectively fostered.

The Constitution of Georgia[22] was intricately composed with the foundational principles of equality, economic freedom, and fundamental rights, thereby laying the groundwork for an inclusive entrepreneurial environment. Article 11 serves as a cornerstone, proclaiming equality before the law and explicitly prohibiting discrimination, including that based on sex. This constitutional commitment establishes a societal bedrock on which gender-based disparities are unequivocally forbidden, creating an environment that prioritizes the dignity and rights of every individual. The explicit dedication to gender equality highlights the state's obligation to ensure equal rights and opportunities. The mandated special measures selected to eradicate gender-based inequalities reflect a proactive stance and showcase a commitment to rectifying historical disparities for female entrepreneurs.
Article 6 of the constitution further enshrines economic freedom, allowing individuals to engage in entrepreneurial activities freely. This recognition sets the foundation for a dynamic entrepreneurial ecosystem, one which emphasizes individual freedom in the pursuit of economic endeavors. The state's commitment to fostering a free and open economy signifies a supportive environment for entrepreneurs. Article 6 also establishes the state's role as a facilitator, ensuring the economic landscape is characterized by openness, competition, and innovation. One explicit prohibition that stops the abolition of the universal right to private property safeguards entrepreneurs' confidence in their property rights, and thus contributes to a stable and secure business environment. Additionally, Article 26 guarantees labour freedom – emphasizing the right to safe working conditions. This constitutional provision underscores the importance of a secure and conducive work environment, which is crucial for the prosperity of entrepreneurship. Recognizing the significance of collective bargaining, Article 26 also affirms the right to establish and join trade unions, thereby helping foster a collaborative environment for shaping fair labour practices. Recognition of the right to strike in Article 26 solidifies the principles of collective bargaining, thus ensuring constitutional protection for fair negotiations without fear of reprisal. Guaranteeing freedom of enterprise while safeguarding consumer rights promotes a competitive economic landscape,

18. Decree 286 of the Government of Georgia on the Establishment of an Interagency Commission on Gender Equality, Violence Against Women and Domestic Violence Issues and Approval of its Regulation. (12 June 2017).
19. Parliament of Georgia, Rules of Procedure, Article 76.1.
20. Law of Georgia on Gender Equality, Art.13.
21. Law of Georgia on Entrepreneurs. (2021). Available at: https://matsne.gov.ge/ka/document/view/5230186?publication=4
22. The Constitution of Georgia. (1995). Available at: https://matsne.gov.ge/en/document/view/30346?publication=36

allowing entrepreneurs to thrive while protecting consumers from unfair practices.

The Law of Georgia on Gender Equality[23] manifests a dedicated commitment to the cultivation of workplace environments that are free from discrimination, with a particular emphasis on eliminating gender biases. This chapter examines in detail the pivotal stipulations of Article 6, which explicitly addresses gender equality in labour relations, and Article 4, which extends an assurance of gender equality across various spheres of life.

Taking a resolute stance against harassment, the legislation unequivocally prohibits all forms of harassment in labour relations, this encompasses sexual harassment, coercion, or any unwarranted behavior that inflicts harm on an individual's dignity. Recognizing the detrimental impact of such actions, the Law aspires to establish workplaces that are free from intimidation, hostility, humiliation, degradation, or offense.

One fundamental commitment elucidated in Article 6 is the state's responsibility to furnish equal employment opportunities for both men and women. This proactive measure aims to eradicate gender-based disparities in recruitment and employment, and develop an environment where individuals are evaluated based on merit rather than gender. By acknowledging the diversity of work and the specific conditions required for performance, the Law concedes that unequal conditions or priorities based on sex may be admissible solely if they serve a legitimate purpose. This nuanced approach ensures that gender considerations align with the essence and specificity of the work, and emphasize the appropriateness and necessity of achieving a respective intended purpose.

The Law of Georgia on the Elimination of All Forms of Discrimination[24] serves as a comprehensive instrument aimed towards eradicating any manifestation of discrimination. This legal framework extends its reach to govern the actions of public institutions and organizations, and both natural and legal persons in all spheres of society. Its overarching objective is to foster environments that uphold the principles of equality and non-discrimination.

The Law explicitly outlines the criteria in which discrimination is prohibited – covering a wide array of characteristics such as race, skin color, language, sex, age, citizenship, origin, place of birth or residence, property or social status, religion or belief, national, ethnic or social origin, profession, marital status, health, disability, sexual orientation, gender identity and expression, political or other opinions, or any other distinguishing features.

It is crucial to note that the requirements outlined in this Law are applicable unless other legal acts regulate the actions in question, provided that these alternative acts conform with the principles and provisions established in the Law on the Elimination of All Forms of Discrimination. This ensures that the legal landscape remains coherent and harmonized, with due consideration given to the existing legal frameworks that align with the goals of non-discrimination.

23. Law of Georgia on Gender Equality. (2010). Available at: https://matsne.gov.ge/en/document/view/91624?publication=9
24. Law of Georgia on the Elimination of All Forms of Discrimination. (2014). Available at: https://matsne.gov.ge/en/document/view/2339687?publication=0

CHAPTER 4.
GENDER RELEVANCE OF THE LAW OF GEORGIA ON ENTREPRENEURS

The analysis conducted by the GIA team underscored the pervasive issue of women's underrepresentation in entrepreneurship, with only one-third of economically active enterprises being owned by women. Recognizing this as a significant barrier to gender equality and economic empowerment, the team entered into a comprehensive analysis of the current Law on Entrepreneurs. Their aim was not only to uncover the root causes and far-reaching consequences of this disparity but also to examine the multifaceted barriers impeding women's full participation and success in entrepreneurial ventures. By highlighting the complex interplay of societal norms, access to resources, cultural biases, and institutional barriers, the analysis seeks to provide a nuanced understanding of the challenges faced by women entrepreneurs.

4.1.
Factors Contributing to the Persistent Underrepresentation of Female Entrepreneurs

The team identified several key factors that influence the underrepresentation of women entrepreneurs, as delineated within the following sections:

4.1.1. Access to Capital

In a market-driven economy, access to capital is essential for the establishment, growth, and sustainability of businesses, particularly new and small ventures. For nations like Georgia, characterized by an underdeveloped capital market and limited experience in utilizing alternative financing instruments, bank loans serve as a vital source of external funding for businesses (Andrés, Gimeno, & Cabo, 2021). The need for external financing (mostly bank loans) is particularly pronounced for women in Georgia, where the gender pay gap persists, resulting in a substantial disparity in savings – with men earning an average wage 46% higher than women (Geostat, 2022). However, potential biases in the lending process can create challenges, especially for women-led businesses. These may arise due to factors such as a lack of collateral, limited credit history, or perceptions of women as higher-risk borrowers. Such obstacles hinder women-led businesses from accessing credit, ultimately impeding their growth, reducing employment opportunities, and negatively impacting the overall economy. Addressing such biases and ensuring equitable access to financing for women entrepreneurs therefore remains imperative for fostering inclusive economic development.

According to the World Bank's Enterprise Survey, there is a significant disparity between women-led and male-led businesses in Georgia, with 11.8% of women-led firms being fully constrained by credit, compared to only 3.2% of male-led firms. An interesting trend emerges when examining how female-led firms finance themselves compared to male-led firms. Female-led firms rely more heavily on banks for investment purposes (the proportion of firms using banks reached 42.5% versus 33.5% for male-led businesses). However, the opposite is true for working capital, where male-led firms utilize banks more frequently (36.5% versus 26.1% for females). This pattern holds for both the proportion of investments financed by banks (28.3% for women versus 22.4% for men) and the working capital financed by banks (17.1% for females versus 10.9% for males). Furthermore, 17.9% of female-led enterprises identify access to finance as their greatest obstacle, which is the third largest obstacle after political instability (42.5%) and an inadequately educated workforce (20%) (The World Bank, 2023).

The literature suggests that women are less likely to take risks because they have a fear of "losing everything" – where men are consider to receive more forgiveness in the family and society (Parliament of Georgia, 2022). Consequently, the rate of women's access to the formal financial sector is relatively low. The average loan volume acquired by women entrepreneurs in the small and medium segments is also lower. Therefore, women take credit only if they are confident in their business and success, and when they are prepared to run a business. However, women continue to face higher loan rejection rates compared to men – the World Bank Survey shows that 8.8% of female-led enterprises face loan rejections, in contrast to

Key Barriers:

Limited Access to Capital: Women entrepreneurs in Georgia face challenges in accessing capital, particularly through traditional avenues like bank loans, due to factors such as biases in the lending process, lack of collateral, and limited credit history.

Gender Disparities in Business Financing: Disparities exist between female- and male-led businesses in Georgia concerning credit constraints, the reliance on bank financing for investment and working capital, and rates of loan rejection.

Stringent Collateral Requirements: Excessively high collateral demands serve as a significant barrier for women entrepreneurs in obtaining financing, thus exacerbating broader gender inequalities in property ownership and decision-making powers.

Knowledge Gap in Business Management: Women entrepreneurs often face loan rejections due to inadequately prepared business plans or projects, indicating a need for improved qualifications and business management skills.

Higher Interest Rates and Borrowing Costs: Women-led businesses in Georgia typically face higher interest rates and collateral requirements for loans compared to their male counterparts, affecting their profitability and sustainability.

Limited Access to Investor Networks: Limited access to investor networks poses a significant barrier for women seeking entrepreneurial opportunities, hindering their ability to secure crucial funding for their ventures.

Underutilization of Business Support Programs: Women's participation in business support programs remains limited, highlighting the need to improve awareness and access to such initiatives.

Gender Disparities in Venture Capital and Angel Investment: With venture capital and angel investment markets being male-dominated, women entrepreneurs in Georgia encounter notable constraints in accessing funding for high-risk, high-return projects.

1.9% of firms headed by men. This therefore prompts a critical examination of the underlying factors that contribute to this disparity.

The UN Women Survey of Women Entrepreneurs (2023) in Georgia identifies another key factor contributing to the gender discrepancy in access to finance: the stringent collateral requirements. A striking 51% of female entrepreneurs cited excessively high collateral demands as a major barrier to obtaining financing. This issue moreover underscores the broader challenge of gender inequality in agricultural land ownership within Georgia. Research reveals that men are twice as likely as women to be the documented owners of real estate (Parliament of Georgia, 2022). Moreover, the number of men inheriting or receiving real estate as gifts is double that of women. Compounding this disparity, women often lack the authority to sell or bequeath their assets due to limited decision-making power. Consequently, the requirement for collateral presents a formidable hurdle for women entrepreneurs seeking financial assistance in Georgia, and subsequently perpetuates a cycle of gender inequality in business ownership and within economic empowerment.

Furthermore, the lack of accessibility to loans for female entrepreneurs can be attributed to a significant lack of business knowledge among women. According to a Parliament survey, an inadequately prepared business plan or project is one the most common reasons for a bank loan rejection (22% of all cases), which further indicates the need for women entrepreneurs to improve their qualifications and strengthen their business management skills (Parliament of Georgia, 2022).

As women have a smaller credit history and less collateral (differences in inheritance and property ownership), female entrepreneurs are often subjected to higher interest rates on their business loans than their male counterparts (Malmström, Burkhard, Sirén, Shepherd, & Wincent, 2023). According to the World Bank's Enterprise Survey, 3.2 percentage points more women require collateral for loans, while the value of the collateral needed for a loan as a percentage of the loan amount is 19% higher for female-headed companies (The World Bank, 2023). This increased cost of borrowing can place women-led businesses at a financial disadvantage by affecting their profitability and sustainability in the long term.

Aside from access to loans, studies have also shown that strong networks can positively impact entrepreneurs' ability to secure financing, where they can provide access to valuable resources, information, and opportunities (Malmström et al., 2023). In the context of female entrepreneurs, building and leveraging networks can be particularly beneficial in overcoming gender biases in bank financing. Women entrepreneurs often face challenges in accessing traditional sources of funding, such as bank loans, due to gender discrimination and stereotypes. By cultivating strong networks within the entrepreneurial ecosystem, women entrepreneurs can access alternative sources of funding, such as angel investors, venture capitalists, and peer-to-peer lending platforms. Unfortunately, limited access to networks of investors poses a further significant barrier for women seeking entrepreneurial opportunities (Wang, Cai, Zhu, & Deng, 2020). Unlike their male counterparts, who often have established connections within investor circles, women may encounter difficulties in securing crucial funding for their business ventures, hindering their ability to launch and sustain successful enterprises (Wang et al., 2020).

Another opportunity for entrepreneurs to finance their businesses in Georgia is via business support programs. These programs offer entrepreneurs a valuable opportunity to secure financing and resources for their ventures. Often provided by government agencies, non-profit organizations, or private institutions, these programs aim to offer financial assistance, mentorship, training, and other essential resources to both aspiring and existing entrepreneurs.

Despite the benefits, the participation of women entrepreneurs in these programs remains limited. For instance, only 19.7% of beneficiaries in programs offered by the Ministry of Environmental Protection and Agriculture are female (Parliament of Georgia, 2022). Similarly, the Agency for Innovation and Technology conducts various training and consulting sessions in regional offices, yet women represent only 11% of their total beneficiaries. Moreover, programs under Enterprise Georgia show a mixed picture regarding female leadership. For instance, within the Business Universal program, only 36% of projects were led by females, yet the funding they were allocated reached just 26% in 2023. However, micro and small business programs achieve greater parity: in 2023, 50% of projects had female leadership, with funding extending to 48% for female-led initiatives. It is also worth noting that funding percentages were slightly lower for both programs in previous years. The government's credit guarantee scheme also included 40% female-led projects (March - December 2023), however data on the program's largest industrial component is unavailable.

An EPRC study (2021) found that of those willing to expand their business, only 7% applied for grants under government programs. The lack of applications might be explained by (1) insufficient information and promotion about programs aimed at women entrepreneurs; and (2) individuals being unable to satisfy the criteria of these projects due to limited land ownership (certain agricultural projects require formal land ownership), or a shared participation that women cannot afford due to a lack of financial resources. **Furthermore, 20% of applicants were denied a grant, but nobody was informed about the reasoning behind the refusal.** Because applicants were unable to obtain the information regarding the reason for a denial, it may cause several subsequent problems, where female-owned enterprises cannot adjust or improve their applications for future grants; as women often hold themselves to higher standards, they can also be discouraged more quickly (Correll, 2004).

The main challenge identified by female entrepreneurs, local governments, and program administrators is the lack of awareness among women concerning available state programs and how to utilize them effectively. According to the Parliament of Georgia, 33% of women consider it a challenge to complete and submit program-related documentation independently, while 24% struggle with accessing information about these programs (Parliament of Georgia, 2022). These findings underscore the urgent need to address these barriers and to improve awareness and access to business support programs in Georgia.

Additionally, commercial banks and microfinance institutions commonly fund working capital,[25] but rarely invest in high-risk, high-return projects (e.g., in venture capital). Both the venture capital and angel

25. Commercial banks mostly finance working capital, which has led to the following sectoral distribution of the business activities of women entrepreneurs: 54% in trade or retail trade and 25% in services (EPRC, 2021).

investment markets are male-dominated, hence investments tend to be concentrated in male-dominated sectors (the constraints are stricter than for commercial banks and microfinance institutions). Moreover, experiments conducted in the United States illustrate that investors are 60% more likely to invest in male-headed enterprises, even when investment proposals are identical (OECD, 2016). With an underdeveloped capital market and a lack of sufficient funding to finance venture capital, female entrepreneurs consequently tend to face notable constraints in the Georgian market.

4.1.2. Access to Non-financial Resources and Services

The underrepresentation of women in entrepreneurship is heavily influenced by their limited access to non-financial resources and support services. While the challenges posed by financial barriers are frequently highlighted, it is equally crucial to acknowledge the non-monetary factors that impede engagement in entrepreneurial endeavors. Among the obstacles women face, one of the most prominent is the inadequate access to markets.

Female entrepreneurs often encounter difficulties in obtaining crucial market information and establishing effective networks through which to sell their products or services (Parliament of Georgia, 2022). This lack of access hampers their ability to identify promising business opportunities, reach potential customers, and effectively scale their ventures. Unlike their male counterparts, who may benefit from established networks and industry connections, women often find themselves at a disadvantage, particularly during the early stages of business development.

Key Barriers

1.1. Limited Access to Non-Financial Resources and Services: Women entrepreneurs in Georgia face challenges beyond financing, including inadequate access to markets, to networking opportunities, to equipment and technology, and to training and capacity-building programs.

1.2. Inadequate Access to Markets: Women at times struggle to obtain crucial market information and establish effective networks for selling their products or services, thus limiting their ability to identify opportunities, reach customers, and scale their ventures.

1.3. Disparity in Networking Opportunities: Female entrepreneurs have weaker networks and fewer entrepreneurial connections compared to their male counterparts, complicating aspects such as risk-taking and fundraising, while hindering their ability to access markets and expand their businesses.

1.4. Impact on Revenue Generation and Sustainability: The lack of access to markets significantly hampers women entrepreneurs' ability to generate revenue and sustain their businesses. This leads to concerns about the financial implications they and their families may face, thus discouraging entrepreneurial risk-taking.

1.5. Inadequate Access to Equipment and Technology: Limited access to modern equipment and technology impairs women entrepreneurs' competitiveness and growth potential, hindering their ability to meet market demands and deliver high-quality goods and services.

1.6. Limited Access to Training and Capacity-Building Programs: Female entrepreneurs lack access to training and capacity-building programs that are tailored to their specific needs, which perpetuates skill gaps, undermines confidence and self-efficacy, and constrains their ability to compete in dynamic markets.

Research, including findings from the Parliament of Georgia, underscores the disparity in networking opportunities between male and female entrepreneurs (Parliament of Georgia, 2022). Female entrepreneurs tend to have weaker networks and fewer entrepreneurial connections, further exacerbating challenges in accessing markets and expanding their businesses. This imbalance limits their ability to leverage valuable resources and opportunities, and it complicates certain crucial aspects such as risk-taking and fundraising from financial institutions.

In practical terms, the lack of access to markets can significantly hinder women entrepreneurs' ability to generate revenue and to sustain their businesses. The fear of being unable to sell products or services may deter women from taking entrepreneurial risks or from seeking financial support, as they potentially worry about the financial implications for themselves and their families (Parliament of Georgia, 2022). Consequently, addressing the barriers to market access is essential for promoting gender equality in entrepreneurship and unlocking the full potential of women as drivers of economic growth and innovation.

Furthermore, inadequate access to equipment and technology exacerbates the challenges women face, contributing to their underrepresentation in entrepreneurship in various ways (Parliament of Georgia, 2022). Without access to modern equipment and technology, women may struggle to effectively compete on the market. Significantly, technological advancements are pivotal in enhancing efficiency, productivity, and product quality across various industries. However, women entrepreneurs, especially those in developing countries or marginalized communities, often lack access to the essential tools and machinery necessary for optimizing production processes and delivering high-quality goods and services. This lack of access not only impairs their ability to meet market demands but also diminishes their competitiveness and potential for growth, placing them at a disadvantage compared to their counterparts with better-equipped businesses.

Limited access to training and capacity-building programs tailored to the specific needs of women entrepreneurs perpetuates skill gaps and hinders professional development. For instance, female participation only reached around 30% in the training organized by the Environmental Information and Education Centre (Parliament of Georgia, 2022). Due to such limitations, women may miss opportunities to enhance their entrepreneurial capabilities, expand their networks, and access critical mentorship and support services essential for business success. This deficit in training and capacity-building not only undermines women's confidence and self-efficacy, but it also constrains their ability to compete in dynamic and competitive markets.

4.1.3. Voice in the Policy Dialogue

The underrepresentation of women's voices in the policy dialogue process is a significant factor contributing to their underrepresentation in entrepreneurship. When women are not adequately represented within policy discussions related to business and entrepreneurship, their perspectives, needs, and challenges may be overlooked or marginalized. As a result, policies and initiatives designed to support entrepreneurship may not fully address the specific barriers that women face, such as limited access to finance, networks, and mentorship opportunities.

One of the primary factors contributing to the underrepresentation of women's voices is their limited presence in business associations. According to a survey conducted by UN Women (2023), only a small fraction of female entrepreneurs are members of such organizations. Only 4% of women entrepreneurs reported being affiliated with business-related entities, such as chambers of commerce, entrepreneurs' associations, employers' associations, and similar groups. Furthermore, a mere 2% or fewer respondents indicated membership in women's business associations, industry associations, or other domain-specific unions.

Business associations serve as crucial platforms for networking, mentorship, knowledge-sharing, and advocacy within the business community. However, when women are underrepresented in such associations, they miss valuable opportunities to connect with potential mentors, collaborators, and investors, thus hindering their access to vital resources and support networks (Guelich, Bullough, Manolova, & Schjoedt, 2021). In addition, the lack of diverse representation within these associations may perpetuate gender biases and stereotypes, further marginalizing women entrepreneurs. By addressing the underrepresentation of women in business associations and by promoting inclusivity and diversity, supportive environments where women can thrive can be developed, which in turn helps foster greater gender equality and economic empowerment within entrepreneurship.

Furthermore, the disparity in representation within business associations hampers women's participation and influence in decision-making processes, thereby exacerbating women's underrepresentation in entrepreneurship. A survey conducted by UN Women underscores this notable issue, revealing that women's sentiments regarding peer-to-peer and government support are largely ambivalent or neutral. While 15% acknowledged the significant support from women's business associations and groups, the majority expressed no definite opinion (47%) (UN Women, 2023). In addition, only 33% of the respondents believed that the government demonstrates supportive attitudes and assistance programs toward women-owned businesses. Furthermore, a minority acknowledged the influential role of women's business associations in policy and decision-making (24%), as well as their advocacy for governmental policies meeting women's needs (22%). Just one-third of respondents believed that women's business associations effectively represent the interests of women entrepreneurs. This data underscores the need to address the disparity in representation within business associations in order to ensure that women's voices are adequately heard and their interests are effectively represented in decision-making processes related to entrepreneurship.

4.1.4. Work-life Balance

In the pursuit of gender equality, the underrepresentation of women in entrepreneurship remains a significant challenge. This disparity is a product of different interconnected issues, including the unequal distribution of unpaid work, underdeveloped care infrastructure, and enduring stereotypes regarding women's roles in the family.

One critical factor contributing to women's limited presence in entrepreneurship is the persistent imbalance in the distribution of unpaid work. Societal expectations often dictate that women bear the primary responsibility for household duties and caregiving, leaving them less time and energy to devote to entrepreneurial interests. According to one UN Women study, compared to men women spend three times longer on unpaid housework, regardless of their employment status (unemployed or employed). In particular, women spend an average of 45 hours a week on unpaid work, and men – an average of 15 hours (UN Women, 2020). As the burden of housework and childcare predominantly falls on women, it acts as another factor preventing their being employed and having an income. This unequal allocation of social roles, along with the resulting assumptions about the characteristics associated with each gender, moreover, leads to the formation of gender stereotypical ideas (Koenig & Eagly, 2014).

The lack of proper care infrastructure in Georgia presents significant challenges for aspiring female entrepreneurs. With scarce access to affordable childcare or support for elderly family members, women, who are often the primary caregivers, face additional burdens that constrain their ability to engage fully in entrepreneurial endeavors (Parliament of Georgia, 2022). Furthermore, societal stereotypes portraying women primarily as caregivers and homemakers further impede their participation in entrepreneurship by limiting their options and perpetuating inequality. Many women lack the necessary familial support when pursuing entrepreneurial aspirations, exacerbating the daunting obstacles they already face (Lippa, Preston, & Penner, 2014). It is imperative to challenge these stereotypes and improve access to care infrastructure in order to create a more inclusive entrepreneurial landscape that empowers women to explore diverse career paths without being restricted by outdated gender norms.

4.1.5. Gender Roles and Stereotypes

Stereotypes and gender roles often discourage women from adopting the attitudes associated with entrepreneurial success, instead directing them towards domestic responsibilities such as housework, childcare, and eldercare. Consequently, prevailing gender roles within a society influence the entrepreneurial behavior of its citizens, and contribute to the disparities between male and female entrepreneurship (Bullough, Guelich, Manolova, & Schjoedt, 2022). In entrepreneurship, it appears that women's participation is more influenced by gender stereotypes stemming from cultural norms in comparison to men's involvement. Studies indicate that women, globally, encounter similar challenges regarding their societal roles, those which are influenced by factors such as culture, social class, and race. In addition, research has underscored that entrepreneurship is often perceived as a predominantly male activity, with gender-role stereotypes significantly influencing women's intentions to pursue a business (Eagly & Carli, 2003).

The increased male interest in entrepreneurship can also be attributed to societal norms and gender stereotypes shaping individuals' behaviors and attitudes. These stereotypes, ingrained in society, often portray men as dominant and achievement-oriented, while women are depicted as nurturing and compliant. As a result, men are more encouraged to pursue entrepreneurial endeavors, aligning with their perceived roles as breadwinners, whereas women face barriers due to the societal expectations towards domestic responsibilities. This highlights how gender-specific patterns influence perceptions of who is suitable for entrepreneurship, those which reinforce traditional gender roles and hamper women's access to entrepreneurial opportunities (Eagly & Carli, 2003).

UN Women (2023) study reveals concerning trends in Georgia regarding traditional gender roles. A significant gender gap exists regarding who should make final decisions at home; while 65% of men believe they should have that authority, only 45% of women agree. This highlights a potential power imbalance within households. The study also found a disparity in who should control income from a jointly owned business – 28% of men think they should take the lead and only 14% of women share this view. Interestingly, both genders seem to hold a bias towards male leadership in business. A significant majority (59% of men and 39% of women) believe men make better business executives. The most surprising finding may relate to childcare arrangements, where a staggering 70% of both men and women believe the mothers of preschoolers should remain at home, suggesting a potential bias against working mothers, even among women themselves. These findings paint a concerning picture of persistent traditional gender roles. Although some progress may be evident in areas like shared childcare beliefs, significant work is required to dismantle the biases that limit women's opportunities in business leadership and in decision-making at home.

The stereotypical perception of men being more capable is consistently reflected in various studies, illustrating how certain tasks are often associated with masculinity and influence perceptions of ability. This notion of "hegemonic masculinity" suggests that gender stereotypes afford men advantages within society, thereby positioning them as ideal workers, while relegating women to secondary roles (Connell & Messerschmidt, 2005). This also creates a hierarchical structure within businesses, where men are considered the norm and women are seen as deviations from this norm, as such, these stereotypes perpetuate gender disparities in entrepreneurship and on the labour market.

The absence of role models is another significant factor that contributes to women's lower participation in entrepreneurship. Entrepreneurial role models are recognized as one of the most crucial socio-cultural factors influencing free enterprise. Drawing from theories of social learning and role identification, these role models fulfill various functions, including providing learning opportunities, motivation, inspiration, and assistance in shaping self-concept. In addition, they can offer support and guidance throughout the recipient's entrepreneurial journey. Such role models are thus considered invaluable resources for both learning about entrepreneurship and inspiring students to pursue business ventures (Karimi, Biemans, Lans, Chizari, & Mulder, 2014).

4.1.6. High Levels of Informality in Female-dominated Sectors

Within the Georgian economy, the informal so-called shadow economy is significant, and part of the economically active population is involved in this sphere. According to one report published by the International Monetary Fund, in 2015, the shadow economy in Georgia reached 53.07% of the GDP (Medina & Schneider, 2018). Women involved in the informal sector also deserve special attention. The National Statistics Service, for example, shows the share of unobservable economic output in the trade sector to be 14.5% of the total output (as of 2021), while in the accommodation and food supply activity sector it reached 52.5% (Parliament of Georgia, 2022). Notably, these are the sectors where women's employment is among the highest, including within foreign trade. Critically, a large segment of economically active women is involved in informal sectors, and those women employed in non-observed sectors are not included in the official statistical records. Consequently, they have less chance to participate in state programs and have limited access to bank loans. Because of these and other issues, this group of women is one of the most vulnerable, and it makes it extremely difficult for them to engage in entrepreneurial endeavors.

Involvement in the informal sector poses numerous additional challenges that can hinder individuals, particularly women, from engaging in entrepreneurial endeavors. Firstly, the lack of formal recognition and documentation within the informal sector limits access to financial services, such as loans and credit. Without a verifiable financial history or collateral, aspiring entrepreneurs face difficulty securing the necessary capital to start or to expand their businesses.

Furthermore, the informal sector typically lacks access to the essential support services and infrastructure crucial for business development, such as business training, mentorship programs, and market information (ILO, 2007). This lack of support inhibits skill development, market expansion, and competitiveness, making it difficult for entrepreneurs to thrive in a highly dynamic and competitive business environment.

In summary, female entrepreneurs face several significant challenges that impede their success. Securing funding is a major obstacle, as women often lack the collateral required for bank loans, leading to rejections and higher interest rates. Limited access to essential resources, such as networks, market information, and technology, further obstructs their ability to compete. Training programs tailored to their needs are scarce, thus also exacerbating the skills gap. Additionally, women's voices are often excluded from policy-making discussions, resulting in policies that do not address their specific challenges. Balancing work and family responsibilities is another struggle, with societal expectations placing a disproportionate burden on women. Various stereotypes about entrepreneurship being male dominated discourage women from pursuing entrepreneurial careers, which is compounded by a lack of female role models. Finally, the prevalence of informality in female-oriented sectors limits their access to financial services and support programs, hindering their growth and success.

4.2. Consequences of the Underrepresentation of Female Entrepreneurs

The underrepresentation of women in entrepreneurship remains a persistent issue with far-reaching implications. As previously noted, 20.9% of enterprises are solely owned by women, while 13.6% are jointly owned by principal couples. Despite steps towards gender equality across various sectors, women continue to be disproportionately absent in entrepreneurial ventures. The lack of gender diversity in this field not only affects economic growth, but it also prolongs societal inequalities. Crucially, the underrepresentation of female entrepreneurs can result in (1) limited female employment; (2) underutilization of women's talents and skills; (3) limited gender diversity in leadership; (4) less gender-sensitive corporate governance; (5) limited role models; (6) a lack of social mobility; (7) maintaining economic dependence; (8) lower likelihood of escaping domestic abuse; (9) limited influence in economic decision-making; (10) underrepresentation in high-growth sectors; (11) a widening gender pay gap; (12) labour migration; (13) reliance on personal financial resources to start a business; and (14) necessity-driven entrepreneurship.

One of the main consequences of women's underrepresentation in entrepreneurship is **limited female employment** opportunities. As entrepreneurs play a pivotal role in job creation, the shortage of women in this sphere restricts the availability of accessible positions. Therefore, this intensifies gender disparities on the labour market, thus spreading inequalities and hindering economic growth. Numerous studies have also highlighted the negative effects of women's underrepresentation in entrepreneurship on female employment opportunities and on the underutilization of women's skills. For instance, a study by Brush and Cooper (2012) found that countries with higher levels of women in entrepreneurship exhibit lower rates of female unemployment, suggesting a positive correlation between entrepreneurship and employment for women. Furthermore, **the underutilization of women's talents and skills** compound this issue, leading to a loss of valuable contributions to innovation, productivity, and overall societal progress. A paper by Fairlie and Robb (2009) underscores the economic benefits of promoting female entrepreneurship, emphasizing the potential for job creation and economic growth through the utilization of women's untapped talents and skills in entrepreneurial activities.

The aforementioned factors lead to **limited gender diversity in leadership** positions, with only 29.5% of firms reporting female participation in ownership in 2023, as previously indicated. Diversity in leadership is not merely a matter of equity; it is also instrumental in fostering creativity, enhancing decision-making processes, and driving organizational success. Without adequate female representation in entrepreneurial leadership roles, perspectives crucial to addressing complex challenges and tapping into diverse markets are overlooked. This lack of gender diversity not only stifles innovation but also preserves outdated norms and biases within corporate structures. The lack of gender diversity in entrepreneurial leadership has been extensively documented in the literature, with empirical evidence highlighting its adverse effects on organizational performance and innovation. For instance, a study by Eagly and Chin (2010) reveals a positive relationship between gender diversity in leadership teams and organizational effectiveness, thus highlighting the importance of diverse perspectives in driving strategic decision-making and problem-solving processes.

The gender gap in entrepreneurship also manifests in **less gender-sensitive corporate governance practices,** prolonging inequalities within organizations and hindering progress toward gender equality. Entrepreneurial ventures, particularly those led by women, often exhibit greater sensitivity to gender-related issues, such as equal pay, the work-life balance, and inclusive organizational cultures. However, the underrepresentation of women in entrepreneurship translates to a lack of such perspectives in corporate governance frameworks. This deficiency undermines efforts to create equitable workplaces and it delays progress toward achieving gender equality across all facets of the business ecosystem.

Moreover, all the above-mentioned factors might result in a **lack of visible role models** for aspiring female entrepreneurs. Role models play a pivotal function in inspiring and guiding individuals along their entrepreneurial journeys, while also providing tangible examples of success and resilience. Research has shown that exposure to successful female role models can positively impact women's entrepreneurial intentions and self-efficacy beliefs. For instance, a study by Brush (2013) finds that female entrepreneurs with access to female mentors were more likely to perceive entrepreneurship as a feasible career option and exhibit higher levels of entrepreneurial self-efficacy. Similarly, research by Auken, Fry, and Stephens (2006) underscores the importance of role models in shaping women's entrepreneurial aspirations and overcoming gender-related barriers in the entrepreneurial ecosystem. In the absence of sufficient female role models, aspiring women entrepreneurs may encounter heightened barriers to entry, including a lack of mentorship, networking opportunities, and access to capital. Consequently, this perpetuates a cycle of underrepresentation by discouraging potential female entrepreneurs and suppressing the growth of women-led ventures.

Yet another consequence of women's underrepresentation in entrepreneurship might be a **lack of social mobility.** Entrepreneurship often serves as a vehicle for socioeconomic mobility, offering opportunities for wealth creation and career progression. However, when women are sidelined from business pursuits, they are deprived of a crucial pathway for upward mobility. This is underscored by Brush and Cooper (2012), who claim that entrepreneurship is indeed a pathway for socioeconomic mobility. They also highlight that women's exclusion from entrepreneurial activities constrains their opportunities for advancement. Similarly, Marlow and McAdam (2013) emphasize the importance of entrepreneurial capital in facilitating social mobility, arguing that women's underrepresentation hinders their accumulation of the social and economic resources necessary for mobility. These elements all exacerbate the existing disparities in income and wealth distribution, consequently prolonging cycles of poverty and limiting opportunities for social and economic advancement among women.

Furthermore, the lack of female entrepreneurs **reinforces patterns of economic dependence on men.** Without opportunities to engage in entrepreneurial ventures, women are more likely to rely on others for financial support. An analysis by Verheul et al. (2012) demonstrates that women entrepreneurs exhibit greater economic independence and financial autonomy compared to their non-entrepreneurial counterparts, indicating the potential to mitigate economic dependency via entrepreneurship.

Moreover, women's participation in entrepreneurship can serve as a means of empowerment and an escape from situations of gender-based violence. However, the underrepresentation of women in entrepreneurship **limits their ability to achieve financial independence,** making it more difficult for women to leave abusive relationships. Research by Hattery and Smith (2019) illustrates that economic empowerment through entrepreneurship enhances women's resilience in leaving abusive relationships. Economic dependence on an abusive partner often acts as a barrier to seeking help or accessing the resources to help break free from abusive situations. Entrepreneurship can therefore play a pivotal role in enabling women to break free from cycles of domestic abuse. Consequently, addressing women's underrepresentation in entrepreneurship is crucial for enhancing their resilience and ability to escape domestic abuse.

The underrepresentation of women in entrepreneurship also translates to **limited representation and influence in economic decision-making** processes. Entrepreneurship not only shapes economic landscapes, but it also influences policy formulation, market dynamics, and resource allocation. A study by De Bruin, Brush, and Welter (2007) underscores the significance of women's entrepreneurship in challenging the existing power structures and promoting gender-inclusive economic governance. Without a role in decision-making, women are excluded from the key discussions and policy decisions that shape the business landscape. This proliferates gender biases and reinforces systemic barriers to women's participation and leadership in shaping economic policies and practices. Moreover, the underrepresentation of women in entrepreneurship often translates into their **exclusion from high-growth sectors** such as technology, finance, and STEM-related fields. These sectors typically offer greater opportunities for innovation and economic advancement. However, gender biases, limited access to capital, and a lack of mentorship networks restrict women's entry and advancement in these lucrative fields. The same principles have been asserted by Marlow and McAdam (2013), who note that gender stereotypes and cultural biases restrict women's entry into technology and STEM-related entrepreneurship. Consequently, female entrepreneurs are disproportionately concentrated in traditionally feminized industries or small-scale enterprises with limited growth prospects.

In addition, the underrepresentation of women in entrepreneurship contributes to the **deepening of the gender pay gap** by limiting their ability to create and control wealth through business ownership. Entrepreneurship offers opportunities for financial autonomy, wealth creation, and income diversification, which are essential for narrowing the gender pay disparity. However, when women encounter barriers to entry, growth, and success in entrepreneurial endeavors, they are more likely to rely on traditional employment, where wage differentials persist. Blau and Kahn (2017) provide empirical evidence of the persistent gender pay gap and its exacerbation by factors such as occupational segregation and discrimination. They argue that women's underrepresentation in entrepreneurship further reinforces this gap by limiting their opportunities for wealth creation and income parity. The gender pay gap is deepened by the undervaluation of female-led businesses, the unequal access to venture capital, and the discriminatory practices in corporate hierarchies.

Collectively, underrepresentation in high-growth sectors and the deepening of the gender pay gap can drive women towards **labour migration** as they seek better opportunities, recognition, and economic stability elsewhere. Faced with limited prospects for entrepreneurship and career advancement in their home countries, women may choose to migrate to regions or countries with more favorable conditions for business development and gender equality. Bachan (2018) examined the relationship between labour migration and economic development, emphasizing the role of push and pull factors in shaping migration patterns. The author argues that limited economic opportunities, including barriers to entrepreneurship, can incentivize individuals, particularly women, to seek employment opportunities abroad. Migration not only represents a loss of talent and potential for the domestic economy but also highlights the urgent need for policy interventions that address the root causes of women's underrepresentation in entrepreneurship. By creating a more inclusive and supportive environment for women entrepreneurs, governments can mitigate the factors driving labour migration and unlock the full economic potential of all citizens, regardless of gender.

It is also noteworthy that women often face challenges in accessing the financial resources necessary to start and to grow their businesses. Due to systemic inequalities and gender biases in traditional lending institutions, women entrepreneurs frequently **use personal savings to fund their investments.** Brush, De Bruin, and Welter (2009) underline that women entrepreneurs often face challenges in accessing external financing and rely heavily on personal financial resources for their businesses. The authors also highlight the need for gender-sensitive policies and initiatives to address the financing gap and promote equitable access to capital for women entrepreneurs. The reliance on personal finances can significantly limit the scale and scope of their businesses, hindering their potential for growth and success. Moreover, it prolongs the cycle of wealth disparity between entrepreneurs, as men typically have greater access to external funding sources such as venture capital and bank loans. As a result, women are often forced to improvise and cope with financing their businesses, leading to slower growth rates and reduced competitiveness in the market.

These elements might lead to **necessity-driven entrepreneurship,** which refers to the phenomenon where individuals, particularly women, are compelled to start businesses out of necessity rather than opportunity. This often occurs in response to economic hardships, limited employment opportunities, or the need to supplement household income. Women, especially those from marginalized communities or with caregiving responsibilities, may find themselves pushed into entrepreneurship as a means of survival rather than pursuing entrepreneurial endeavors based on their passion, skills, or market opportunities. Verheul et al. (2012) investigated the factors influencing individuals' engagement in necessity-driven versus opportunity-driven entrepreneurship. The authors assert that women are more likely to pursue necessity-driven entrepreneurship due to limited employment opportunities and caregiving responsibilities. The paper also underscores the importance of creating conducive environments that enable women to pursue entrepreneurial opportunities based on their skills and interests rather than on their requirements. Necessity-driven entrepreneurship tends to result in businesses that are smaller in scale, less innovative, and more vulnerable to market fluctuations. Additionally, it can perpetuate gender stereotypes by confining women to low-profit sectors or informal economies with limited growth potential.

In conclusion, limited employment opportunities for women remains a key concern. Since entrepreneurs are key job creators, the shortage of women in this field directly translates into fewer jobs for women. This widens the gender gap on the labour market, hinders economic growth, and perpetuates inequalities. Furthermore, women's talents and skills remain underutilized. The lack of women in leadership roles is another consequence. With only a small percentage of firms having female ownership, diverse perspectives are lacking within the sector. This hampers creativity, weakens decision-making, and limits innovation within organizations. The underrepresentation of women also leads to less gender-sensitive practices in running businesses. Women-led ventures are often more attuned to issues like equal pay and work-life balance. These factors thus create a vicious cycle – the lack of female role models discourages aspiring women entrepreneurs, making it harder for them to break into the field and access crucial resources like mentorship and funding. This ultimately perpetuates underrepresentation and limits the growth of women-led businesses. While women's social mobility also suffers. Entrepreneurship is a powerful tool for upward mobility, but when women are excluded, they lose a key pathway to financial security and career advancement. This widens the income and wealth gap, effectively trapping women in cycles of poverty and limiting their opportunities for progress.

Without the option of pursuing entrepreneurial ventures, women are more likely to rely on others for financial support. This can restrict their agency and it can make it difficult to escape situations of domestic abuse. Their limited presence in entrepreneurship also translates to a lack of influence in economic decision-making. Women are excluded from key discussions that shape the business landscape, which reinforces existing biases and hinders their participation in shaping economic policies and practices. This underrepresentation spills over into high-growth sectors like technology and STEM fields. Gender stereotypes, limited access to capital, and a lack of support networks each restrict women's entry and advancement in these lucrative areas. Accordingly, women remain concentrated in traditionally female-dominated industries with limited growth prospects. The gender pay gap is another core consequence. Entrepreneurship offers opportunities to create wealth and diversify income, which can help narrow the gap. The final point relates to the issue of labour migration. Faced with limited entrepreneurial prospects at home, women may be pressed into opportunities and recognition elsewhere.

CHAPTER 5.

GENDER IMPACT ASSESSMENT OF THE LAW OF GEORGIA ON ENTREPRENEURS

5.1. Gender Impact Assessment of the Policy Options[26]

Policy Option 0: Status quo

Under the status quo scenario, the Government of Georgia opts to uphold the current Law of Georgia on Entrepreneurs without making any further changes. In this case, there would be no further requirement for businesses to allocate **a specific proportion of women to their boards,** which could perpetuate gender imbalances in decision-making roles. Similarly, there is no obligation for companies to **report on gender diversity**, which may hinder efforts to address disparities among employees.

Maintaining the current situation presents both the advantages and the risks. While it is easy to preserve and would require no need for immediate action or extra resources, it poses disadvantages, such as perpetuating gender inequality. The lack of gender reporting may also hinder transparency and accountability, and it perpetuates the absence of women in corporate leadership due to the lack of mandatory diversity measures. Addressing these risks requires proactive procedures to promote diversity and fairness in governance and labour regulations.

Policy Option 1: Gender Quotas on Supervisory Board Representation

Policy Option 1 proposes the enforcement of gender quotas for supervisory board representation in large companies, those listed on both Georgian and international stock exchanges, joint-stock companies, as well as state-owned enterprises. These quotas aim to foster gender diversity and rectify imbalances in leadership roles by stipulating a specific proportion of board seats for individuals of a particular gender, typically women.

It is noteworthy that the Georgian financial sector has already adopted an approach that

26. It should be mentioned that Policy Options 1 and 2 are complementary and it is recommended that they are prioritized in parallel.

intends to enhance gender diversity within the supervisory boards and directorates of commercial banks – the National Bank of Georgia (NBG) introduced its Gender Diversity Requirement in the Corporate Governance Code for Commercial Banks in 2018. This requirement mandated that at least 20% of the Supervisory Board consist of representatives from different genders.

Since the inclusion of this requirement in the Corporate Governance Code in 2018, the representation of female members on supervisory boards has increased notably (by 21%). In February 2022, female representatives constituted 30% of the total composition of boards, thus significantly surpassing the initial requirement.[27]

In 2022, NBG imposed a higher requirement on boards' gender balance. Through the amendment to the Corporate Governance Code for Commercial Banks, effective from 1 June 2023, it mandates that the proportion of the underrepresented gender should comprise at least 33% on supervisory boards. Moreover, by 1 June 2025, this proportion should not be less than 40%. Additionally, the new regulation extends to the composition of bank directorates, suggesting that a minimum of 33% of members from the underrepresented gender should be part of the directorate.[28]

As this regulation applies exclusively to commercial banks in Georgia, the overall presence of women in corporate decision-making positions remains limited. This disparity signifies a missed opportunity to leverage the full potential of human capital, particularly given the educational advancements of women. This underutilization translates into lost economic prospects for the country. Furthermore, the absence of adequate female representation on corporate boards poses a challenge to addressing gender inequality effectively.

Crucially, implementing gender quotas can play a vital role in promoting corporate diversity and inclusivity by incorporating a broader range of perspectives and experiences into boardroom discussions and decision-making processes.

This Policy Option primarily targets publicly listed companies, joint-stock companies, and state-owned enterprises. To shatter the glass ceiling effectively, substantial changes in board composition are required. For analytical purposes, the initial mandate for women's participation is suggested at 30%, with anticipated compliance by 2026, with a subsequent increase to 40% by 2030.

A growing number of countries are implementing measures to promote the increased representation of women on corporate boards. A significant development in this regard was the adoption of the European Union's Women on Boards Directive in 2022.[29] Under the directive, every large, listed company on the stock market within the EU must have at least 40% female non-executive directors or at least 33% female executive and non-executive members by 2026.

While all EU countries are expected to incorporate this approach into their policies,

27. Available at: https://nbg.gov.ge/en/media/news/nbg-publishes-draft-amendment-to-the-corporate-governance-code-for-commercial-banks
28. Available at: https://matsne.gov.ge/ka/document/view/5551918?publication=0
29. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2381

several European nations have already enacted specific regulations regarding gender inclusion on corporate boards. Nine Member States have introduced gender quota laws for company boards. The first European country to introduce such a quota was Norway in 2003, while the first European Union Member State was Spain in 2007 (European Parliament, 2021). Table C1, in Annex C, provides an overview of existing quotas by country, their target levels, scope, and the sanctions for non-compliance.

Opportunities:

- ✓ Option 1 offers numerous opportunities for fostering gender diversity and inclusivity within corporate environments.
- ✓ Implementation of gender quotas permits companies to increase the representation of women on their boards, enriching decision-making processes with diverse perspectives and experiences.
- ✓ The impact of this Option extends beyond board memberships, influencing organizational cultures to embrace inclusivity in all aspects of their operations.
- ✓ Actively promoting gender diversity enhances a company's reputation as socially responsible and forward-thinking, while also mitigating the risks associated with gender bias.
- ✓ The impact of Option 1, in the long term, will make companies more appealing to diverse talent pools, aligning with the growing preference for organizations committed to gender equality.
- ✓ Having more women on boards can positively impact the career trajectories of women within organizations, thereby challenging stereotypes and opening doors for future generations.
- ✓ It offers a potential solution to the gender pay gap by increasing female representation and potentially elevating salaries across an entire company.
- ✓ Enhanced decision-making processes facilitated by incorporating diverse perspectives and expertise, in turn promoting transparency and accountability within organizations, and better reflect the interests of diverse stakeholders and bolster corporate governance.
- ✓ Increased female representation on boards serves as inspiration for aspiring female leaders, fostering mentorship and support networks and paving the way for a more inclusive and equitable future.

Risks:

- ✓ Gender quotas may lead to the tokenistic appointment of women onto boards, focusing solely on meeting numerical targets rather than considering qualifications, skills, and experience, thus perpetuating stereotypes.
- ✓ While quotas aim to increase female representation, they may overlook deeper issues like workplace culture and bias, potentially hindering efforts to create truly inclusive environments.
- ✓ In some industries, there may be a shortage of qualified women for board positions, posing challenges in meeting quota requirements, particularly in the short term.
- ✓ The immediate effects of more female board members may be minimal or negative (though long-term changes are expected as quota regulations catalyze deeper structural shifts).
- ✓ Some companies might choose to delist from stock exchanges in response to quota regulations.
- ✓ To meet quota requirements, companies may reduce board sizes rather than appointing additional female directors.

- ✓ If less qualified women are appointed due to a shortage of suitable candidates, it could widen the gender pay gap in decision-making positions.

Policy Option 2: Gender Reporting

Gender reporting involves disclosing information about gender disparities within an organization, thereby aiming to enhance transparency and address gender imbalances. Policy Option 2 would require companies to conduct gender reporting annually, gather data on the diversity of employees, and report key gender indicators based on international best practices. This Option includes two scenarios: **Scenario (1) only large joint-stock companies produce gender reports and Scenario (2) all large size enterprises produce gender reports.** This Policy Option intends to report key gender indicators annually, namely:

- ✓ The percentage share of women in senior management (board of directors, supervisory boards).
- ✓ The percentage of women in middle management (determined according to the internal definition of the organization).
- ✓ The age distribution of the female and male workforce.
- ✓ The share of female and male employees who attend training and the average training cost per employee.
- ✓ The employee turnover rate disaggregated by gender.
- ✓ The total number of female and male employees taking parental leave and the length of parental leave.
- ✓ The total number of complaints received regarding violations of privacy disaggregated by gender.
- ✓ The total number of cases of information leakage, theft, or loss of data disaggregated by gender.
- ✓ The number of complaints filed, reviewed, or resolved regarding the violation of human rights disaggregated by gender.
- ✓ The gender pay gap.

The development of a sustainable development reporting system, which also includes gender aspects, is important for the evaluation of private sector involvement in the process of achieving sustainable development goals and companies' activities in this direction (CSRDG, 2023). Corporate responsibility reports include information on the impact of a company's activities on the economic, environmental, and social spheres.

In recent years, the voluntary approach towards the preparation of sustainable development reports has changed, and there is a growing tendency to adopt legal regulations for social and environmental reporting within business activities (CSRDG, 2023).

One important initiative towards the advancement of the sustainable development reporting system arrived with the adoption of the Law of Georgia On Accounting, Reporting and Auditing in 2016 (CSRDG, 2023). This Law defined the obligation of certain companies for the submission of management reporting, including aspects of non-financial reporting.

According to the Law, non-financial reporting, which covers issues related to ensuring equality, including gender diversity and equal treatment in employment and professional spheres, is only mandatory for those public interest entities (SPEs) with an enterprise size within the first category and have an average of over 500 employees within a reporting period (CSRDG, 2023). Commercial banks, microfinance organizations, insurance companies, etc. are defined as "persons of public interest". It should be noted that the Law defines the constituent parts of the report, although a mandatory structure for these sections has not been established.

Moreover, NBG has developed a template to aid commercial banks and other financial institutions in disclosing Environmental, Social, and Governance (ESG) related information. This template is designed to ensure the disclosed information is relevant, useful, consistent, and comparable. By facilitating the enhanced disclosure of ESG factors, NBG intends to support Georgia's financial sector in promoting ESG risk management practices and enhancing overall transparency. Notably, the template includes aspects of gender reporting, covering dimensions like workplace diversity and parental leave. These facets encompass metrics such as the percentage of female employees in different management levels and the total number of employees taking parental leave, along with the average length of parental leave during the reporting year. Through this comprehensive approach to reporting, NBG aims to foster a more inclusive and transparent financial sector in Georgia.

Gender reporting itself is a vital component of the promotion of gender equality and diversity in workplaces and societies worldwide. It encompasses the systematic collection, analysis, and dissemination of data and information related to gender disparities, representation, and experiences within organizations and communities. Gender reporting serves as a tool for organizations, policymakers, and stakeholders to understand and address issues such as gender pay gaps, the underrepresentation of women in leadership roles, and discrimination and harassment based on gender.

By collecting and analysing data on various aspects of gender equality and diversity, gender reporting enables organizations to identify areas for improvement and to implement targeted interventions to foster inclusivity and equal opportunities for all employees, regardless of gender. The process provides insights into the effectiveness of policies and practices aimed at promoting a gender balance, highlights areas of success, and underscores the areas requiring attention and reform.

As such, different countries have recognized the importance of gender reporting and have implemented mandatory requirements for public and private companies to disclose gender-related data and initiatives (Table C2, Annex C). These regulations aim to systematically address gender disparities and to foster a culture of inclusivity and equal opportunity within organizations.

Opportunities:

- ✓ This Option establishes accountability for enterprises to proactively address gender disparities within their workforce.
- ✓ It enhances companies' self-awareness regarding gender disparities.
- ✓ Provides a benchmark for organizations to compare their gender gaps against industry standards and best practices.
- ✓ This Option raises awareness among employees about potential gender disparities and encourages conversations about fairness and equality in the workplace.
- ✓ Reporting serves as a motivator for organizations to re-evaluate their policies and implement changes that reduce gender gaps.
- ✓ Contributes to data-driven, evidence-based policymaking for the government.

Risks:

- ✓ Not all companies start from the same point. These differences may relate to an organization's size and sector, and while some organizations will be looking at gender equality issues for the first time, there is a lot of good practice already underway.
- ✓ There is a risk of potential reputational damage. Public disclosure of significant gender gaps may harm an organization's reputation, especially if it indicates inequitable practices or a lack of commitment to gender equality.
- ✓ Reports might initially harm recruitment and retention (however it is expected to change business practices for the better in the long term). Potential employees may be discouraged from joining the organization if it has a poor track record or reputation regarding gender equality, leading to challenges in recruitment and retention efforts.

5.2. Evaluation of the Quantitative Implications

Policy Option 1: Gender Quotas on Supervisory Board Representation

Policy Option 1 takes a bold stance on promoting gender diversity within leadership positions. It proposes enforcing quotas for female representation on supervisory boards across a broad spectrum of companies. This includes large businesses listed on both Georgian and international stock exchanges, joint-stock companies, and state-owned enterprises. The policy envisions a two-phased implementation. The initial target sets a 30% quota for female participation on supervisory boards by 2026. After a period of adjustment, the policy proposes a further quota increase reaching 40% by 2030.

To evaluate the potential impact of this policy, the report will explore real-world examples. Specifically, it will analyze the experiences of Georgian commercial banks that have already implemented gender quotas on their boards. In addition, the report will draw insights from certain European Union countries that have adopted similar measures since 2011.

Unfortunately, there is a significant hurdle in comprehensively assessing the current state of gender diversity. Data on the composition of supervisory and directorate boards within large Georgian joint-stock companies is currently unavailable. While some information exists for commercial banks and companies through their websites, it does not provide a complete picture.

The impact assessment consists of the following stages:

1. **Potential Impact of Gender Quotas on Participation:** Assess the potential impact of introducing binding gender quotas within the composition of supervisory and executive boards, and the share of female CEOs, based on the experience of the Georgian commercial banks and EU countries.
2. **Potential Impact on Company Performance and Corporate Governance from Gender Diversity on Company Boards:** Assess the potential influence of gender diversity in company boards on key financial metrics (ROA, ROE, Tobin's Q, Sales Growth, etc.), corporate social responsibility, and corporate governance through a meta-analysis of research across multiple countries and periods.
3. **Potential Impact on Employment and Gender Pay Gaps:** Explore the potential effects of enhanced gender diversity

on corporate boards regarding gender equality in the corporate environment, including aspects such as the gender pay gap and the gender employment gap based on a meta-analysis of the literature.

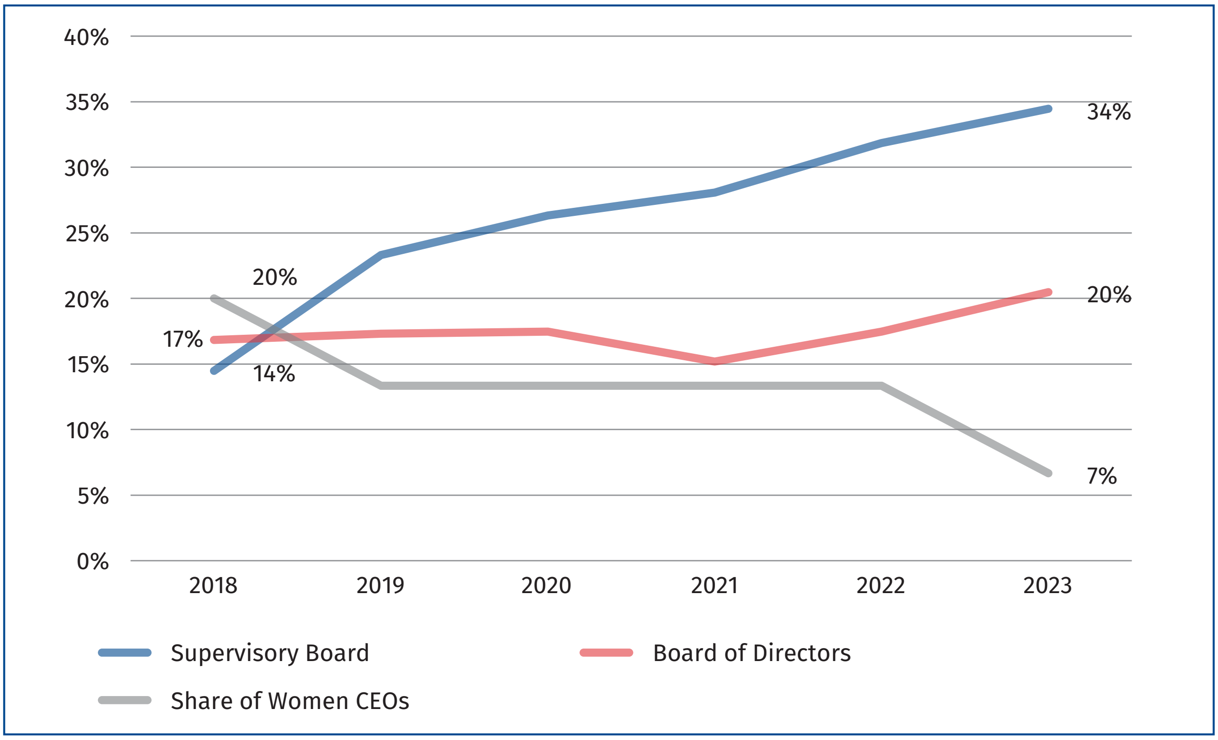
4. **Evaluating Investment Costs:** Employ data from national databases and relevant research to assess the potential influence of quotas on investment costs within companies. This will help determine if the policy might deter or encourage investment.
5. **Estimating Administrative Burden:** Utilize data from national sources and the relevant research to estimate the costs of implementing and monitoring the quota system. This will provide an understanding of the resources required to enforce the policy effectively.

Potential Impact of Gender Quotas on Participation

To evaluate the potential impact of introducing binding quotas on supervisory boards, it is beneficial to analyze the case of commercial banks in Georgia. In 2018, the National Bank of Georgia introduced a Gender Diversity Requirement in their Corporate Governance Code for Commercial Banks. This requirement mandated that at least 20% of the Supervisory Board must consist of representatives from different genders. Before introducing this requirement, the share of women on the Supervisory Boards constituted 9%. Since introducing the quota, this share has increased steadily, and it reached an all-time high of 34% in the last quarter of 2023. **Notably, this is a 20-percentage-point increase, which surpasses the initial target.** It is important to note that the **average size of the Supervisory Board has grown only slightly, from 5 to 5.4,** indicating that the increasing share of women was primarily achieved by replacing male members rather than adding new board seats.

Despite the significant improvement in women's representation on supervisory boards, there was only a slight rise in the share of women on the board of directors, which was not subject to a mandatory quota, yet it was expected, based on the literature, that the quota on non-executive boards would have a trickle-down effect on executive boards. **This suggests that introducing quotas on supervisory boards might not directly translate into notably higher female representation in the executive body (although a small positive impact has been observed).** In addition, the size of the board of directors has also increased slightly. Interestingly, there seems to be a decline in the share of female CEOs in commercial banks; **the share of female CEOs fell, reaching the previous period's minimum level of 7%.** Further research is nevertheless required to understand the reasons behind this trend.

Figure 8. Share of Women on Supervisory Boards and Board of Directors in Commercial Banks



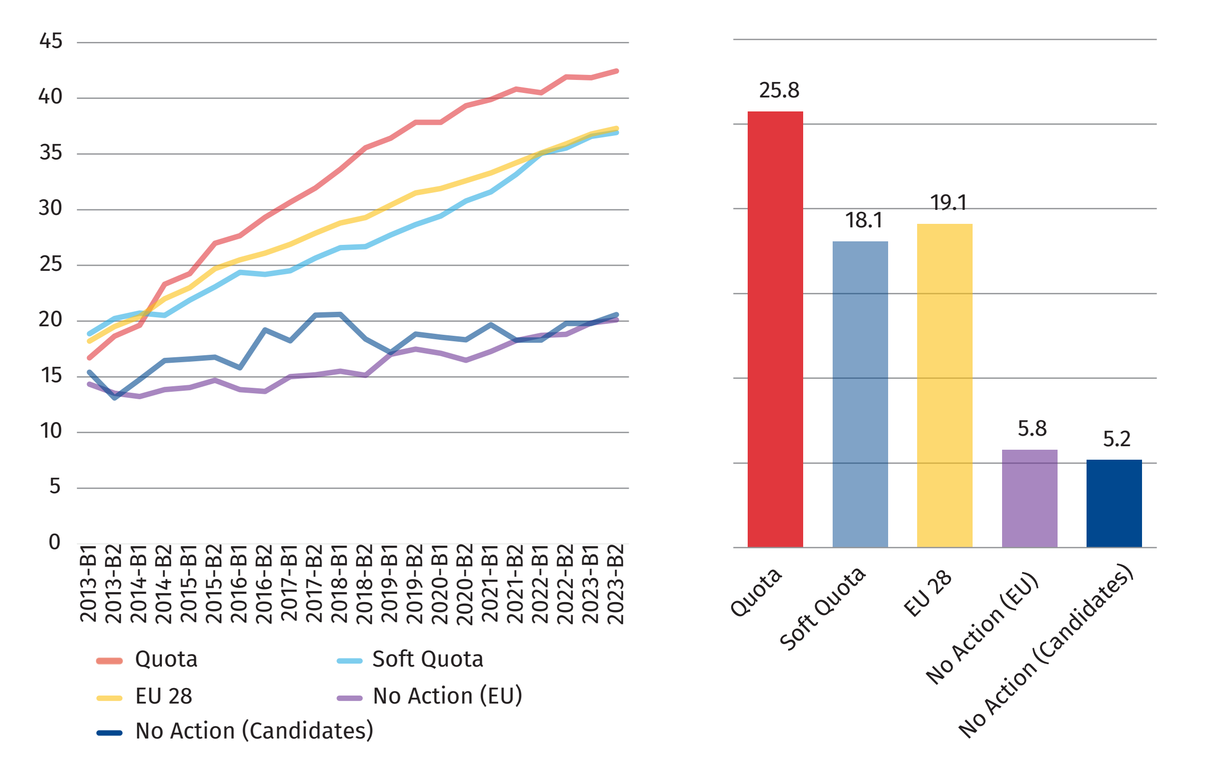
Sources: Authors' calculations; National Bank of Georgia

Broadening the scope beyond individual cases, one can observe similar trends on a larger scale. In the EU Member States that introduced **binding gender quotas** for non-executive board members (Austria, Belgium, Germany, France, Italy, and Portugal), the share of women on supervisory boards rose significantly. The data shows an upsurge from 16.7% in the first half of 2013 (H1 2013) to 42.5% by the second half of 2023 (H2 2023) – **a jump of nearly 26 percentage points.** Each of these countries managed to reach the quota limits before the planned deadline.

Interestingly, even countries with **"soft quotas"** – those that were only given recommendations or lacked strong enforcement mechanisms (Denmark, Greece, Spain, Finland, Ireland, Luxembourg, the Netherlands, Poland, Sweden, Slovenia, and the United Kingdom) – also witnessed a notable increase. The share of women on supervisory boards in these countries rose from 18.9% in H1 2013 to 36.8% in H4 2023, **an increase of 18.1 percentage points.**

In comparison, the EU countries that did not implement any quota policies experienced a much smaller increase in female representation. The share of women on supervisory boards in these nations rose from 14.3% in H1 2013 to just 20.1% in H2 2023, **a gain of only 5.8 percentage points.** A similar trend can be observed in EU candidate countries without policy intervention (except Georgia, Ukraine, and Moldova), where the increase was **a mere 5.2 percentage points over the same decade.**

Figure 9. Share of Women on Supervisory Boards in EU Countries (percentage change between 2013-B1 [the first half of 2013] to 2023-B2 [the second half of 2023])

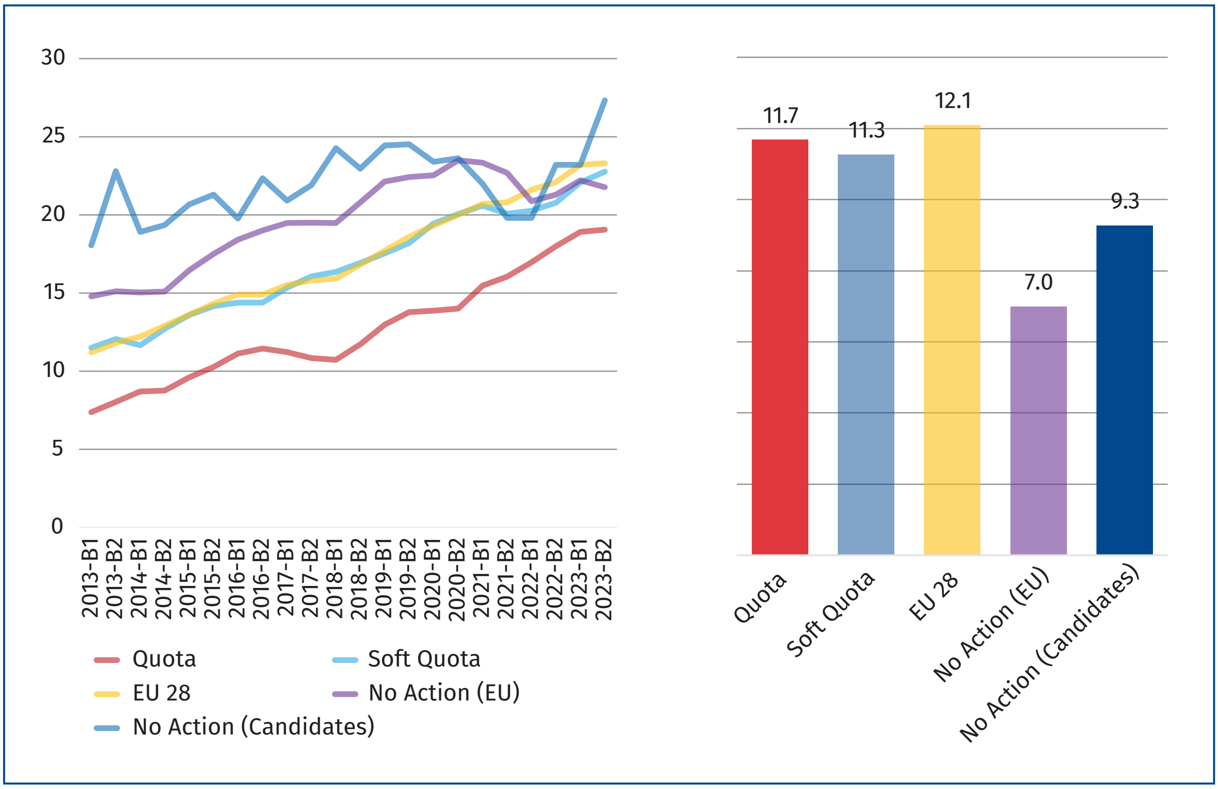


Source: Authors' calculations based on data from the EIGE gender statistics database

While quotas demonstrably increased female representation on supervisory boards, the impact **on the boards of directors (directorates) appears less pronounced.** In countries with binding quotas, the share of women in directorates rose from 7.4% in H1 2013 to 19.1% in H2 2023, **an increase of 11.7 percentage points** (Austria had the lowest 4.4 ppts and the highest was 19.4 percentage points in France). This is a significant gain, however it falls behind the growth observed on supervisory boards. Similarly, countries with "soft quotas" observed only slightly smaller increases in female directors compared to those with "hard quotas". **In the countries that took no action, the increase in female directors is notably less pronounced** (see Figure 10).

Interestingly, the data suggests a potential correlation between supervisory board quotas and a **slower trickle-down effect** on boards of directors. For countries with binding quotas, **a 1 percentage point increase in female representation on supervisory boards translates to roughly a 0.45 percentage point increase on boards of directors.**

Figure 10. Share of Women in Boards of Directors in EU Countries (percentage change between 2013-B1 to 2023-B2)



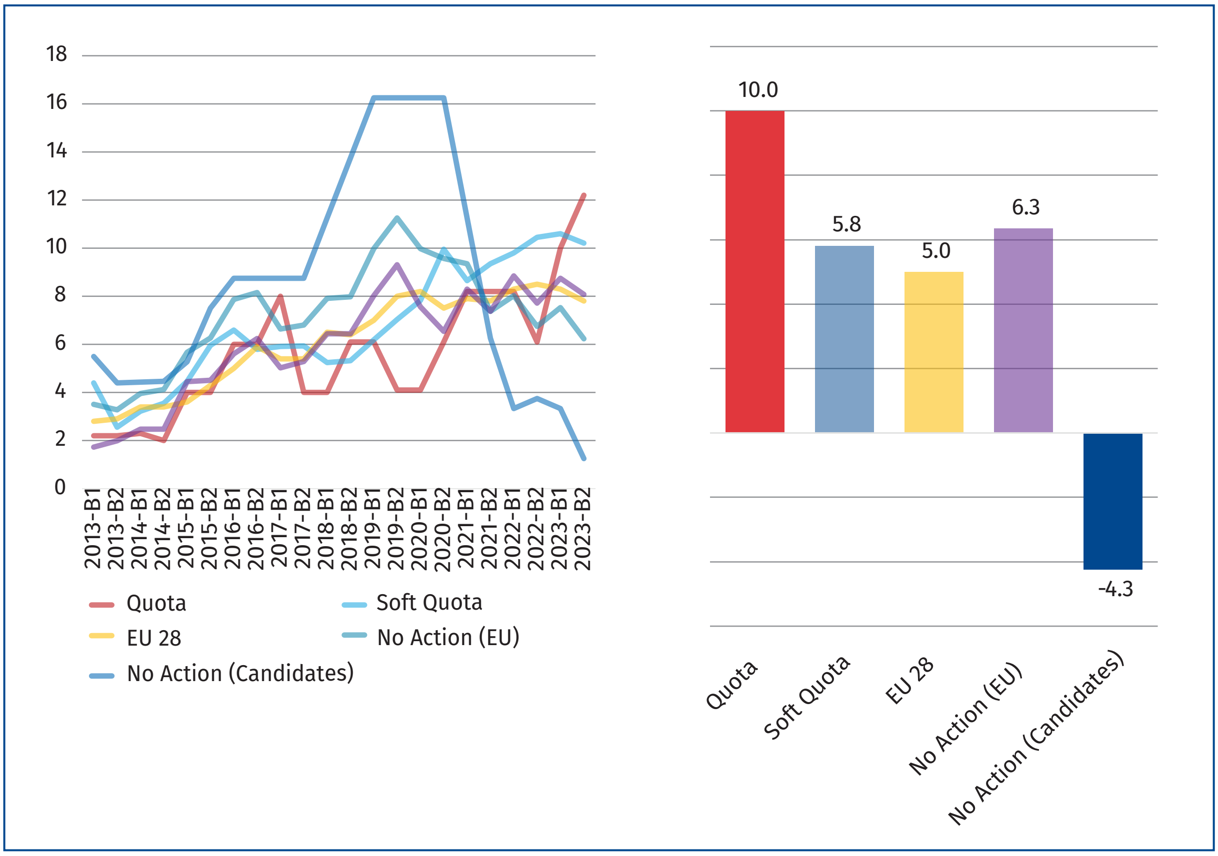
Source: Authors' calculations based on data from the EIGE gender statistics database

The trend towards limited impact continues at the CEO level. Even in the UK and those EU countries with binding quotas, the share of female CEOs increased from 2.2% in H1 2013 to 12.2% in H2 2023 – **a rise of 10 percentage points** (the lowest in Italy at 2.4 ppts and the highest in Portugal with 11.1 ppts). This is significantly lower compared to the increase observed on both supervisory and director boards.

Notably, the impact of quotas on female CEOs seems even weaker in other scenarios. **Countries with soft quotas saw a rise of only 5.8 percentage points,** while **those with no policy intervention saw changes of 6.3 and -4.3 percentage points for EU and for candidate countries,** respectively (see Figure 11).

Based on the data from the EU and UK, a **tentative correlation emerges. For every 1 percentage point increase in female participation on supervisory boards, there appears to be a corresponding increase of approximately 0.39 percentage points in the share of female CEOs.**

Figure 11. Share of Women CEOs in EU Countries (percentage change between 2013-B1 to 2023-B2)



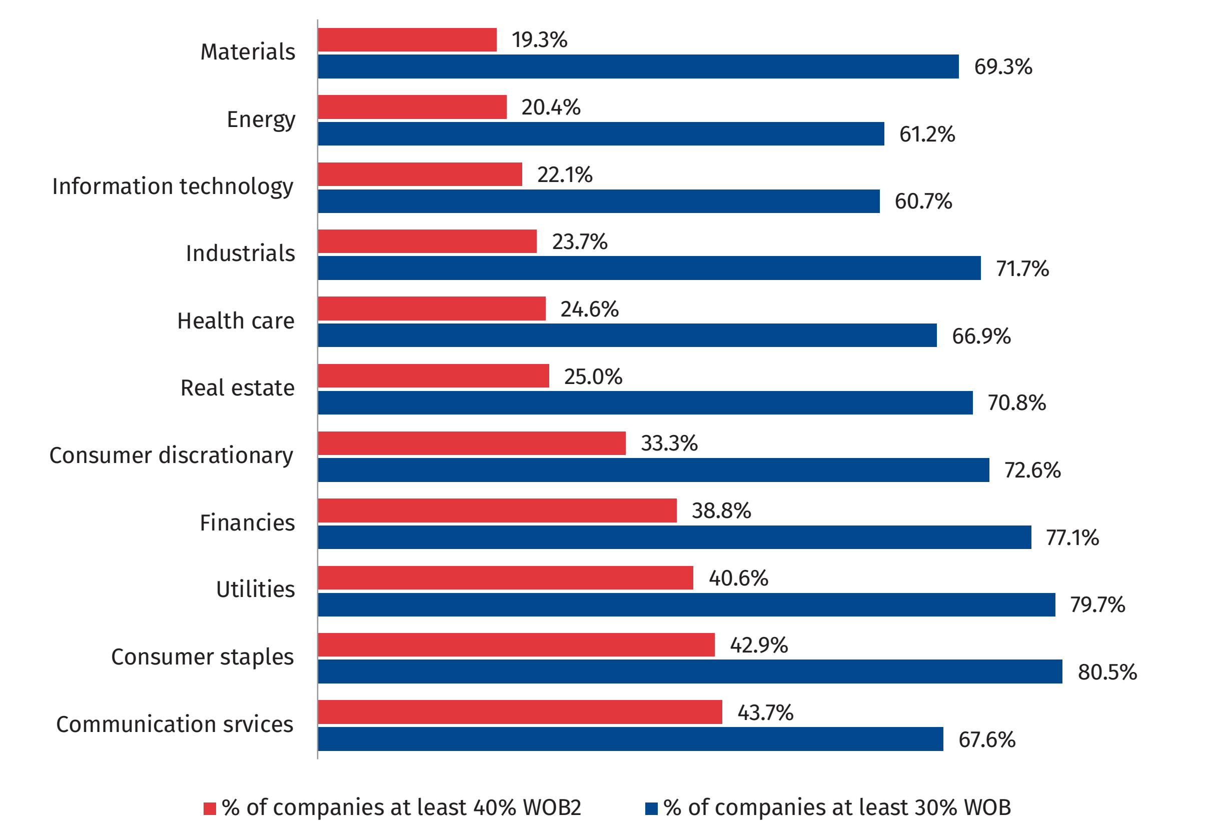
Source: Authors' calculations based on data from the EIGE gender statistics database

In summary, if introducing mandatory quotas (a similar structure to the EU) has the same impact on women's representation on non-executive and executive boards, **we expect women's representation to increase by approximately 18-36 percentage points in 10 years.**

In addition, compliance with supervisory and executive board quotas is expected to differ by sector and by industry. The MSCI has studied[30] 18 countries in developed markets in Europe and the Americas as of October 2022. The research illustrates that the materials sector exhibited the largest disparity in the percentage of companies achieving 30% and 40% female board representation (both supervisory and executive boards), at 69.3% and 19.3%, respectively. Within the sector, **the containers and packaging industry recorded the lowest proportion of companies meeting the 40% threshold, at just 9.1%.** In contrast, **the communication services sector had the highest percentage of companies that reached the 40% target at 43.7%; with 52.4% of companies in the diversified telecommunication services industry attaining at least 40% female board members** (detailed information can be seen in Figure 12).

30. MSCI data can be retrieved from the following website: https://www.msci.com/www/blog-posts/40-women-on-boards-the-new/03679268344

Figure 12. 30% to 40% women on boards (WoB) gap by sector



Source: MSCI ACWI Index (October 2022)

Potential Impact on Company Performance and Corporate Governance

To assess the impact of introducing gender quotas on gender equality, it is crucial to review the empirical literature that examines these effects in countries that have already implemented such quotas. This section will present the outcomes of meta-analyses to provide a comprehensive understanding of the impacts.

Post and Byron (2015) employ a meta-analytical approach to synthesize findings from **140 studies** (involving firms from **35 countries over five continents**) to assess the relationship between women on corporate boards and firms' financial performance. This method allows the authors to statistically combine effect sizes from multiple studies, examining whether variations in legal, regulatory, or cultural contexts influence the relationship between female board representation and firm performance. The key performance metrics analyzed include accounting returns and market performance. They also considered board activities like monitoring and strategy involvement as mediating variables.

Female board representation is found to be positively related to accounting returns (with an effect size of 0.05), but the relationship with market performance is nearly zero – it is notable that this finding somewhat contradicts the results of other meta-analyses, which indicate a more significant effect on market perceptions rather than on traditional financial performance measures. This suggests that while more female directors might improve internal financial management (reflected in accounting returns), although this does not necessarily translate to external market valuation. The relationship between female board representation and firm outcomes is moderated by country-specific factors. For example, **in countries with stronger shareholder protections, the positive impact of female directors on accounting returns is more pronounced.** Similarly, the relationship with market performance is positively moderated in countries with greater gender parity. Furthermore, the research indicates that board diversity is positively correlated with board monitoring, showing an effect size of 0.05, and with board strategic investment variables, which display an effect size of 0.09.

Pletzer et al. (2015) conducted a systematic literature review and compiled data from **20 studies** that encompasses **3,097 companies.** These studies were selected based on strict inclusion criteria, such as the use of Pearson product-moment correlation coefficients and specific financial performance measures (ROA, ROE, or Tobin's Q). The analysis utilizes a random-effects model to aggregate the findings, considering the variability among the included studies.

The meta-analysis reveals several key findings:

- ✓ **Overall Effect Size:** The overall mean weighted correlation between the percentage of females on corporate boards and firm performance across all studies is small and statistically insignificant ($r = 0.01$; 95% CI: -0.04 to 0.07).
- ✓ **Subgroup Analysis:** No significant differences can be observed in the effect sizes when analyzing data based on the economic development of the country or the income level.
- ✓ **Performance Measures:** The relationship between gender diversity and various measures of financial performance (ROA, ROE, Tobin's Q) consistently shows minimal to no impact.

Christiansen et al. (2016) employs data from over **2 million companies** listed in the Orbis database, which covers a range of industries across **34 European countries.** They utilize regression analyses to explore the correlation between the proportion of women in senior positions (both on boards and in executive roles) and firm performance, measured by Return on Assets (ROA). Their analysis controls for industry and country characteristics, and it examines different firm sizes and compositions to ensure robust results.

The paper presented several key findings:

- ✓ **General Financial Performance:** There is a statistically significant positive relationship between gender diversity in senior management and ROA (which contradicts the findings of most studies in this field). Specifically, **substituting one male member of senior management or the board with a female is associated with an 8-13 basis point increase in ROA.**
- ✓ **Sector-specific Analysis: The positive impact of gender diversity on ROA is more pronounced in sectors that employ a larger share of women in the workforce of knowledge-intensive or high-technology sectors. In sectors with a higher female workforce,** the addition of one woman within senior management or boards correlates with around a **20-basis-point higher ROA.** In **high-tech or knowledge-intensive**

sectors, each additional female in senior positions is associated with about a **30-basis-point higher ROA.** This suggests that there is a more substantial benefit from gender diversity in industries where women are already prevalent or where innovative thinking is crucial.

Herrera-Cano and Gonzalez-Perez (2019) examine 40 studies from 28 countries, resulting in varied outcomes. Of these, 19 studies identify positive correlations between board diversity and company performance, while 10 find negative relationships, and the remaining 11 show no significant correlation. **Notably, Return on Assets (ROA) and Return on Equity (ROE) exhibit no significant links to board diversity,** with correlation coefficients of r=-0.01 and r=0.1, respectively. Furthermore, **no significant relationship is observed in the case of Tobin's Q** (r=0.01).

Simionescu et al. (2021) explored the complex relationships between board gender diversity and firm performance by employing pooled ordinary least squares (OLS) and panel data analyses with fixed and random effects on **Standard & Poor's 500 Information Technology Sector** over 12 years, utilizing extensive corporate governance data alongside firm performance indicators.

The study found that **board gender diversity has a positive influence on the price-earnings ratio (P/R) of firms within the S&P 500 Information Technology sector,** indicating that gender diversity may enhance market valuations. However, **there is no statistically significant association between board gender diversity and ROA,** highlighting that the impact of diversity may vary depending on the performance metric employed.

Atinc, Srivastava, and Taneja (2022) utilize a matched pair design comparing countries with gender quota mandates to those without, focusing on publicly traded companies. The study includes companies from **17 countries,** split between 9 quota-mandating and 8 quota-non-mandating countries. Key performance metrics such as ROA and Tobin's Q were used alongside research and development expenditure to assess firm performance and innovation. An analysis of Covariance (ANCOVA) was employed to test the influence of gender quotas controlling for variables like firm size and the cultural femininity index.

The authors observed **a substantial rise in the number of female directors within firms located in countries that have implemented gender quotas.** This increase points to a significant shift towards gender diversity on corporate boards. Despite the marked increase in female directorship, **the study reveals no significant differences in accounting-based performance, such as Return on Assets, between firms from countries with gender quotas and those without.** This suggests that the introduction of gender quotas does not adversely affect the fundamental financial operations or the efficiency of firms.

However, the research highlights a different outcome when examining market-based performance. Firms in countries with gender quotas exhibit **significantly higher performance on metrics like Tobin's Q,** which is often used to evaluate a firm's market value as a ratio to its asset value. This improvement suggests that the market perceives firms with gender-diverse boards more favorably, potentially due to expectations of better governance and decision-making.

Interestingly, the study **finds no significant correlation between gender quotas and innovation,** measured through Research and

Development expenditures. This indicates that while gender quotas enhance board diversity and market perception, they may not directly influence a firm's investment in innovation.

Furthermore, the increase in external female directors in quota-mandating countries suggests a move towards **greater board independence.** The presence of external directors, individuals who are not part of the company's day-to-day operations, is often viewed as a means to reduce conflicts of interest and enhance a board's oversight capabilities. The significant rise in the number of external female directors in these regions underscores a broader push for gender diversity and the strengthening of corporate governance structures.

García-López, Pacheco-Olivares, and Hamoudi (2024) study the boards of **27 IBEX 35 stock companies** over the period of **2018 to 2021,** examining **108 observations.** The methodology involves a detailed breakdown of board composition by gender and type of directorship. It employs a panel data methodology and Poisson logistic regression to analyze the impact of gender diversity on the price-earnings ratio. This approach allows the researchers to observe variations over time and across different firms, thus providing a robust examination of the causal impacts of gender diversity on firm performance.

The study concludes that there is a positive and statistically significant relationship between the percentage of women on steering committees and a firm's stock returns as reflected in the P/E ratio. If the proportion of women on a board increases by 1%, the P/E ratio would decrease on average by between 0.03-37.85 times (this confirms an increase in profitability). However, **the category distribution (executive, proprietary, independent) of female directors does not significantly affect stock returns.** This suggests that while the presence of women in general has a positive effect, their specific roles on the board are less impactful on P/E performance.

Wu, Furuoka, and Lau (2022) use a meta-analytical method to synthesize data from **44 studies** published **between 2010 and 2019.** This method aggregates findings to provide a more general view of the effect of **board gender diversity (BGD)** on **corporate social responsibility.** They categorize independent and dependent variables from these studies, applying content analysis and meta-analysis to investigate if and how board gender diversity impacts CSR performance. In addition, they explore moderating factors, such as geographic location, gender parity score, and variable measurement methods, to provide nuanced insights into the BGD-CSR relationship.

The study's findings highlight:

- ✓ **Positive Relationship: There is a significant positive relationship between board gender diversity and CSR performance.** The meta-analysis shows a combined effect size indicating that greater gender diversity on boards is associated with better CSR outcomes.
- ✓ **Size of the Effect:** The effect size for the relationship between BGD and CSR was **found to be r=0.177.**
- ✓ **Geographical Influence:** The strength of the BGD-CSR relationship varies by geographic location, with **stronger effects observed in North America and Europe compared to Asia and other regions.** This suggests that **cultural and regu-**

latory factors play significant roles in how gender diversity influences CSR.

✓ **Gender Parity Score:** Higher gender parity scores enhance the BGD-CSR relationship, indicating that in **societies with greater gender equality, the impact of female directors on CSR is more pronounced.**

The positive correlation found in the meta-analysis suggests that as the diversity of gender on boards increases, CSR activities also rise. This result supports the notion that diverse boards are more likely to adopt broader and more inclusive views and policies concerning social and environmental responsibilities.

Mazza, Furlotti, Medioli, and Tibiletti (2023) examine the impact of mandatory gender quotas on the functioning of boards of directors and internal committees within Italian listed firms. This research employs a difference-in-differences approach to evaluate the staggered mandatory adoption of gender quotas across these firms. Their methodology allows for assessing changes in meeting frequencies of boards and internal committees before and after the implementation of the gender quotas, thus comparing those firms subject and not subject to quotas. **Post the introduction of quotas, there was a decrease in the frequency of full board meetings but an increase in the frequency of internal committee meetings.** This shift suggests that the focus of work may have moved towards specialized committees, where female members might have a more substantial impact. This change could reflect the utilization of female directors' skills and efforts more effectively in smaller, focused group settings, where their input can lead to more detailed and engaged discussions on specific issues.

In summary, the literature suggests that while gender diversity on boards does not significantly impact firm performance indicators – with some exceptions – it is more consistently noted that increased board diversity improves companies' external valuation, as these companies are perceived more favorably by investors. However, the effect on company performance is more pronounced in countries with a high level of gender equality and stronger shareholder protections. Moreover, a higher representation of women on boards is associated with enhanced corporate social responsibility and more strategic decision-making within a company. Additionally, following the introduction of gender quotas, there has been a decrease in the frequency of full board meetings and an increase in the frequency of internal committee meetings. This suggests that the focus of board work may have moved towards specialized committees.

Potential Impact on Gender Pay and Employment Gaps

The literature suggests that increased gender diversity on corporate boards correlates with reductions in both the gender pay gap and the gender employment gap.

Maume, Heymann, and Ruppanner (2019) study the impact of board quotas on the gender pay gap among managers. The following underscore their quantitative findings:

1. **Pay Percentile Differences:**
   - In countries without board quotas, the average pay percentile for male managers reached 67.88, while for female managers, it is 53.98. This indicates a gender pay gap of approximately 13.90 percentile points.

- In countries with board quotas, the gender pay gap in pay percentiles is notably smaller, with male managers within the 83.4th percentile and female managers in the 75.98th percentile, resulting in a gap of 7.5 percentile points.

2. **Decomposition Analysis:**
   - This analysis revealed that in no-quota countries, the entire pay gap of 13.9 percentile points could be attributed to discrimination (107% attributable to the devaluation of female traits).
   - In quota-implementing countries, discrimination still accounted for a significant portion of the pay gap, but it was reduced to 65% and a smaller gap of 7.5 percentile points.
3. **Impact of Quotas:**
   - The introduction of quotas not only reduced the gender pay gap but also altered the structure of pay distribution, elevating the overall percentile ranking for both male and female managers, and indicating a general uplift in managerial pay scales under quota regimes.

Sondergeld and Wrohlich (2023) studied German companies and they demonstrate how **increases in female management significantly decrease the gender pay gap (by 1.2 percentage points)**. This suggests that female leadership is instrumental in promoting equitable pay practices within organizations.

Matsa and Miller (2011) quantify the organizational benefits of gender diversity, showing that **a 10% increase in female board members correlates with a 6% rise in the female top management compensation share in instances of increased diversity on non-executive boards and 14% in the case of both executive and non-executive boards.** This not only highlights the benefits to female executives but also suggests a general improvement in compensation equity across organizations. Furthermore, **a 10% increase in female membership on a board increases the share of female top managers by 4% on non-executive boards and by 7% in the case of both executive and non-executive boards.**

In summary, the literature indicates that introducing gender quotas on corporate boards has positive implications for narrowing the gender pay gap and the employment gap (for illustration see Tables F1-F3 in Annex F).

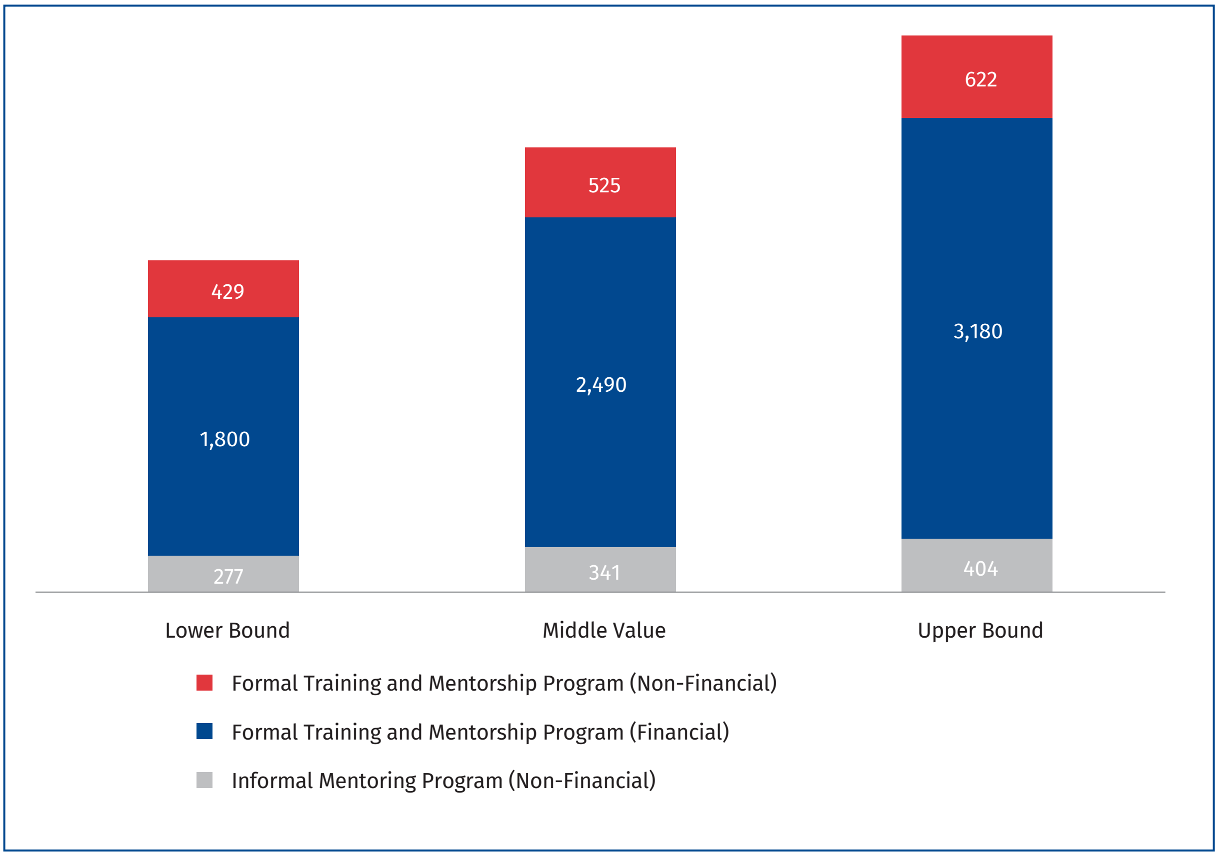
Evaluating Investment Costs

Another aspect of introducing gender quotas is the investment cost associated with the training and mentoring of newly recruited board members. Companies have the option to invest in diversifying their talent pool through initiatives such as training and mentorship within their organization, or, particularly in cases where female representation is scarce, to intensify efforts to recruit qualified women externally, potentially with the assistance of executive search firms. The assessment primarily considers expenses related to mentoring and training programs by calculating annual costs. These costs typically need to be sustained for two to four years, as indicated by the experiences of EU Member States. Table 4 below summarizes these yearly costs:

Table 4. The Annual Investment Costs

Parameter	Value	Calculation/Source
Wage of senior level staff (managers) per hour	11.6 - 16.8 GEL	Minimum – the average wage of female managers, and Maximum – the average wage of male managers. Geostat, 2022
Informal Mentoring Program		
Hours of mentoring, per person per year	24 hours	Assumption based on the EU Commission, 2012
Total financial costs	0	No financial costs
Total non-financial costs	277.4 - 404.2 GEL	The non-financial costs (min) are hours mentoring per person per year * Wage of senior level staff (managers) per hour = 11.6 GEL * 24 = 277.4 GEL The non-financial costs (min) are hours mentoring per person per year * Wage of senior level staff (managers) per hour = 16.8 GEL * 24 = 404.2 GEL
Formal Training and Mentorship Program		
Average cost of the training program	1,800 - 3,180 GEL	Based on an analysis of the courses proposed by the Management Academy (https://www.macademy.ge/mgmt) and the Coaching Lab (https://coachinglab.ge/team-coaching-foundation/)
Average duration of the training and mentorship program, per person per year	37 hours	
Total financial costs	1,800 - 3,180 GEL	The only financial cost is the fee
Total non-financial costs	429.2 - 621.6 GEL	The non-financial costs (min) are hours mentoring per person per year * Wage of senior level staff (managers) per hour = 11.6 GEL * 37 = 429.2 GEL The non-financial costs (min) are hours mentoring per person per year * Wage of senior level staff (managers) per hour = 16.8 GEL * 37 = 621.6 GEL
Total investment costs, per person per year	**2,506.6 - 4,205 GEL**	Average total investment costs (min) are (average non-financial costs of informal mentoring) + (average financial costs of formal mentoring and training) + (average non-financial costs of formal mentoring and training) = 277.4 GEL + 429.2 GEL + 1,800 GEL = 2,506.6 GEL Average total investment costs (max) are (average non-financial costs of informal mentoring) + (average financial costs of formal mentoring and training) + (average non-financial costs of formal mentoring and training) = 404.2 GEL + 621.6 GEL + 3,180 GEL = 4,205 GEL
Average unit investment costs, per person per year	**3,355.8 GEL**	**Average unit total investment costs per person per year are** (2,506.6 + 4,205) / 2 = 3,355.8 GEL

Annual Investment Costs, per person per year (GEL)



Sources: Various sources; Authors' calculations

The data provided in the table above illustrates that the average annual investment costs per individual range from 2,506.6 to 4,205 GEL, with a significant portion attributed to external training expenses. Given the relatively small number of individuals in managerial roles and the necessity, based on EU precedent, to maintain these costs over the next two to four years, **these expenses appear insignificant.** Nonetheless, it is important to note that the average wage calculation for managers encompasses a range of positions, potentially underestimating the true costs, as it may not exclusively represent top-tier managerial roles.

Regrettably, determining the complete investment cost of the economy is unfeasible without understanding the gender distribution within both non-executive and executive boards of major joint-stock companies. Yet it is also essential to acknowledge that the mandatory quota requirement will impact 82 large JSCs.

Estimating the Administrative Burden

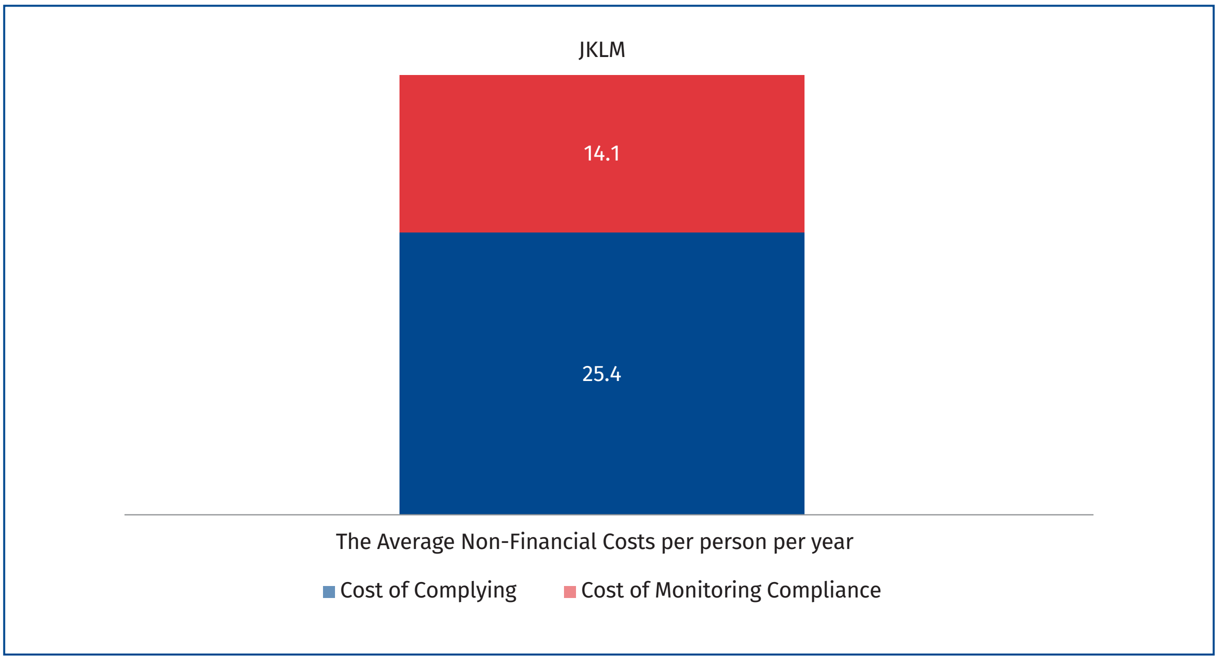
The final aspect of the quantitative analysis includes the calculation of the administrative costs. This analysis incorporates two categories of administrative expense:

- ✓ **Cost of Compliance** – from the perspective of the companies.
- ✓ **Cost of Monitoring** – monitoring compliance from the economic perspective of the government authority.

Table 5. The Administrative Burden for Compliance Costs

Parameter	Value	Calculation/Source
Cost of Complying		
Hours required to compile reports on the percentage of women on boards by staff type	HR Manager 1.9 HR Personnel 1.1	EU Commission (2012), based on a study of administrative costs of the compliance with the EU Acquis
Wage of HR Managers per hour	7.5 - 10.8 GEL	Wage of specialists and professionals. Minimum value for women and maximum for men
Wage of HR Personnel per hour	6.8 - 7.7 GEL	Office support staff. Minimum value for females and maximum for males
Total non-financial costs of compliance, per person per year	21.7 - 29.0 GEL	Total non-financial costs per person per year (min) are 1.9 * 7.5 GEL + 1.1 * 6.8 = 21.7 GEL Total non-financial costs per person per year (max) are 1.9 * 10.8 GEL + 1.1 * 7.7 = 29 GEL
Average unit non-financial costs of compliance, per person per year	**25.4 GEL**	**Average total unit non-financial costs of compliance per person per year are (21.7 + 29) / 2 = 25.4 GEL**
Cost of Monitoring Compliance		
Hours required for government officials to review report submission	1.75	EU Commission (2012) based on the study of administrative costs of the compliance with the EU Acquis
Wage of the government official	8 GEL	The nominal wage of employees hired in the public sector
Total non-financial costs of compliance, per person per year	**14.1 GEL**	**Total non-financial costs of compliance per person per year are 1.75 * 8 GEL = 14.1 GEL**

Administrative Burden for Compliance Costs, per person per year



Sources: Various sources; Authors' calculations

The cost of compliance and monitoring per person is minimal and relatively similar to investment costs.

Policy Option 2: Gender Reporting

The quantitative impact assessment of Policy Option 2 focus on enumerating the benefits and the costs associated with gender reporting. In terms of the benefits, two main indicators assess the **impact on the gender pay gap and the impact on female employment.** Regarding the costs, the quantitative assessment focuses on estimating the **direct compliance costs for enterprises and the administrative costs** related to implementation of the gender reporting.

The quantification of the benefits and costs of gender reporting is considered under two scenarios: **Scenario (1) only large joint-stock companies produce gender reports and Scenario (2) all large size enterprises produce gender reports.**

For the quantitative assessment of Policy Option 2, data from the following sources has been used:

- ✓ The National Statistics Office of Georgia (Geostat)
- ✓ The National Bank of Georgia (NBG)

The quantitative assessment has been conducted over a four-year period, commencing from the implementation of Policy Option 2; specifically, from 2025 to 2028, with the reference year being 2023. The projections for the major variables in 2024 were based on certain assumptions regarding their growth rates.[31]

Table 6. Reference Year, Transition Period, and Forecast Period

Reference Year	Transition Period	Forecast Period
2023	2024	2025-2028

Table 7 displays the numerical values of the key variables employed in the quantitative assessment for the reference year:

Table 7. Key Variables for the Quantitative Analysis within the Reference Year (2023)

	Number	Average Monthly Nominal Earnings
Number of large joint-stock enterprises	81	2,107
Number of large enterprises	720	2,056
Females employed in large joint-stock enterprises	53,321	1,861
Females employed in large enterprises	144,655	1,671
Males employed in large joint-stock enterprises	50,420	2,377
Males employed in large enterprises	175,460	2,373

Sources: Geostat; Authors' calculations

31. Assumptions for the forthcoming years are based on the hypothesis that the growth rates for the number of enterprises and average monthly nominal earnings are equivalent to the average growth rates of these variables over the previous years, namely from 2018 to 2023.

During the quantitative impact assessment process, several assumptions have been generated to anticipate the progression of the key variables during the transition and the forecasting periods. Additionally, the parameters requiring consideration within the sensitivity analysis are each outlined.

Table 8. Main Assumptions Employed for the Quantitative and Sensitivity Analysis (the average growth rates, 2018-2023)

Variable	**Difference**	**Large Joint-Stock Enterprises**			**Large Enterprises**		
		Lower Bound (LB)	**Central Value (CV)**	**Upper Bound (UB)**	**Lower Bound (LB)**	**Central Value (CV)**	**Upper Bound (UB)**
Annual growth rate of number of enterprises	1%	-2.8	-1.8%	0.8%	7.9%	8.9%	9.9%
Annual growth rate of average monthly earnings of hired employees	1%	5.7%	6.7%	7.7%	10.1%	11.1%	12.1%

Within Policy Option 2, to estimate the impact of each scenario on the gender pay gap and female employment, the growth rates for the number of females employed in large joint-stock and large enterprises and the growth rate of the gender pay gap is assumed to be equivalent to the average growth rates of these variables over previous years (2018 to 2023). Additionally, as the international literature suggests, after the introduction of gender reporting, a 15% reduction in the gender pay gap and a 5% increase in female employment is expected over the status quo scenario (Bennedsen, Larsen, & Wei, 2022). Furthermore, to determine the present value of the prospective costs incurred from gender reporting, the GIA team employed the interest from a 10-year government bond, released in February 2024, as the social discount rate.[32]

The quantitative assessment of the additional burden that companies would face if Option 2 were to be implemented is based on the following formula:

$$\sum_{i=1}^{4} \frac{T_i \cdot e_j}{NWH \cdot NWD} \cdot Wage_{ij} \cdot \frac{1}{(1+\delta)^i}$$

Where:
T – time spent gender reporting per year
e – number of enterprises
NWH – number of working hours per day
NDW – number of working days per month
Wage – average monthly nominal earnings
δ – social discount rate
i – index for the year
j – index for enterprises (large joint-stock enterprises, large enterprises)

32. The National Bank of Georgia provided data on the social discount rate, recorded at 8.3%.

Based on stakeholder interviews and desk research, the total time cost enterprises need for gender reporting (including reviewing the guidelines, gathering information on all relevant indicators, and writing reports) is assumed to be 24 hours per year for 2025 and 16 hours for each consecutive year. Moreover, it is assumed that large joint-stock enterprises and large enterprises would require, on average, the same amount of time to provide a gender report.

The quantitative assessment of the cost of public administration if Option 2 were to be implemented is based on the following formula:

$$Cv \cdot \frac{1}{(1+\delta)^1} + Ct \cdot \frac{1}{(1+\delta)^1} + \sum_{i=1}^{4} \frac{t \cdot e_j}{NWH \cdot NWD} \cdot WageP_i \cdot \frac{1}{(1+\delta)^i}$$

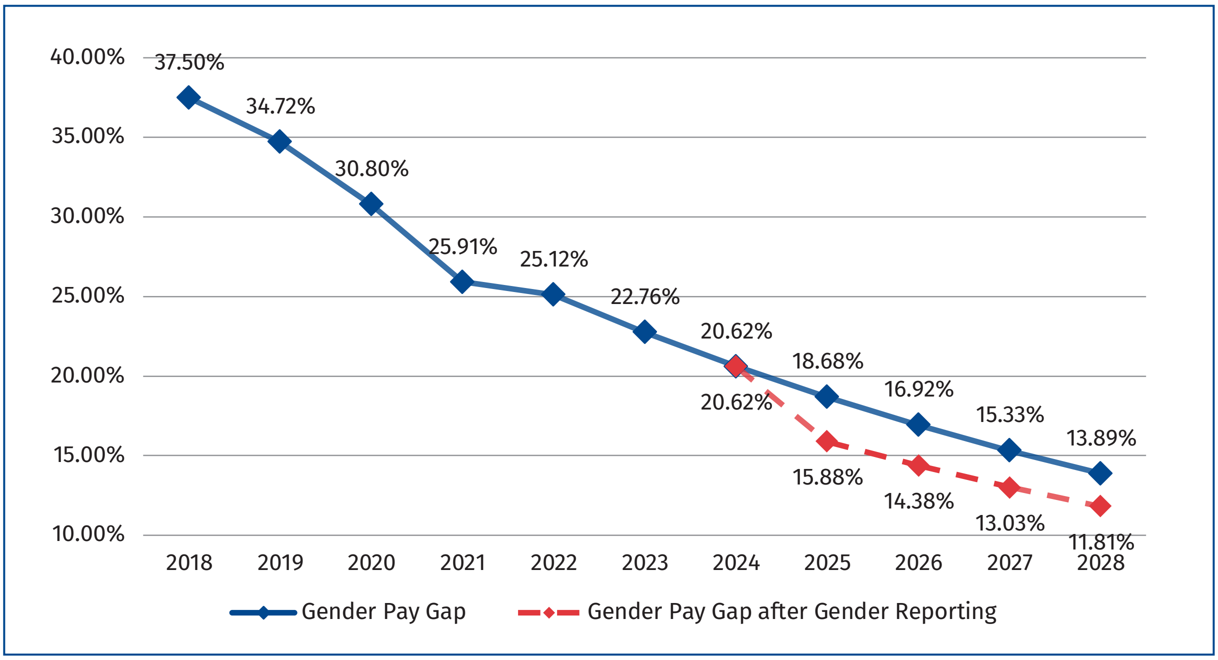
Where:
t – time spent monitoring, per company per year
e – number of enterprises
NWH – number of working hours per day
NDW – number of working days per month
WageP – average monthly nominal earnings in the public sector
δ – social discount rate
i – index for the year
j – index for enterprises (large joint-stock enterprises, large enterprises)
Cv –the cost of an introductory video
Ct –the cost of a template

Based on stakeholder interviews and desk research, the total time required for public administration monitoring is assumed to be, on average, two hours per company per year. Furthermore, a new type of cost would emerge for public administration – the cost of producing a template for the report (this includes desk research, international experience reviews, and producing a report template), as well as a 15–20-minute introductory video explaining how to conduct gender reporting and how to upload the report onto the website. The time cost of producing a template of the report is estimated to be 10 days for 2025. It is also recommended that the release of the video is accompanied with the creation of a Q&A section. According to the desk research, a 15-20-minute video, with a narrator included, would cost the public administration around 6,500 GEL. Notably, the costs for producing a report template and an introductory video are one-time costs and would occur once in 2025.

Summary of the Quantitative Analysis

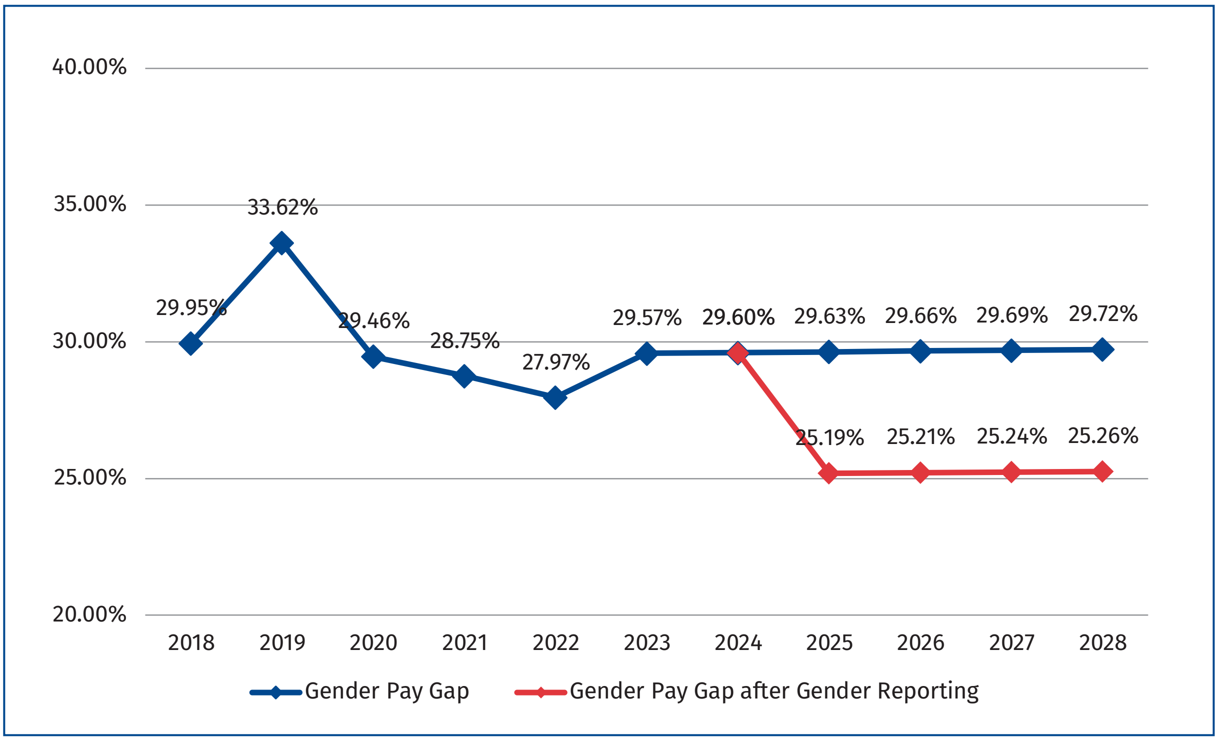
Following the implementation of Policy Option 2, the gender pay gap is anticipated to decrease, due to the significant role of gender reporting in fostering transparency and accountability within companies. Figure 13, below, demonstrates the declining trend in the gender pay gap among large joint-stock companies, dropping markedly from 38% in 2018 to 23% by 2023. With the introduction of gender reporting, an additional reduction of 15% in the gender pay gap is expected compared to the status quo scenario. Notably, by 2028, a 2-percentage-point decrease in the gender pay gap is predicted following the introduction of gender reporting in large joint-stock companies, as depicted in Figure 13. Conversely, for large companies, the gender pay gap is expected to increase in the upcoming years, reaching 30% by 2028 without any intervention. However, with the implementation of gender reporting, the gender pay gap is anticipated to decrease by 3 percentage points, as illustrated in Figure 14.

Figure 13. Gender Pay Gap in Large Joint-Stock Enterprises



Sources: Geostat; Authors' calculations

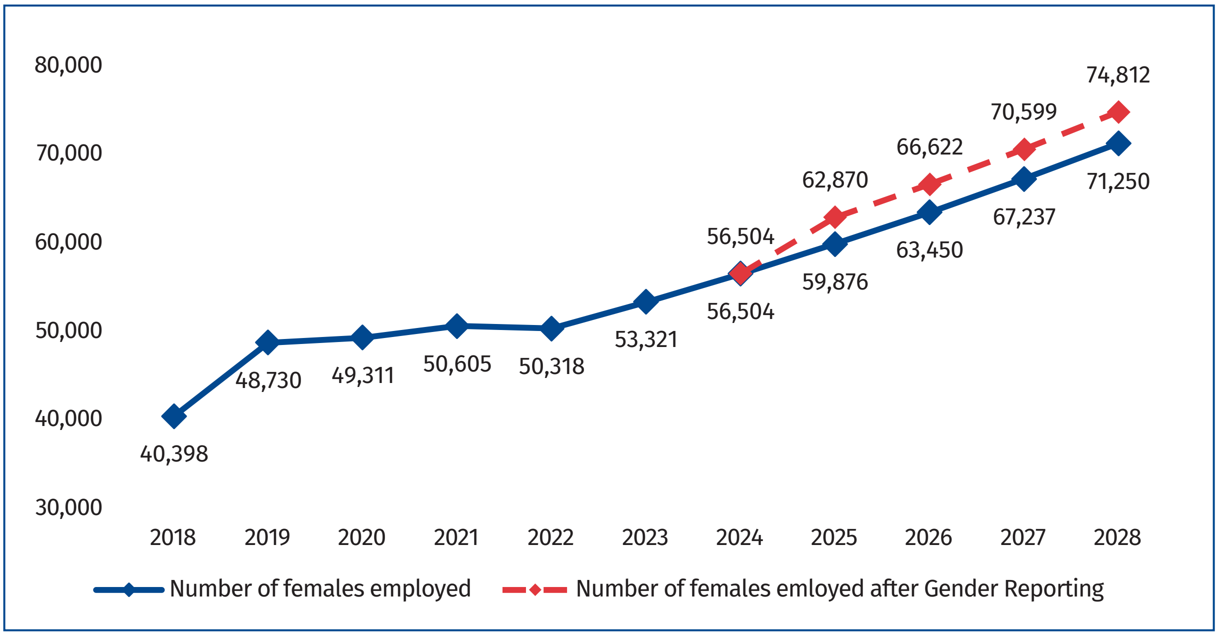
Figure 14. Gender Pay Gap, Large Enterprises



Sources: Geostat; Authors' calculations

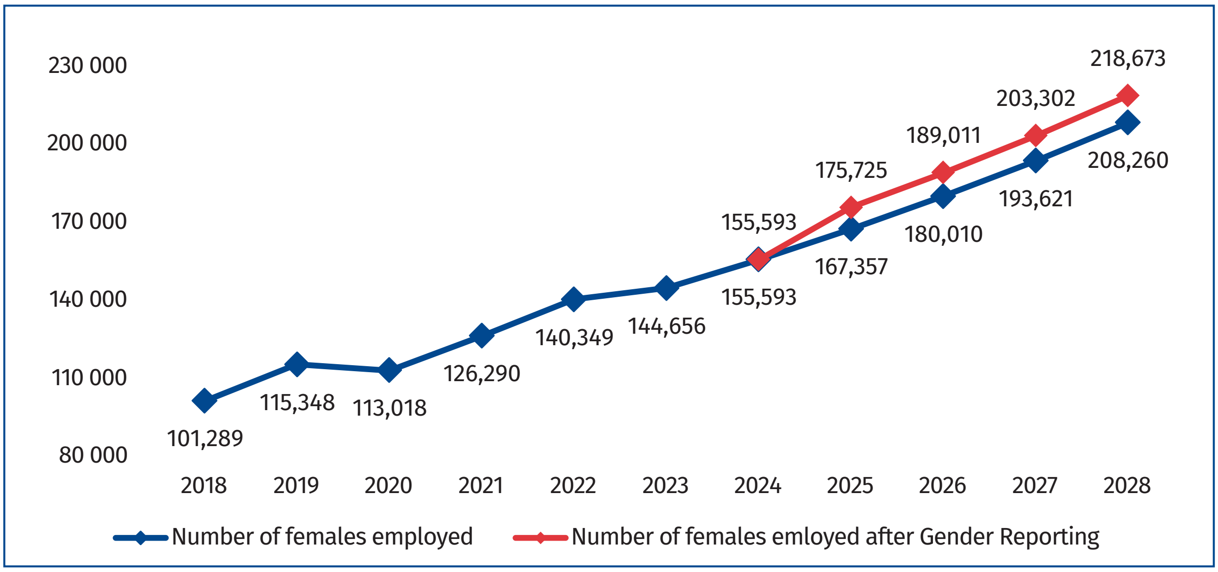
After the introduction of Policy Option 2, an increase in female employment is expected within both large joint-stock and large companies, facilitated by the promotion of transparency and accountability in these companies. Figures 15 and 16 illustrate the growing trend in female employment within large joint-stock companies and large-sized companies without any policy intervention, respectively. With the introduction of gender reporting, an additional increase of 5% is expected in the number of females working within large joint-stock and in large companies compared to the status quo scenario. Notably, by 2028, 3,562 more women would be employed in large joint-stock companies (Figure 15) and 10,413 additional women employed in large companies (Figure 16).

Figure 15. Number of Women Employed in Large Joint-Stock Enterprises



Sources: Geostat; Authors' calculations

Figure 16. Number of Women Employed in Large Enterprises



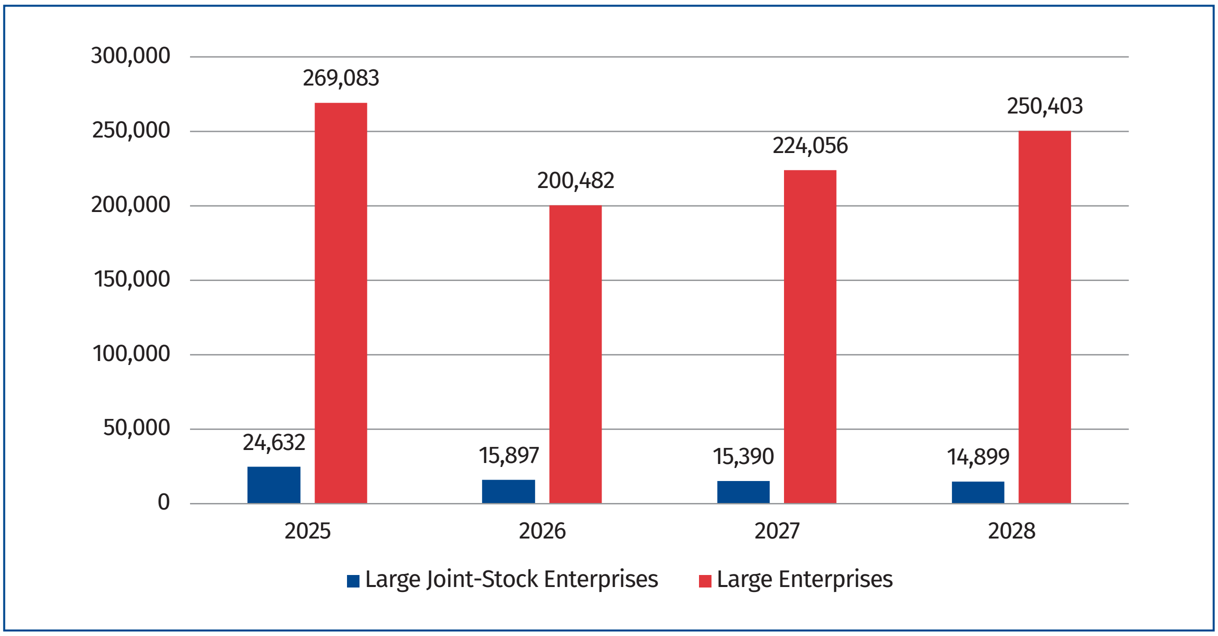
Sources: Geostat; Authors' calculations

The following Figures (17-19) depict the outcomes of the quantitative analysis, showcasing the present value of the costs incurred on enterprises and public administration for each scenario: **Scenario (1) only large joint-stock companies have to produce gender reports and Scenario (2) all large enterprises produce gender reports.** Furthermore, the results of the sensitivity analysis are provided in Annex E. The baseline scenario (status quo) results in zero costs.

For the first scenario in Policy Option 2, where only large joint-stock companies produce gender reports on an annual basis, the estimated present value of the total annual costs incurred by large-size joint-stock companies ranges from 14,899 to 24,632 GEL between 2025-2028, with a total present value of 70,819 GEL over the four years (Figure 17). Additionally, the present value of the annual costs incurred per large-size joint-stock company varies between 193-302 GEL (Figure 18). Furthermore, the estimated present value of the administrative costs in this Option ranges from 1,425 to 8,162 GEL between 2025-2028, with a total present value of 12,460 GEL over the four years (Figure 19).

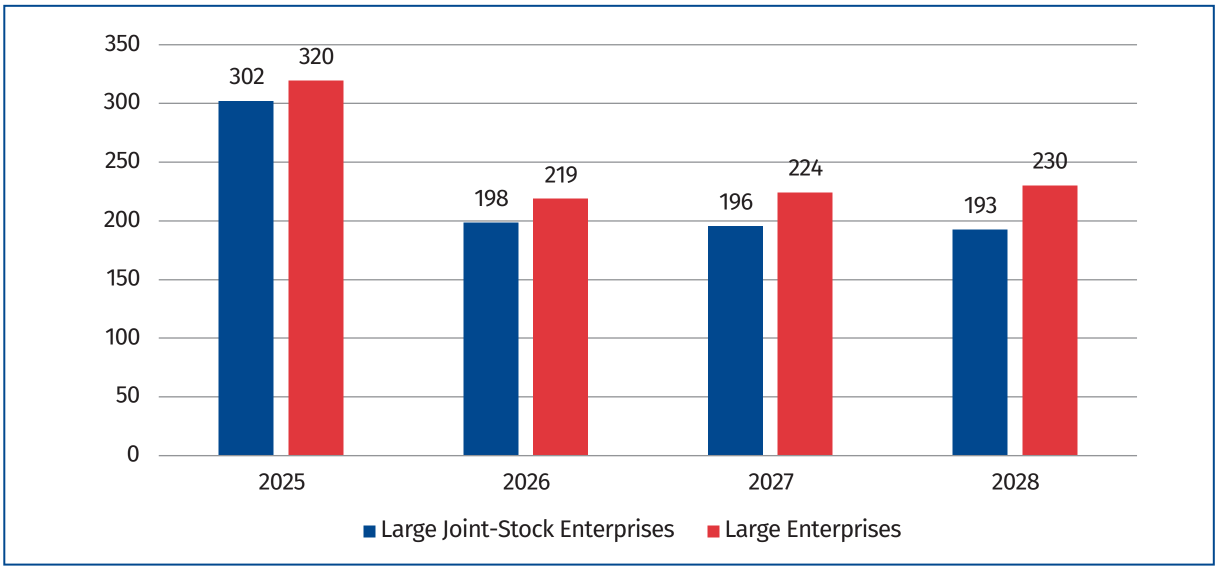
For the second scenario in Policy Option 2, which involves all large companies producing gender reports on an annual basis, the estimated present value of the annual costs incurred ranges from 200,482 to 269,083 GEL between 2025-2028, with a total present value of 944,024 GEL over the four years (Figure 17). Additionally, the present value of the annual costs incurred per large company varies between 219 and 320 GEL (Figure 18). Furthermore, the estimated present value of the administrative cost for 2025-2028 varies between 16,499 and 21,676 GEL, with a total present value of 76,424 GEL over the four years (Figure 19).

Figure 17. Present Value of the Total Annual Average Compliance Costs (GEL)



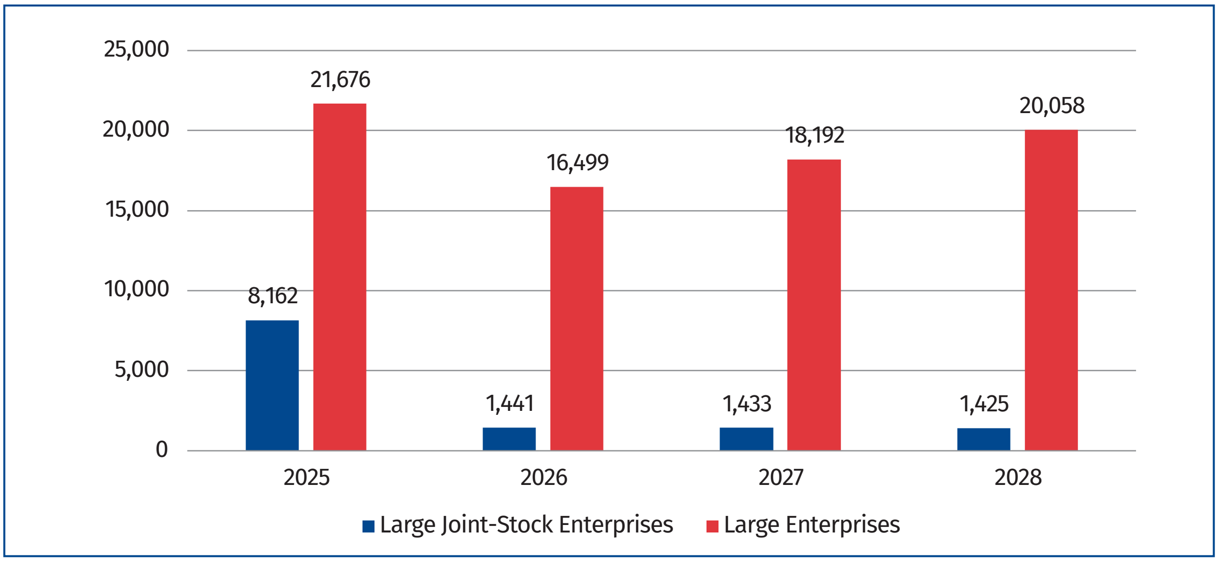
Sources: Geostat; Authors' calculations

Figure 18. Present Value of the Average Annual Compliance Cost per Enterprise (GEL)



Sources: Geostat; Authors' calculations

Figure 19. Present Value of the Average Annual Monitoring Costs (GEL)



Sources: Geostat; Authors' calculations

The overall impression is that the implementation of Policy Option 2 is expected to reduce the gender pay gap due to increased transparency and accountability within companies. Furthermore, the introduction of gender reporting is anticipated to foster a rise in female employment within both large joint-stock and large companies, thus underscoring the potential of this policy to promote gender equality in the workforce. While the associated costs for public administration and enterprises are quite low, the overarching benefits in terms of gender equality and organizational transparency highlight the significance of pursuing such measures.

CHAPTER 6.
EVALUATION OF THE LEGAL FRAMEWORK FROM A GENDER PERSPECTIVE

The legal framework in Georgia reflects the country's commitment to meeting international standards – with laws in place to encourage equality and prohibit discrimination. While this commitment is commendable, the legislation concerning entrepreneurship lacks a specific focus on gender equality issues. Affirmative actions or policies that support women's entrepreneurship are also notably absent, leaving a gap in the legal provisions that could better empower and support women in this sector.

The Law of Georgia on Entrepreneurs, enacted in 2021, stands as a pivotal regulatory framework governing entrepreneurial activities within the nation. However, when one navigates the legal landscape, it becomes imperative to scrutinize its provisions through a gender lens. This chapter aims to conduct a detailed analysis of the potential gender disparities within the Law, highlighting areas where the legal framework might inadvertently contribute to unequal opportunities and outcomes for women entrepreneurs.

A multifaceted framework has been employed to facilitate this analysis, one which inspects various aspects of the Law of Georgia on Entrepreneurs. This includes a thorough examination of the introductory provisions; the establishment of entrepreneurs, capital, shares, and dividends of a company; representation, accountability, and reporting; and of other elements that may carry gender-specific implications. The analysis will specifically focus on identifying gaps within the Law that may impact women entrepreneurs differently than their male counterparts. This includes exploring the language and definitions that might unintentionally exclude or disadvantage women, alongside an assessment of the practical implications of specific provisions on women's entrepreneurial experiences.

In addition to highlighting these gaps, this chapter proposes recommendations to mitigate and potentially rectify any uncovered gender disparities. Such proposals may encompass suggestions for amendments to specific provisions, advocacy for supplementary supportive measures, or the introduction of initiatives that foster a more gender-inclusive entrepreneurial environment. By addressing these issues, Georgia can strengthen its legal framework in order to better support women entrepreneurs and promote gender equality in the entrepreneurial landscape.

Table 9. Gender Disparities in the Law of Georgia on Entrepreneurs and Proposed Solutions

Introductory Provisions, Establishment of an Entrepreneur			
N.	**Gap**	**Recommendation**	**Example**
1	The Law lacks specific reference to gender considerations within its scope and principles, potentially overlooking the unique challenges and opportunities women entrepreneurs face.	Consider adding a provision that explicitly recognizes the importance of gender equality and promoting gender-inclusive practices within **Article 1** of the Law of Georgia on Entrepreneurs.	"Recognizing the importance of gender equality in entrepreneurial endeavors, this Law is committed to promoting an inclusive environment that fosters equal opportunities and addresses gender-based disparities. The principles outlined herein shall be interpreted and applied in a manner consistent with promoting gender equality."
2	The statute requirements do not explicitly emphasize gender-related considerations, potentially missing an opportunity to promote gender equality and inclusivity within a company's governing documents.	In **Article 6**, consider adding a provision that encourages companies to include a commitment to promoting gender equality and inclusivity in their statutes. Companies may be urged, though not mandated, to adopt policies and practices which ensure equal opportunities for individuals of all genders, prevent discrimination, and foster an inclusive and diverse workplace.	"Companies are encouraged to include a commitment to promoting gender equality and inclusivity in their statutes, thereby contributing to a more inclusive and diverse entrepreneurial environment."
3	The definition of an entrepreneur does not explicitly address gender-specific aspects, potentially neglecting the distinct experiences of women entrepreneurs.	Augment this definition in **Article 2** to explicitly recognize and encompass the diverse roles and challenges faced by both male and female entrepreneurs.	"An entrepreneur is a natural or legal person. This definition acknowledges and embraces the diversity of entrepreneurs, including men and women, and seeks to address their unique contributions and challenges in the entrepreneurial landscape."
4	The list of business activities exempt from consideration does not explicitly reflect gender-specific sectors, potentially overlooking the significance of women's participation in specific fields.	Expand the list in **Article 3** to explicitly include activities where women are traditionally engaged, ensuring their recognition and encouragement in non-business realms.	"Additionally, recognizing the significant contribution of women in sectors such as caregiving, education, and community development, these activities are also exempt from classification as business activities."
Capital, Shares, and Dividends of a Company			
N	**Gap**	**Solution**	**Example**
1	The Law does not explicitly consider the potential impact of gender biases on the rights and obligations attached to shares – potentially affecting equitable participation.	Consider adding one further paragraph to Article 30 to fortify the legal framework governing the disposal of shares in entrepreneurial societies by explicitly prohibiting any gender-related conditions or biases in the transfer process.	"In the event of share disposal, the entrepreneurial society shall ensure transparency and gender-neutral practices. Any transfer or assignment of shares should not be subject to gender-related conditions or biases. Provisions should be in place to prevent discrimination based on gender in the disposal process, promoting equal opportunities for all partners, irrespective of gender identity. Non-compliance with these principles may result in legal consequences to uphold gender equality in share disposal practices."

2	The Law does not explicitly consider the potential impact of gender biases on the rights and obligations attached to receive dividends – potentially affecting equitable participation.	Introduce a provision to Article 34 that explicitly states the Law aims to ensure gender-neutral treatment concerning the rights, duties, and dividends associated with shares. This addition intends to eliminate any potential gender biases and promote equal and fair participation in entrepreneurial societies.	"Partners shall ensure the consideration and equality of legal interests and rights, with specific attention to avoiding gender biases. The Law prohibits any discrimination based on gender regarding rights, duties, shares, and dividends. All partners, under equal conditions, shall enjoy equal rights and duties, fostering an inclusive and gender-neutral environment within entrepreneurial societies."
	Representation, Accountability, and Reporting		
N	**Gap**	**Solution**	**Example**
1	Women face limited representation in decision-making roles within entrepreneurial entities.[33]	To promote gender diversity and inclusivity, the entrepreneurial society should establish quotas for gender representation on its governing body. This includes mandating that individuals from underrepresented genders hold a certain percentage of decision-making roles within the governing body. For this, consider adding a dedicated paragraph to **Article 43**.	Establish quotas for gender representation on the boards of entrepreneurial entities. Mandate that individuals from underrepresented genders hold a certain percentage of decision-making roles, thus fostering more diverse leadership. This approach has been adopted by various countries with diverse strategies, as detailed below.
2	The Law does not explicitly address diversity and inclusion considerations in the composition and functioning of company bodies.	Introduce provisions promoting diversity and inclusion in the appointment and functioning of company bodies, ensuring representation from different backgrounds and perspectives. For this purpose, consider adding one paragraph to **Article 35**.	"The bodies of a company shall actively promote diversity and inclusion in their composition. If established, the general meeting, management body, and supervisory board shall strive to include members from diverse backgrounds, including but not limited to gender, ethnicity, and expertise. The decisions and activities of these bodies shall reflect a commitment to fostering an inclusive and equitable corporate environment."

33. Norway implemented a 40% female board representation requirement for publicly listed companies in 2003, resulting in 36% female representation on boards. The Female Future Programme was subsequently introduced to provide training for women to fill these positions. However, despite the success, Norway still faces challenges in promoting women to executive roles.
France, in 2011, mandated that companies listed or with over 500 employees had to achieve 20% board membership within three years and 40% within six years. Violations render appointments invalid. This led to an immediate increase in women directors, from 12.7% to 16.6% in 2012.
Iceland passed a law in 2010 requiring companies to have at least 40% gender representation on boards by September 2013. However, women currently constitute only 3% of board members.
Denmark adopted a quota law in 2012, introducing a "flexi-quota" system where companies set their targets and publicly disclose policies and progress to increase women board directors.
For detailed information please refer to:
https://www.ohchr.org/sites/default/files/Documents/Issues/Women/WG/ESL/BackgroundPaper4.pdf

3	The Law does not explicitly require training or awareness programs on diversity, inclusion, and corporate social responsibility for supervisory board members.	Introduce provisions mandating training programs on diversity, inclusion, and corporate social responsibility for supervisory board members. Consider adding a provision in **Article 47** to achieve this aim.	"Members of the supervisory board shall undergo regular training programs on diversity, inclusion, and corporate social responsibility to enhance their understanding of the importance of these principles within effective corporate governance. The supervisory board shall actively promote diversity in the company's leadership and ensure the integration of sustainable practices."
4	The lack of a gender-specific audit or evaluation mechanism in accounting, reporting, and auditing processes limits the identifying and rectifying of gender disparities within entrepreneurial entities.	Introduce Gender Audits[34] as a mandatory component within accounting, reporting, and auditing procedures, thus ensuring a comprehensive evaluation of gender impacts and promoting gender equality. Necessary modifications can be made within **Article 56.**	''Entrepreneurial societies shall integrate Gender Audits as a mandatory component within their accounting, reporting, and auditing procedures.''
	Winding-up of a Company		
N	**Gap**	**Solution**	**Example**
1	The current dissolution criteria in Article 78 do not account for gender-sensitive considerations –potentially neglecting the impact on women entrepreneurs.	Enhance **Article 78** by incorporating gender-sensitive dissolution criteria, thereby recognizing the potential disparities and ensuring protection for women with shares in the entrepreneurial society.	''If a partner initiates the dissolution process, and the grounds for dissolution involve matters of gender bias, discrimination, or unequal treatment, the entrepreneurial society shall ensure that dissolution proceedings are conducted with heightened scrutiny. The registering authority, when overseeing dissolutions based on gender-related grounds, shall give due consideration to the protection of women partners' rights, and may request additional documentation or information to ensure a fair and gender-sensitive dissolution process.''

34. Since 2014, Finland, under its Act on Equality between Women and Men (Equality Act), mandates employers with 30 or more employees to conduct a "pay survey" and formulate a gender equality plan biennially.
France, since 2019, requires employers with at least 50 employees to perform an audit known as the professional quality index between women and men (PEI).
Iceland mandates private and public sector organizations with a minimum of 25 employees to conduct annual pay audits and secure equal pay certification for their systems and implementation.
Sweden, since 1994, has enforced gender pay auditing for all employers in the public and private sectors, with an annual obligation for those with over ten employees.
For detailed information please refer to: https://www.oecd-ilibrary.org/sites/b5e62b88-en/index.html?itemId=/content/component/b5e62b88-en#section-d1e7700

CHAPTER 7.
CONCLUSIONS AND RECOMMENDATIONS

This GIA provides a gender analysis of the Law of Entrepreneurship and proposes policy options to improve women's involvement in entrepreneurship. Policy Option 1 introduces mandatory gender quotas for supervisory board representation and takes a proactive stance toward rectifying gender imbalances. Qualitatively, this policy mandates a specific share of board positions for women, thereby fostering a more inclusive boardroom environment, one which can enrich decision-making processes with diverse perspectives. This shift not only addresses the issue of gender disparity but also supports the development of a governance structure that values broader input and experiences. Quantitatively, the implementation of similar policies in other regions, such as the European Union, has demonstrated significant increases in the proportion of women on boards, illustrating a direct impact on gender representation. Moreover, this increase in diversity has been associated with slightly enhanced corporate governance (and improvements in some performance measures) and higher corporate social responsibility (CSR) ratings, as well as positive implications towards reducing the gender pay and employment gaps, thereby suggesting that quotas could have a profound and positive effect on organizational outcomes. Moreover, there is a negligibly low investment cost (mentorship and training costs) and no significant administrative burden.

Policy Option 2 focuses on gender reporting and, qualitatively, enhances transparency and accountability by mandating organizations to regularly disclose detailed gender-related metrics. This reporting requirement encourages companies to assess and address gender disparities within their workforce more critically. The cultural shift promoted by this transparency can lead to more equitable workplace practices and a corporate culture that actively supports diversity and inclusion. Quantitatively, the costs associated with implementing this policy are relatively low, primarily involving administrative expenses for compiling and monitoring reports. However, the benefits extend beyond mere compliance, as increased visibility of gender issues can drive substantive changes in how organizations manage and support their diverse workforces.

In synthesizing the assessments of these Policy Options, it becomes clear that while **Policy Option 0 offers minimal disruption,** it does little to advance gender equality or enhance corporate governance. In contrast, Policy Option 1 provides a robust mechanism for directly addressing gender imbalances by setting quotas for women's representation on boards. This policy promotes fairness and it also potentially improves corporate governance and performance through enhanced diversity. Complementing this, Policy Option 2 ensures that these changes are sustainable over the long term by instituting a regime of transparency and continuous improvement through mandatory gender reporting.

Thus, the most effective strategy would likely involve a combination of Policy Options 1 and 2. Implementing both mandatory gender quotas and comprehensive gender reporting would harness the strengths of direct intervention and ongoing oversight. This dualistic approach encourages immediate improvements in gender diversity, while also establishing mechanisms for sustained progress and fostering a business environment in Georgia that is both inclusive and conducive to long-term growth. Such a comprehensive strategy aligns with international best practices, and it positions Georgia to leverage its human capital more effectively, thereby promoting a more equitable and prosperous society.

To guarantee equal representation and opportunities for female and male entrepreneurs, the GIA team developed a set of recommendations in terms of (1) legal enforcement; (2) awareness-raising and skills development; and (3) data collection and impact monitoring.

Legal enforcement:

- ✓ The Law of Georgia on Entrepreneurs should consider incorporating a clause that expressly acknowledges the significance of gender equality and advocates for gender-inclusive measures.
- ✓ The Law could incorporate the inclusion of a clause that prompts companies to incorporate the dedication of advancing gender equality and inclusiveness into their bylaws. While not compulsory, companies could be encouraged to implement strategies and procedures that guarantee equal opportunities for individuals, regardless of gender, thus preventing discrimination and fostering inclusive and diverse workplaces.
- ✓ The Law should consider enhancing the definition outlined in Article 2 to expressly acknowledge and encompass the varied responsibilities and obstacles encountered by entrepreneurs of all genders, including men and women.
- ✓ The Law should be amended with the intention of reinforcing the legal framework that governs the transfer of shares in entrepreneurial societies by explicitly prohibiting any gender-related conditions or biases in the transfer process.
- ✓ The Law should consider introducing a provision which explicitly underscores gender-neutral treatment concerning the rights, duties, and dividends associated with shares. This addition intends to eliminate any potential gender biases and to promote equal and fair participation in entrepreneurial societies.
- ✓ In order to foster gender diversity and inclusivity, the Law should be amended to impose gender quotas on supervisory governing boards.
- ✓ The Law should introduce requirements for training programs aimed at supervisory board members concerning diversity, inclusion, and corporate social responsibility.
- ✓ The Law should incorporate clauses that advocate for diversity and inclusivity in the selection and operation of company bodies, and that guarantee representation from various backgrounds and viewpoints.

- ✓ The Law should introduce compulsory Gender Audits within accounting, reporting, and auditing protocols, ensuring a thorough assessment of gender implications and the advancement of gender equality.
- ✓ The Law should integrate dissolution criteria that are sensitive to gender considerations, acknowledging potential disparities and guaranteeing safeguards for women holding shares within an entrepreneurial society.
- ✓ The legal framework on entrepreneurship should define the criteria of women owned businesses and women entrepreneurs in general.

Developing awareness-raising and skillsets for the Government of Georgia (the Ministry of Education, Skills Development Agency, and other responsible ministries and agencies):

- ✓ Enhance entrepreneurial skills by implementing comprehensive training programs that cover various aspects of entrepreneurship, including business planning, marketing strategies, leadership skills, and risk management.
- ✓ Enhance entrepreneurial skills by offering workshops, seminars, and practical sessions led by experienced entrepreneurs and industry experts to provide hands-on learning experiences.
- ✓ Improve fiscal education by offering financial literacy workshops and seminars that cover topics such as budgeting, saving, investing, and managing debt.
- ✓ Enhance financial education further by providing specialized training programs on financial management for entrepreneurs, including topics such as cash flow management, financial forecasting, and accessing capital.
- ✓ Raise awareness of the DCFTA opportunities and requirements by conducting informational campaigns and outreach initiatives.
- ✓ Support digital skills among women by offering digital literacy programs that cover essential skills.
- ✓ Strengthen digital skills among women entrepreneurs by providing specialized training in digital marketing, e-commerce, and social media management to help them leverage digital platforms for business growth.
- ✓ Strengthen digital skills among women further by fostering partnerships with tech organizations and digital training providers to offer advanced courses and certifications, thus empowering women to pursue careers in tech-related fields.

Data collection and impact monitoring for the Government of Georgia (the National Bank of Georgia, Geostat, SARAS, Ministry of Economy and Sustainable Development, and other responsible ministries and agencies):

- ✓ Support the production of gender-disaggregated data by means of annual gender reporting. Collecting and analysing gender disaggregated data can help identify and address any gender disparities, consequently providing equal opportunities for both genders.
- ✓ Offer accessible gender-disaggregated data and statistics relating to gender quotas on supervisory board representation and gender reporting; provide policymakers with regular infographics to monitor the progress.
- ✓ Expand efforts to improve gender statistics in state programs to provide a more comprehensive understanding of gender-related issues.
- ✓ Monitor and evaluate the impacts derived from awareness-raising campaigns and training programs.
- ✓ Monitor and evaluate the impacts of legislative changes and identify whether the target audience would face any challenges because of these changes.

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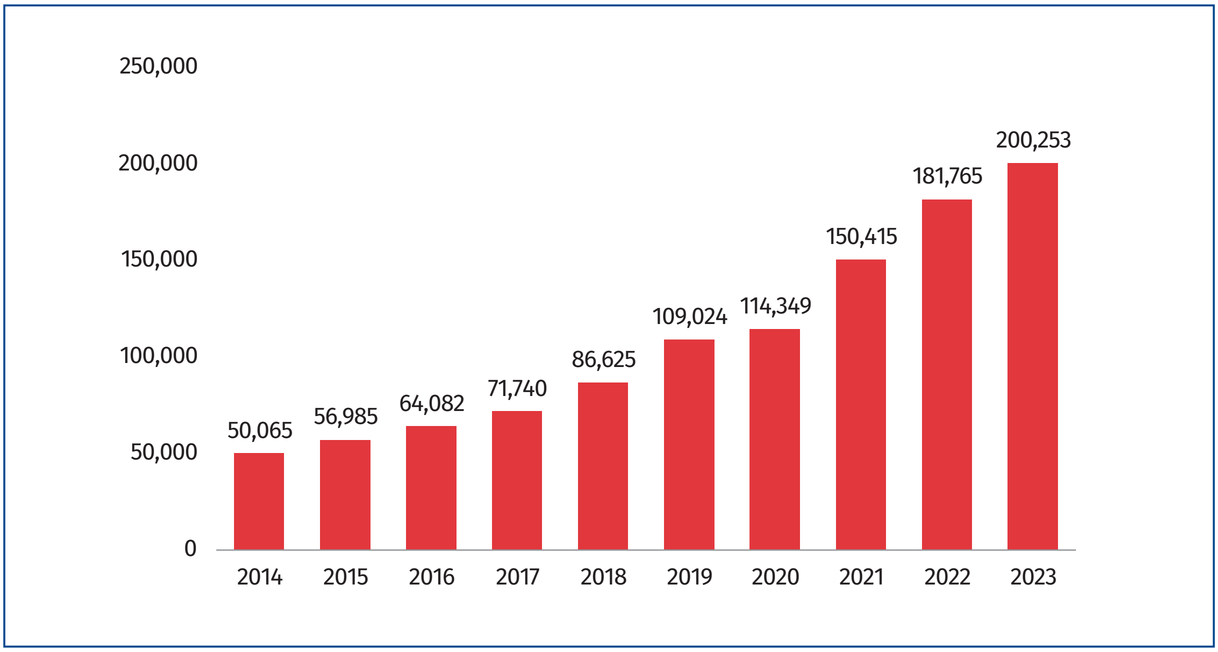
ANNEXES

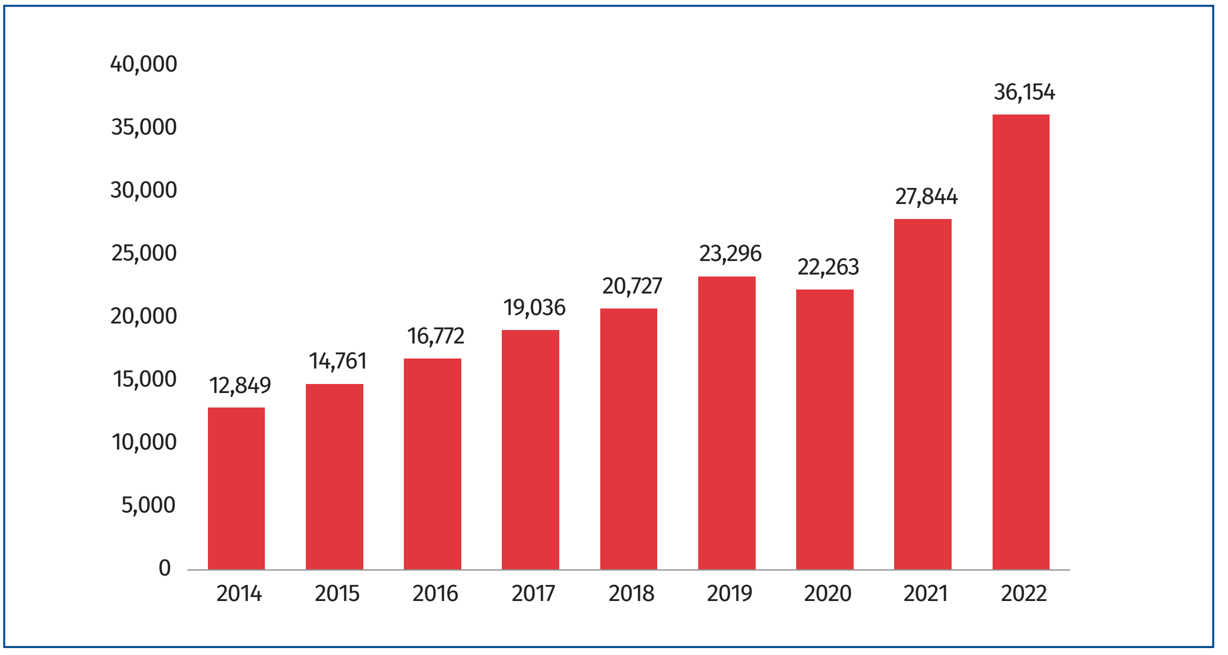
ANNEX A. CURRENT CONTEXT

Figure A1. Turnover of Enterprises, mln. GEL



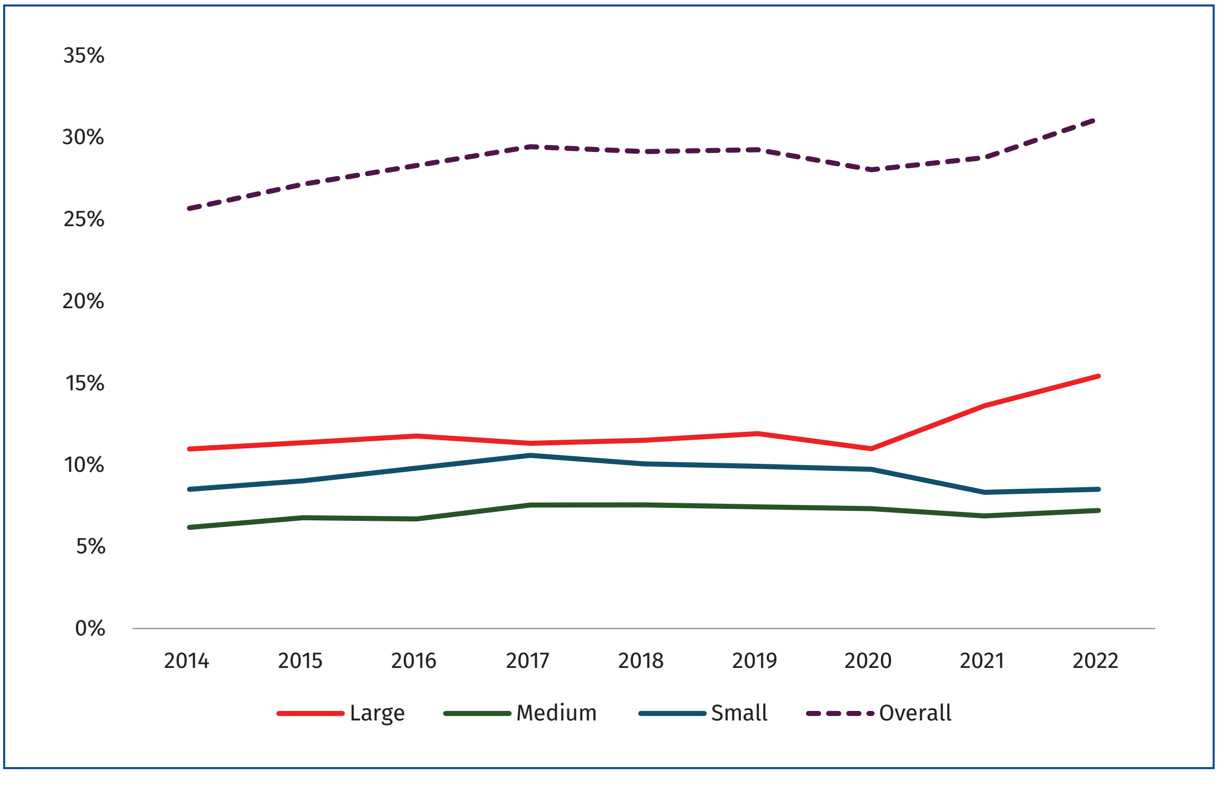
Source: Geostat – Statistical Survey of Enterprises

Figure A2. Value Added of Enterprises, mln. GEL



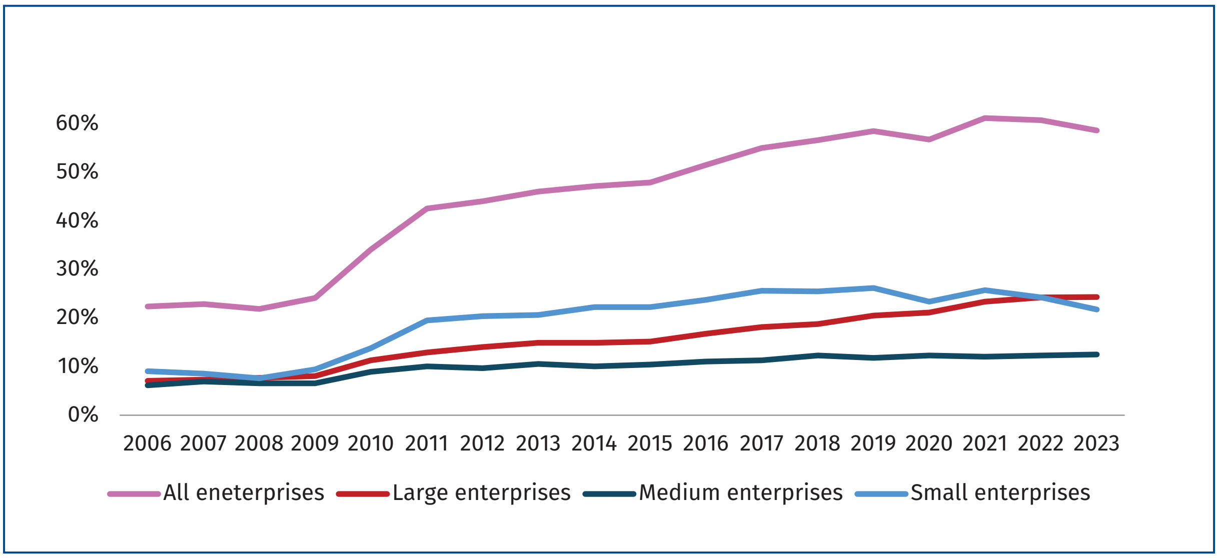
Source: Geostat – Statistical Survey of Enterprises

Figure A3. Share of Enterprise Value Added in Georgian GDP



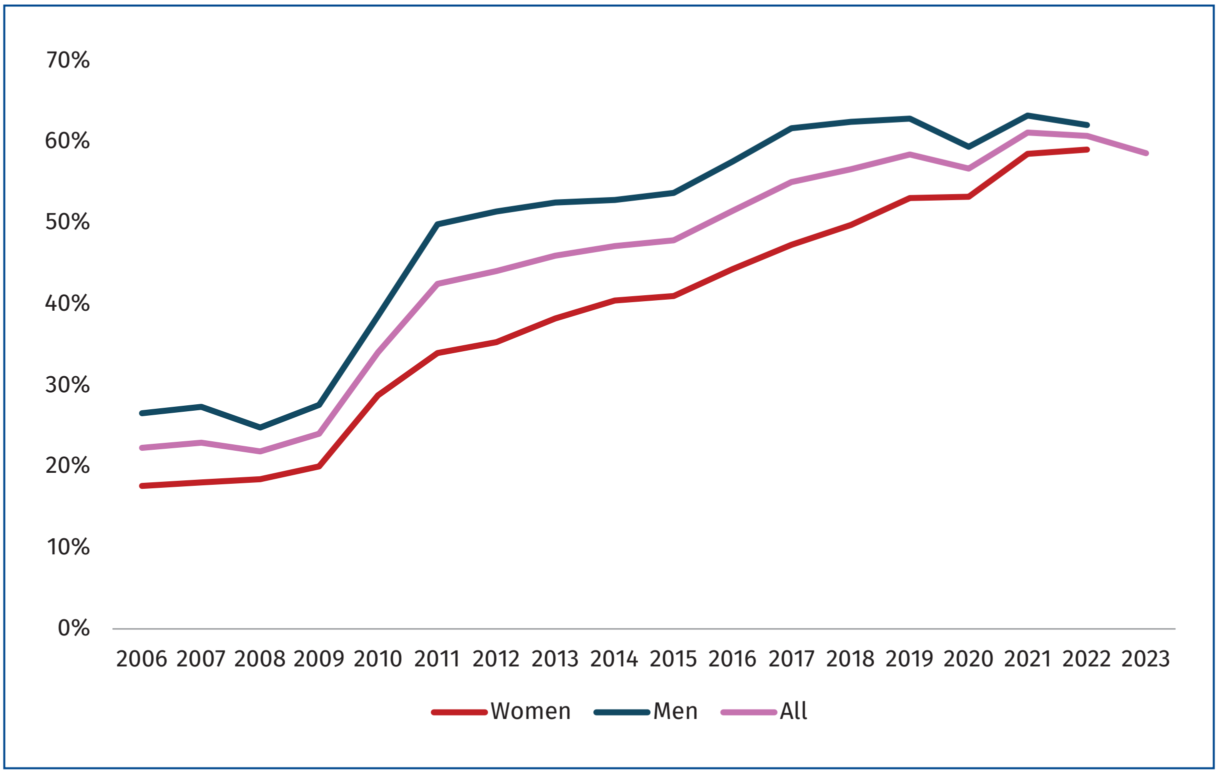
Source: Geostat – Statistical Survey of Enterprises

Figure A4. Share of Total Employment in Enterprises by Size



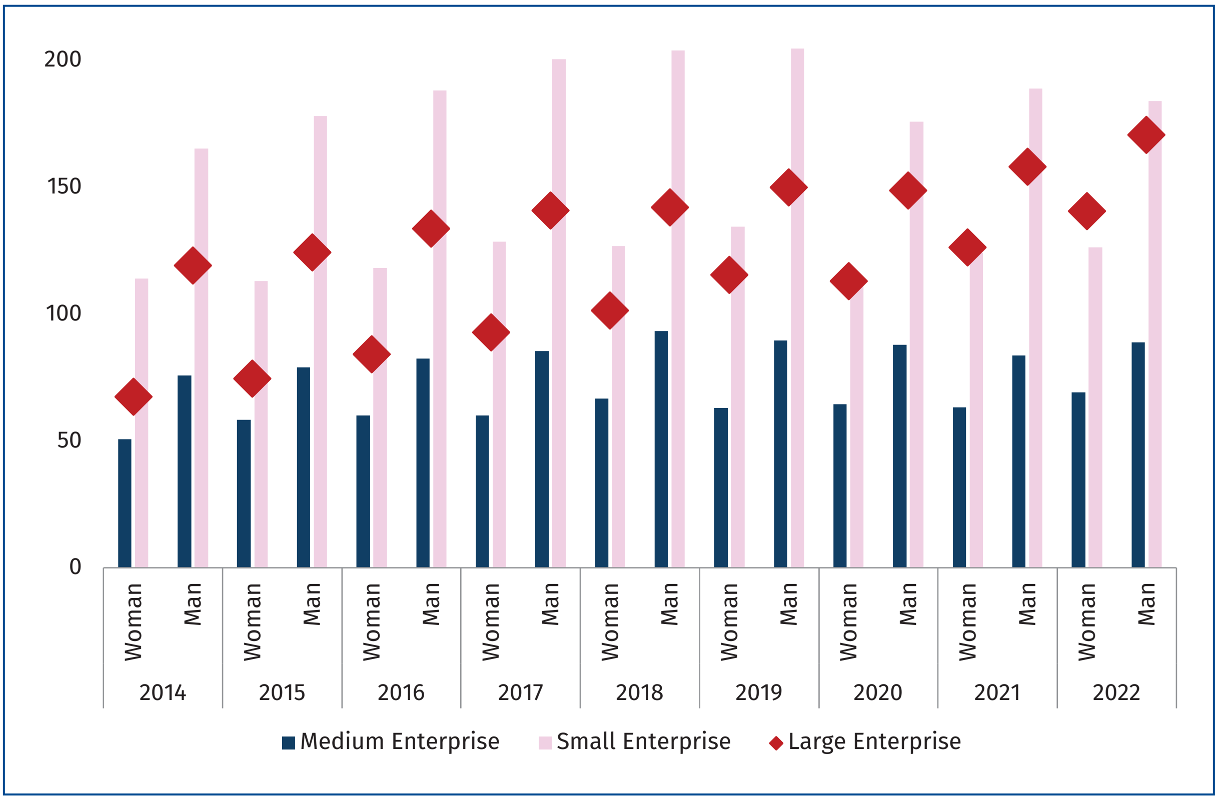
Source: Geostat – Statistical Survey of Enterprises

Figure A5. Share of Total Employment in Enterprises by Gender



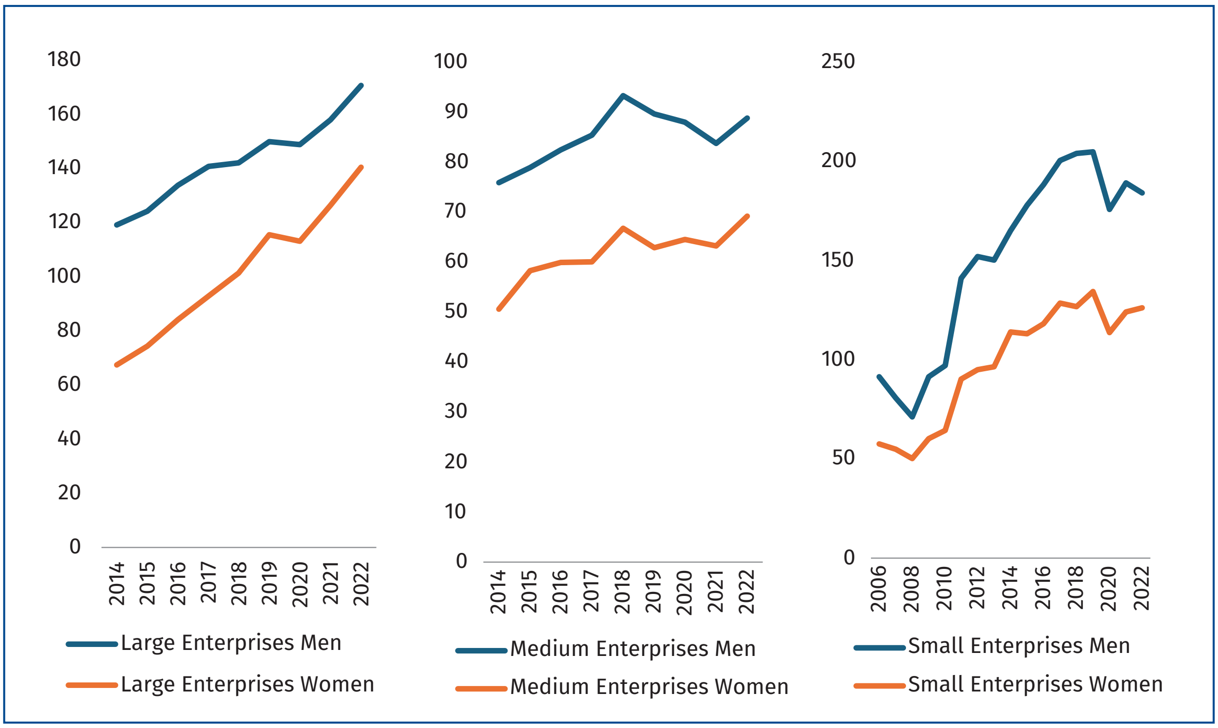
Source: Geostat – Gender Statistics (Business Sectors)

Figure A6. Number Employed by Gender and by Size (thou.)



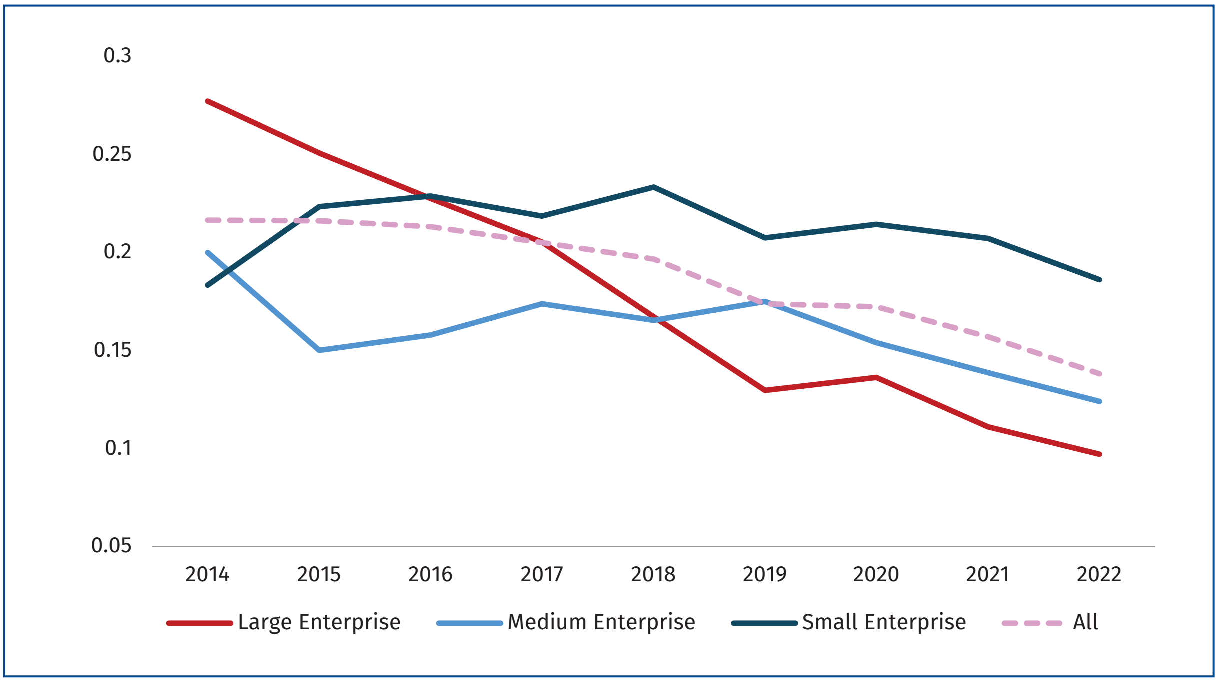
Source: Geostat – Gender Statistics (Business Sector)

Figure A7. Employment by Enterprise Size



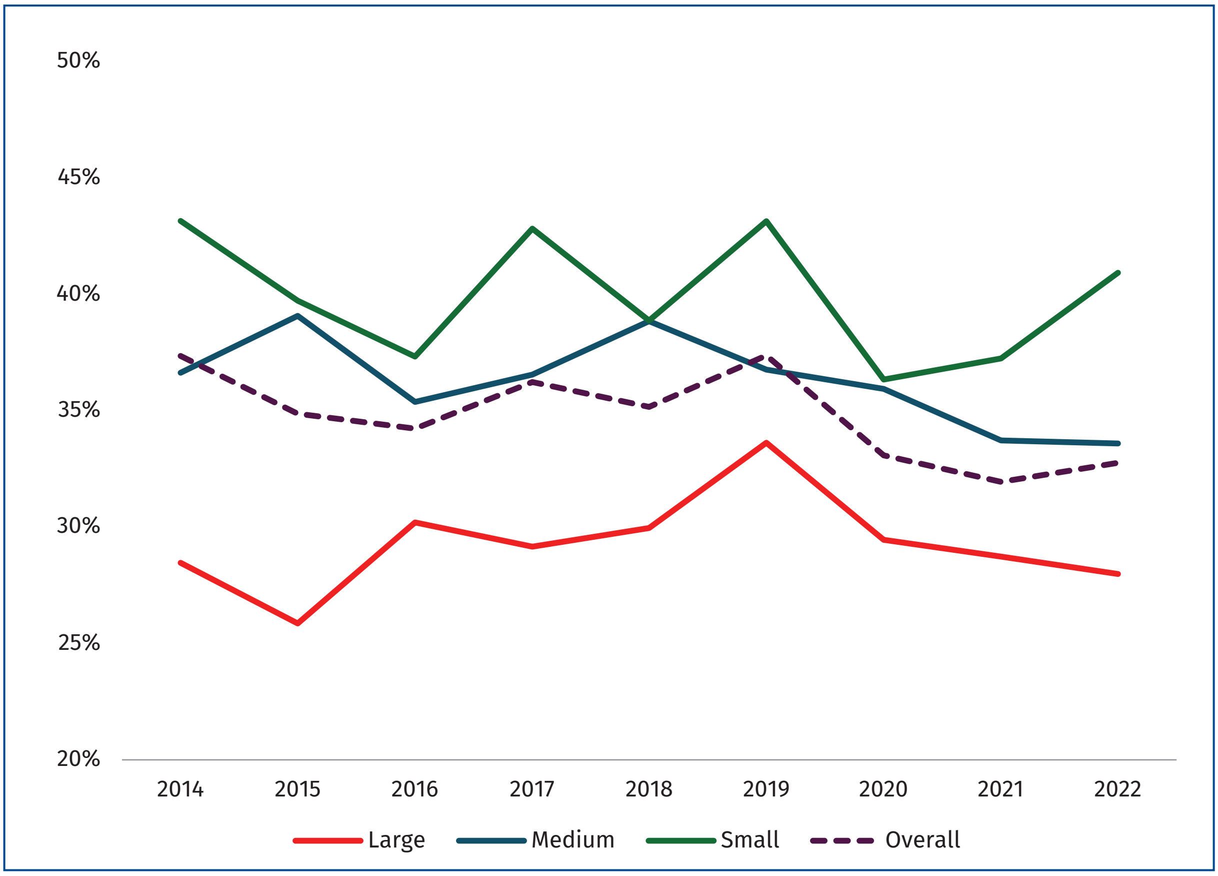
Source: Geostat – Gender Statistics (Business Sector)

Figure A8. Gender Employment Gap as a Share of Total Employed



Source: Geostat – Gender Statistics (Business Sector)

Figure A9. Gender Pay Gap



Source: Geostat – Gender Statistics (Business Sector)

ANNEX B. INTERNATIONAL FRAMEWORKS

Examining Georgia's thriving entrepreneurial landscape reveals the profound implications of empowering women in business. As Georgia endeavors to position itself as an economic hub, the strategic utilization of women's entrepreneurial abilities becomes indispensable for ensuring sustained growth and fostering a more inclusive and resilient economy. Hence, this chapter aims to unravel the intricate fabric of women's entrepreneurship through the specific lenses of the international and national frameworks.

Recognizing the pivotal role of gender equality within entrepreneurship frameworks and comprehending the current global context is important not solely for benchmarking against established norms but also for extracting insights that can guide targeted and effective legislative interventions in Georgia. The significance of international standards extends beyond their normative weight, encompassing a wealth of experience and best practices that can serve as a guiding compass for Georgia in its journey toward a more equitable and dynamic entrepreneurial ecosystem.

International commitments have already played a crucial role in shaping and reinforcing the legal framework in Georgia. Building on these commitments, the country has embraced and enhanced its legislation to safeguard human rights and champion gender equality. Georgia's commitment to human rights and gender equality is further underscored by its active participation in major international treaties, including CEDAW (1994), the Beijing Platform (1995), and the 2030 Agenda (2015).

Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW): The UN Convention on the Elimination of All Forms of Discrimination Against Women[35] is a landmark international treaty that focuses on promoting and protecting women's rights worldwide. CEDAW establishes the fundamental principle of non-discrimination, emphasizing that women should enjoy the same rights and opportunities as men in all areas of life. This incorporates the spheres of economic activities and entrepreneurship. The Convention therefore recognizes the importance of ensuring women's equal participation in economic activities, including entrepreneurship. It underscores the need to eliminate stereotypes and prejudices that may hinder women's involvement in various economic sectors. CEDAW moreover emphasizes the elimination of gender stereotypes that perpetuate discriminatory practices. In the context of entrepreneurship, this involves challenging preconceived notions about the types of businesses women can engage in, and dismantling barriers that limit their entrepreneurial pursuits. CEDAW addresses the issue of access to credit and resources for women, acknowledging the role of financial independence in empowering women. This is particularly relevant to entrepreneurship, where access to capital is crucial for starting and growing businesses. The Convention calls for equality in employment and economic activities. This includes advocating for policies and measures that

35. Convention on the Elimination of All Forms of Discrimination Against Women. (1979).

ensure women have equal opportunities to engage in entrepreneurship, to participate in decision-making processes, and to benefit from the economic fruits of their endeavors.

Furthermore, CEDAW recognizes the importance of education and training for women that can enhance their skills and capabilities. In entrepreneurship, this translates to supporting initiatives that provide women with the knowledge and skills necessary to thrive as entrepreneurs. States participating in CEDAW are obligated to take measures to eliminate discrimination against women, including within the economic sphere. Governments are encouraged to enact laws and policies that promote women's entrepreneurship and address the systemic barriers that deter their economic empowerment. Specifically, Article 4 of the Convention allows states to implement temporary special measures to expedite equality between men and women without being considered discriminatory. Article 11 safeguards various rights, encompassing equal opportunities, the freedom to choose a profession, and the right to promotion and to equal remuneration. Moreover, it underscores equal access to bank loans and credit, alongside rights in economic and social life. Article 13 addresses discrimination against women in rural contexts, ensuring equal access to economic opportunities through employment or self-employment, including organizing self-help groups and cooperatives. CEDAW and its General Recommendations additionally offer a robust framework to ensure that new laws are crafted to prevent both intentional and unintentional discriminatory practices. Specifically, it provides strong guidance in areas such as access to capital and financial resources, and it prevents limitations on women's participation in specific sectors. By aligning with the CEDAW principles, these legal instruments play a crucial role in shaping policies and initiatives that actively work against discriminatory practices, thus promoting an inclusive and supportive environment for women in entrepreneurship.

Relevant General Recommendations within CEDAW:
General Recommendation No. 25 (2004) on Temporary Special Measures –
This Recommendation highlights the importance of temporary special measures to accelerate de facto equality between men and women. In the context of entrepreneurship, these measures could include targeted initiatives to enhance women's access to credit, resources, and entrepreneurial education.
General Recommendation No. 16 (1991) on Unpaid Women Workers in Rural and Urban Family Enterprises –
This Recommendation addresses the often-overlooked contribution of women in family enterprises. In the realm of entrepreneurship, it stresses the need to recognize and value women's labor and contributions in family businesses, encouraging policies that support their entrepreneurial endeavors.

Within the unique context of Georgia, there is opportunity to leverage these provisions to amplify the presence of women in entrepreneurial ventures. Enforcing temporary measures and quotas could prove pivotal in surmounting obstacles and nurturing a more inclusive business environment. Moreover, endeavors aimed at ensuring equitable access to financial resources, credit options, and economic avenues, particularly in rural regions, hold considerable potential to propel gender parity in entrepreneurship. Establishing supportive initiatives like self-help collectives and cooperatives customized for women entrepreneurs can additionally bolster their autonomy and facilitate increased engagement in economic activities.

Beijing Declaration and Platform for Action (BPfA):[36] The Beijing Declaration and Platform for Action, originating from the Fourth World Conference on Women in 1995, is a landmark document that champions women's rights and gender equality globally. It delineates strategic goals across 12 pivotal areas, serving as a guide for governments, organizations, and civil society to advance women's empowerment and eradicate discrimination.

In the context of Georgia, the BPfA holds particular significance, especially concerning women's economic empowerment. It underscores the imperative of ensuring women's equal access to economic resources, credit, and entrepreneurial opportunities. Furthermore, it emphasizes the necessity for women's involvement in decision-making processes within entrepreneurship and it calls for measures to dismantle barriers obstructing their leadership roles. Addressing the crucial issue of access to credit and financial resources for women, the BPfA advocates for policies facilitating their access to capital for business endeavors. It also highlights the elimination of discrimination against women in employment, stressing equal opportunities in various sectors, including entrepreneurship.[37]

Moreover, the BPfA challenges entrenched gender stereotypes, acknowledging the diverse contributions of women to economic development. It urges actions to combat stereotypes that hinder women's engagement in entrepreneurship and it advocates for education and training initiatives to enhance women's skills[38] in entrepreneurship and other economic activities.[39] Governments are called on to make concrete commitments and develop policy frameworks that support female entrepreneurship. This entails creating an enabling environment that addresses legal and regulatory barriers,[40] while ensuring women's full and equal participation in economic activities. In summation, the BPfA provides a comprehensive blueprint for promoting women's economic empowerment and gender equality in Georgia.

Sustainable Development Goals (SDGs): The Sustainable Development Goals are a set of 17 global goals, adopted by the member states of the United Nations in 2015, which act as a universal call to action to end poverty, protect the planet, and ensure prosperity for all. Several SDGs directly and indirectly impact women's entrepreneurship, aligning with the broader agenda of gender equality and sustainable development.[41]

Goal 1 emphasizes the eradication of poverty and the promotion of shared economic prosperity. According to target 1.4, states should ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources by 2030, as well as access to essential services and ownership; to control over land and other forms of property; inheritance; natural re-

36. Beijing Declaration and Platform of Action. (1995).
37. Paragraphs 62-66. For detailed information please refer to: https://www.un.org/womenwatch/daw/beijing/pdf/BDPfA%20E.pdf
38. Ibid. Paragraphs 69-75.
39. Ibid. Paragraph 90.
40. Ibid. Paragraph 167.
41. Available at: https://sdgs.un.org/goals

sources; appropriate new technology; and to financial services, including microfinance.

Goal 5 explicitly targets the achievement of gender equality. It emphasizes women's empowerment, including their full and effective participation in economic activities. Women's entrepreneurship is a crucial driver of economic empowerment, contributing to the overall goal of gender equality.

Goal 8 highlights the importance of promoting sustained, inclusive, and sustainable economic growth. Women's entrepreneurship is instrumental in creating decent work opportunities and fostering economic growth, thus contributing to the overall objectives of Goal 8.

Goal 10 aims to reduce inequalities within and among countries, emphasizing the need to reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices, and by promoting appropriate legislation, policies, and action in this regard.

The SDGs also integrate cross-cutting themes such as education, health, and environmental sustainability. These themes directly impact the context in which women entrepreneurs operate, and emphasize the interconnected nature of sustainable development.

In essence, the SDGs provide a comprehensive framework that recognizes the significance of women's entrepreneurship in achieving sustainable development. By addressing poverty, promoting gender equality, and fostering economic growth, the SDGs contribute to creating an environment where women entrepreneurs can thrive and meaningfully contribute to the global agenda of sustainable and inclusive development.

ILO Policy and Conventions: The International Labour Organisation Conventions serve as a fundamental framework for shaping global labour standards and fostering social justice. Formulated through collaborative negotiations, involving governments, employers, and workers, these Conventions tackle various labor-related concerns. Ranging from equitable wages and occupational safety to collective bargaining and the eradication of forced labor, the ILO Conventions establish universally recognized norms. The pivotal role of ILO Conventions extends to shaping labour standards that significantly impact women's entrepreneurship. They address key issues such as equal pay, non-discrimination, maternity protection, and the transition from informal to formal economies, contributing to a fairer and more supportive environment for women in the workforce, including those in entrepreneurial roles.

In alignment with the Conventions that established global labour standards, the International Labour Organisation strategically focuses on advancing the development of women's entrepreneurship. Their strategy for promoting women's entrepreneurship development, adopted by the ILO's Governing Body in Geneva in March 2008,[42] provides a flexible and innovative response tailored to local needs. By addressing the gender-based barriers hindering women entrepreneurs, the strategy reflects accumulated insights and recognizes the transformative potential of entrepreneurship in empowering women, creating employment, and contributing to broader developmental objectives.

42. ILO strategy on promoting women's entrepreneurship development. (2008). Available at: https://www.ilo.org/wc0msp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_090565.pdf.

Georgia has demonstrated notable efforts to align with international commitments and conventions. Currently, the nation has officially endorsed a total of 18 ILO Conventions, comprising 8 out of the 10 Fundamental Conventions. Prominent among which are those addressing Equal Remuneration (No. 100), Discrimination (No. 111), and Labour Standards (No. 144). However, it should also be noted that Georgia has yet to formally accept at least 58 additional Conventions, including those related to Maternity Protection (No. 183) and Domestic Workers (No. 189). Despite the inherent complexity of the processes behind ratifying Conventions and formulating regulations that tackle pertinent issues, these endeavors are undeniably fundamental for fostering gender equality in both economic and labour relations.

In addition to the Conventions, another critical document is ILO Recommendation No. 204 – Transition from the Informal to the Formal Economy.[43] While not a Convention, this Recommendation plays a complementary role by emphasizing the importance of facilitating the shift from informal to formal economic structures. This is particularly relevant for women entrepreneurs, especially those in informal sectors, as it advocates for policies that encourage and enhance their formalization. A core objective lies in promoting entrepreneurship, one which explicitly focuses on micro, small, and medium-sized enterprises and other business models like cooperatives and units within the social and solidarity economy. By advocating for a coherent approach across macroeconomic, employment, and social protection policies, the Recommendation seeks to establish a conducive environment in which diverse economic entities can thrive.

To underscore the significance of this Recommendation for Georgia, it is essential to recognize that a substantial number of women entrepreneurs operate within informal sectors, thus they face challenges related to access to resources, legal recognition, and economic security. By adopting policies in line with ILO Recommendation 204, Georgia can actively address these challenges and create an environment conducive to the formalization and to the success of women-led businesses.

Another key aspect is the necessity to address the vulnerabilities faced by certain groups, particularly those grappling with significant deficits of decent work within the informal economy. The Recommendation explicitly underscores the importance of paying particular attention to individuals, including women and young people, who are particularly susceptible to the challenges of the informal sector. By acknowledging and targeting these vulnerabilities, Recommendation 204 strives to create a more inclusive and equitable entrepreneurial landscape, ensuring that the benefits of formal employment and sustainable enterprise are extended to all segments of the population.

43. ILO Recommendation No. 204 - Transition from the Informal to the Formal Economy. Available at: https://shorturl.at/dJSZ3.

ILO Convention No. 100 - Equal Remuneration:
This Convention focuses on the principle of equal remuneration for work of equal value for men and women workers. It addresses the issue of gender-based wage discrimination, which is crucial for women's economic empowerment, including those engaged in entrepreneurship.
ILO Convention No. 111 - Discrimination (Employment and Occupation):
The Convention aims to eliminate discrimination in employment and occupation, including gender-based discrimination. Ensuring equal opportunities for women in employment, including entrepreneurship, is integral to this Convention.
ILO Convention No. 156 - Workers with Family Responsibilities:
This Convention recognizes the need to reconcile family responsibilities with employment, promoting equal opportunities and treatment for workers with family responsibilities. For women entrepreneurs, this is particularly relevant as they often juggle both business and family roles.
ILO Convention No. 183 - Maternity Protection:
Convention 183 sets the standards for maternity protection, emphasizing the importance of providing adequate maternity leave, health protection, and non-discrimination for women in the workplace. While directly related to employment, these standards also impact women entrepreneurs and their access to supportive policies.
ILO Convention No. 189 - Domestic Workers Convention:
This Convention focuses on the rights of domestic workers, a sector where many women are employed. While not specific to entrepreneurship, it highlights the importance of fair treatment and decent working conditions for women in various forms of employment.
ILO Convention No. 177 - Home Work Convention:
This Convention addresses the working conditions of home workers, a category that often includes women. For women engaged in home-based entrepreneurship, the standards set by this convention are relevant to ensuring fair treatment and protection.
ILO Convention No. 122 - Employment Policy:
This Convention provides a framework for national employment policies, emphasizing equal opportunity and treatment. While not directly focused on entrepreneurship, it encourages policies that create an inclusive and supportive environment for all workers, including women entrepreneurs.

EU Policy and Directives: The EU enterprise policy is designed to foster an environment conducive to business initiation and growth. Enshrined under Article 173 of the Treaty on the Functioning of the European Union, the EU aims to establish optimal conditions for competitiveness. The enterprise policy, guided by these objectives, endeavors to support businesses through various means. This includes promoting sustainable growth, digitization, competitiveness, and resilience; facilitating access to finance; cultivating an entrepreneurial culture through education and training; streamlining business ownership transfers; destigmatizing business failure; and providing honest entrepreneurs with a second chance after bankruptcy.[44]

EU Directives play a pivotal role in shaping the regulatory landscape within the European Union. Serving as a mechanism to harmonize laws across Member States, Directives contribute to the creation of a unified inter-

44. Treaty on the Functioning of the European Union, Article 173. Available at https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDFU.

nal market. Furthermore such Directives set the standards for gender equality and create a legal framework that impacts women's entrepreneurship. They address issues of equal treatment, work-life balance, and business regulation, thereby contributing to a more inclusive and supportive environment for women in the entrepreneurial landscape.

Equal Treatment Directive (Directive 2006/54/EC):
This Directive focuses on equal opportunities and the equal treatment of men and women in matters of employment and occupation. It prohibits discrimination on the grounds of sex and promotes gender equality in the workplace.
Work-Life Balance Directive (Directive (EU) 2019/1158):
Aimed at improving work-life balance and encouraging the equal sharing of caring responsibilities between men and women, this Directive addresses issues such as parental leave and flexible working arrangements. While not directly tied to entrepreneurship, it creates a more supportive environment for women balancing work and family responsibilities, including those running businesses.
Directive on Self-Employed Workers and Assistants (Directive 2010/41/EU):
This Directive establishes the principle of equal treatment between those men and women engaged in activities as self-employed persons and assisting spouses. It ensures gender equality for women entrepreneurs and those supporting family businesses.
Entrepreneurial Finance Directive (Directive (EU) 2020/1503):
This Directive establishes a framework for facilitating the cross-border distribution of collective investment undertakings and improving access to entrepreneurial finance. While not gender-specific, it creates a more conducive environment for entrepreneurs, including women, to access finance.
Non-Financial Reporting Directive (Directive 2014/95/EU):
This Directive requires certain companies to disclose non-financial information, including information on their diversity policies, as part of their annual reports under the monitoring of the Government Corporate Social Responsibility Commission. While not specific to gender reporting, these disclosures may include information on gender diversity within an organization's workforce and management.
Improving the Gender Balance among Directors of Listed Companies and Related Measures (Directive (EU) 2022/2381):
This Directive targets large companies based in EU Member States with shares traded on regulated markets within the EU. Under its requirements, every large, listed company on the stock market within the European Union must have at least 40% female non-executive directors or at least 33% female executive and non-executive members by 2026.

The significance of these Directives lies within the crucial role Georgia plays as it advances its candidacy for European Union membership. Having been granted candidate country status by the European Council on 14 December 2023, Georgia is now tasked with meeting the Directive's requirements as part of its commitment to aligning with EU standards.[45] Beyond the immediate impact on gender equality, fulfilling these requirements becomes a pivotal step for the country to demonstrate its dedication to European values. Adhering to these standards not only contributes to the empowerment of women but also positions Georgia favorably as it actively works to integrate its legal framework with European norms.

45. Further information is available at: https://www.eeas.europa.eu/georgia/european-union-and-georgia_en?s=221

ANNEX C. INTERNATIONAL EXPERIENCE

Table C1. Gender Quotas in European Countries

Country	Introduction Year	Target level (%)	Scope	Sanctions
Spain	2007	40	Company size	No
Belgium	2011	33.3	Public listing	Yes – Open seats, suspension of board fee payments
France	2011	40	Public listing + Company size	Yes – Open seats, suspension of board fee payments
Italy	2011	33.3, increased to 40	Public listing	Yes – Monetary penalties
Netherlands	2011	30	Public listing + Company size	No
Germany	2015	30	Public listing + Company size	Yes – Open seats
Austria	2017	30	Public listing + Company size	Yes – Open seats
Portugal	2017	33.3	Public listing	Yes – Open seats, monetary penalties
Greece	2020	25	Public listing	Yes – Monetary penalties
Iceland	2010	40	Company size	No
Norway	2003	40	Public listing + public limited companies	Yes – Dissolution

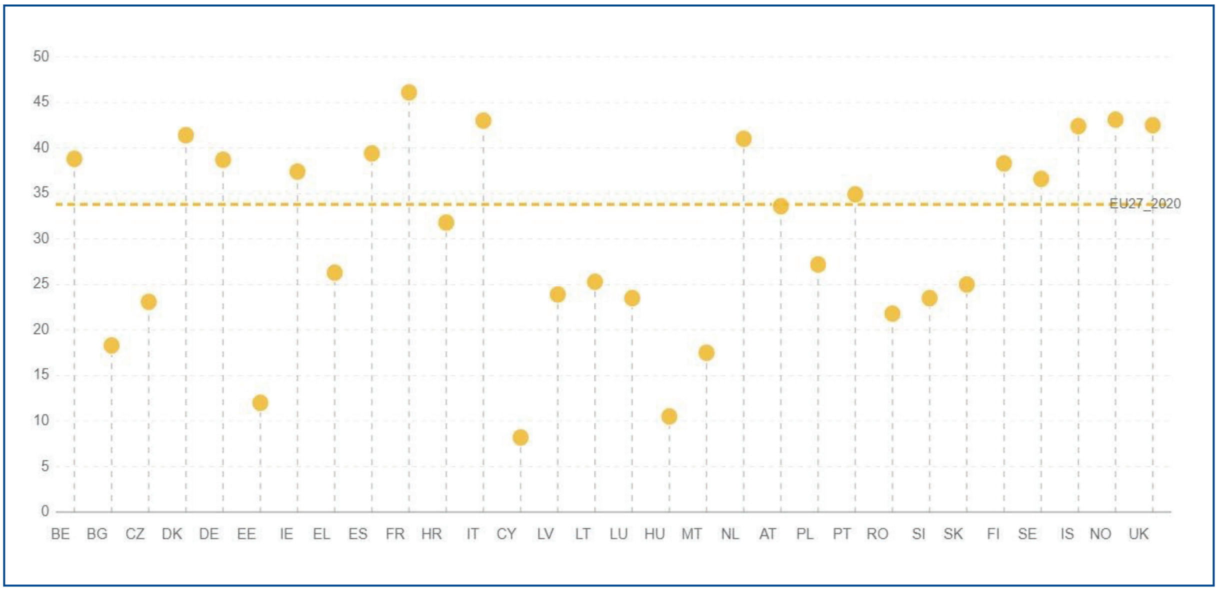
Source: European Parliament, Women on Board Policies in Member States and the Effects on Corporate Governance

From European experience, a comparison of the quota regulations reveals the differences in the quota target level, which primarily ranges from 30 to 40 percent of board members. However, it is worth noting that Greece deviates slightly from this trend with a target of 25 percent. Additionally, these quotas vary regarding the scope of the regulation and the criteria used to define target companies. In certain countries (Belgium, Italy, Portugal, Greece), the quota applies to large, listed companies, while in others, additional criteria such as company size (Spain, the Netherlands, France, Germany, Austria, and Iceland) are considered, those predominantly covering large enterprises. Another significant difference lies in the specific sanctions imposed in case of non-compliance. Spain, the Netherlands, and Iceland have softer laws that do not entail the imposition of sanctions, while other countries adopt a stricter approach. Common sanctions employed in European countries often include the reopening of vacant positions for non-compliance and withholding board fees from the remaining directors.

To assess the success of these countries in balancing board representation, it is essential to compare the proportion of female board members in the largest listed companies in the region. Figure C1 indicates that EU countries with enforced regulations tend to have the highest share of female board members. For instance, France has the greatest share, with women comprising 46%

of boards in 2023. Norway and Italy follow closely behind. In general, countries with regulations in place exhibit higher proportions of female board members compared to the EU average of 33.8% (with Greece standing out as an exception). Notably, the differences between countries are substantial, ranging from 8.2% in Cyprus to 46% in France.

Figure C1. Share of Female Board Members in Largest Listed Companies in European Countries, 2023



Source: EIGE Gender Statistics Database

It is crucial to note that alongside addressing concerns related to equal participation and women's access to decision-making positions, the primary rationale behind these regulations is to improve corporate governance standards and companies' economic performance. This notion finds support in an expanding body of research that illustrates a positive correlation between increased gender diversity on boards and enhanced performance. Given that the analysis of Policy Option 1 entails evaluating the influence of women's representation on boards for both social and economic outcomes, it is important to examine the impact of European Countries' policies on companies' development. Based on the literature, several key findings emerge:

- ✓ Multiple studies confirm the effectiveness of gender quotas in increasing women's representation on corporate boards. Comparisons between countries with and without quotas demonstrate higher female board representation where quotas are implemented, particularly those with sanctions.
- ✓ Gender-balanced boards may facilitate women's access to decision-making roles below the board level, including CEOs and senior managerial positions, through leadership succession planning and advocacy for gender equality. Studies in the US, Australia, and Germany suggest a "trickle-down effect," where companies with female directors tend to have more female CEOs and managers.

However, findings from Norway and Italy regarding quota impact vary, possibly due to long-term effects that have not yet been captured.

- ✓ The inclusion of women on corporate boards is believed to enhance corporate governance, impacting decision-making processes and management oversight. Numerous studies explore the effects of board gender diversity on various aspects of company performance in corporate social responsibility (CSR) ratings. Specifically, the research suggests a positive effect of female directors on corporate social performance and on ethical behavior.
- ✓ Research indicates that gender diversity on corporate boards positively affects board processes. Studies highlight improvements in discussion quality, increased politeness, and more fact-oriented discussions. Female directors also contribute to enhanced monitoring of executive boards, leading to more effective governance.[46]
- ✓ A study on the EU's board gender diversity regulation reveals positive market reactions to the announcement. This analysis of the EU legislation on gender quotas offers solid evidence that board gender quotas are perceived by investors as beneficial, particularly for firms exposed to a large gender imbalance.[47]

Furthermore, numerous studies have examined the relationship between board gender quotas and companies' financial performances. However, these studies have delivered different outcomes and a range of conclusions. The diversity in results indicates inconclusive evidence regarding the significant impact of board gender quotas on companies' fiscal performances.

Table C2. Gender Reporting in European Countries

Country	Gender reporting	Obligatory	Target companies	Under decree/ directive	Monitoring
UK	Gender Pay Gap Reporting	Mandatory	Employers with 250 or more employees	Equality Act 2010	Equality and Human Rights Commission
	Gender Diversity Reporting	Non-Mandatory	Listed companies		Equality and Human Rights Commission
	Pay Equity Analysis	Non-Mandatory	Listed companies		Equality and Human Rights Commission

46. European Parliament (2021). Women on Board Policies in Member States and the Effects on Corporate Governance.
47. Fernández-Méndez, C. & Pathan, S. (2023). The valuation impact of gender quotas in the boardroom: Evidence from the European markets, Finance Research Letters, Volume 54. https://doi.org/10.1016/j.frl.2023.103699.

Spain	Gender Equality Plans	Mandatory	Companies with 50 or more employees	Royal Decree 901/2020	Ministry of Labour and Social Economy; Labour Inspectorate
	Gender Pay Gap Reporting	Mandatory	Companies with 50 or more employees	Constitu-tional Act 3/2007	Ministry of Labour and Social Economy; Labour Inspectorate
	Non-Financial Reporting	Mandatory	Companies: ✓ With more than 250 employees ✓ That are either regarded as public interest entities, or that for two consecutive fiscal years: o The total asset headings exceed 20,000,000 euros o The net annual turnover exceeds 40,000,000 euros o The average number of workers employed during FY exceeds 250	Directive 2014/95/EU	Government Corporate Social Responsibility Commission
	Gender Diversity on Boards	Non-Mandatory	Listed companies		National Securities Market Commission
France	Gender Pay Gap Analysis	Mandatory	Companies with 50 or more employees	Decree No. 2019-15 on Application of New Legal Framework for Equal Pay	Ministry of Labour; Regional Labour Directorates; Inspectorate of Labour
	Gender Equality Index	Mandatory	Companies with 50 or more employees	French Law on Professional Agency	Ministry of Labour; Regional Labour Directorates; Inspectorate of Labour
	Gender Diversity on Boards	Non-Mandatory	Listed companies	Rixain Law No. 2021-1774	Employee representatives
	Corporate Sustainability Reporting Directive	Mandatory	Companies with more than 250 employees	French Commercial Code	Financial Markets Authority (AMF); Ministry of Economy, Finance, and Recovery.
	Equal Treatment Plans	Non-Mandatory	Listed companies		Ministry of Labour; Regional Labour Directorates; Inspectorate of Labour
Denmark	Gender Pay Gap Analysis	Mandatory	Companies with 35 or more employees	Consolidation Act No. 899 of 9 June 2006 on Equal Pay to Men and Women	Danish Agency for Labour Market and Recruitment; Ministry of Employment; Danish Equality Commission
	Gender Diversity Reporting	Mandatory	Listed companies	Act on Gender Equality, 2000	Ministry of Gender Equality
	Gender Equality Plans	Mandatory	Companies with 35 or more employees	Act on Gender Equality, 2000	Ministry of Gender Equality; Danish Equality Commission
	Gender Diversity on Boards	Mandatory	Companies with more than 50 employees	Danish Companies Act	Danish Financial Supervisory Authority; NASDAQ Copenhagen

In the UK, mandatory gender reporting primarily focuses on **Gender Pay Gap Reporting.** This involves gathering and disclosing data on the disparity between the average earnings of male and female employees within an organization. The UK government also introduced regulations in 2017 requiring employers with 250 or more employees to publish annual reports on their gender pay gap.[48] These reports must include data on various metrics such as the mean and median gender pay gap, the proportion of men and women receiving bonuses, and the distribution of employees across pay quartiles. The report aims to increase transparency and accountability regarding pay disparities based on gender and to encourage employers to take action to address gender inequality in the workplace. To monitor this reporting, the Equality and Human Rights Commission plays a crucial role in providing information for people and companies, and as influencer, evaluator, and enforcer.

In addition, some companies, such as the FTSE 250, FTSE 100, and NGOs, voluntarily disclose information on the **representation of men and women** in various levels of their organization, including leadership positions (FTSE, 2024). This may include data on the gender composition of boards of directors, senior management, and for other key roles.

While not legally required, some companies, such as major banks and financial institutions (Barclays, HSBC, Lloyds Banking Group, NatWest Group) also conduct internal **pay equity analyses** to identify and address any gender-based pay disparities beyond that required by mandatory Gender Pay Gap Reporting (Gilchrist, 2023). This may involve examining pay differentials within specific job categories or departments to ensure fair and equitable compensation practices.

In Spain, there are several gender reporting requirements aimed at promoting gender equality in the workplace and addressing gender-based discrimination. For example, companies with 50 or more employees are required to establish and implement **Gender Equality Plans (Planes de Igualdad).**[49] These plans outline measures aimed towards promoting equal treatment and opportunities for men and women in the workplace, addressing gender-based discrimination, and achieving gender balance in decision-making positions. Companies must negotiate these plans with employee representatives and submit them to the labour authorities for approval. The monitoring responsibilities lie with the Ministry of Labour and Social Economy and the Labour Inspectorate.

Similar to other European countries, Spain has equally introduced legislation requiring companies to report their **gender pay gap**.[50] Under Royal Decree 902/2020, companies with 50 or more employees are required to conduct an annual audit of their gender pay gap and submit a report to the labour authorities. The report must include information on the average and median gender pay gap, as well as the distribution of men and women across different pay bands. The Ministry of Labour and Social Economy and the Labour Inspectorate serve as the enforcers and monitoring entities.

48. Gender pay gap reporting: guidance for employers (2023).
49. Royal Decree 901/2020. Source: Constitutional Act 3/2007 of 22 March for effective equality between women and men.
50. Constitutional Act 3/2007 of 22 March for effective equality between women and men.

Spain has also implemented the EU **Non-Financial Reporting Directive** (Directive 2014/95/EU),[51] which requires certain companies to disclose non-financial information, including diversity policies, as part of their annual reports under the monitoring of the Government Corporate Social Responsibility Commission. While not specific to gender reporting, these disclosures may include information on gender diversity within an organization's workforce and management. Since 2021, companies that satisfy the following requirements are required to file the status of non-financial information, whether individual or consolidated:[52]

- The average number of workers employed by the company or group, as appropriate, is higher than 250 during the FY.
- They are either regarded as public interest entities, in keeping with the account audit law, or for two consecutive fiscal years, on the closing date of each FY, they satisfy, on an individual or consolidated basis, as appropriate, at least two of the following conditions:
    - o The total asset headings exceed 20,000,000 euros.
    - o The net annual turnover exceeds 40,000,000 euros.
    - o The average number of workers employed during the FY exceeds 250.

In addition, a European Union (EU) law requiring **gender balance on corporate boards** was adopted by the European Parliament on 22 November 2022. The Directive requires that listed companies have 40 percent non-executive directors, or 33 percent of all directors, from the underrepresented sex by the middle of 2026. As a member of the EU, Spain has a responsibility to comply to this regulation, however it is not yet mandatory. Monitoring for this reporting lies with the National Securities Market Commission (CNMV).

In France, companies with 50 or more employees are required to conduct an annual **gender pay gap analysis** and report the results to their staff representatives.[53] This reporting includes information on the gender pay gap within a company, classified by various criteria such as job category, age group, and full-time or part-time status. The goal is to increase transparency and awareness of gender-based pay disparities and encourage companies to take action to address these issues. Monitoring of this reporting obligation is within the scope of the Ministry of Labour, Regional Labour Directorates, and the Inspectorate of Labour.

Moreover, the **Gender Equality Index**[54] is a mandatory reporting requirement for French companies with 50 or more employees. It assesses gender equality within a company based on several indicators, including the gender pay gap, the distribution of pay raises between men and women, the distribution of promotions, and the representation of women among the top earners. Companies are required to calculate their index score annually, to publish it on their website, and report it to the Social and Economic Committee. Non-compliance with the reporting requirement can result in financial penalties.

51. https://eur-lex.europa.eu/eli/dir/2014/95/oj
52. https://www.en.aenor.com/certificacion/responsabilidad-social/verificacion-informacion-no-financiera#:~:text=Since%202021%2C%20companies%20that%20satisfy,FY%20is%20higher%20than%20250
53. Decree No. 2019-15 on Application of New Legal Framework for Equal Pay.
54. French Law on Professional Agency.

Monitoring of this reporting falls under the purview of the Ministry of Labour, Regional Labour Directorates, and the Inspectorate of Labour.

While reporting in the same manner as Gender Pay Gap Reporting or the Gender Equality Index is not mandatory, French companies listed on the stock exchange are subject to quotas regarding **gender diversity on their boards** of directors.[55] Boards of directors of listed companies must have at least 40% of their members from each gender. Monitoring responsibility rests with employee representatives, such as the Social and Economic Committee.

France was the first country in the European Union to transpose the **Corporate Sustainability Reporting Directive** (CSRD).[56] The CSRD replaces the previous Non-Financial Reporting Directive (NFRD), which created an obligation to compile non-financial reporting. This transposition broadens the scope of companies that are required to implement sustainability reporting and extends their transparency obligations. Specifically, it refers to companies with more than 250 employees. The monitoring responsibility is held by the Financial Markets Authority (AMF) and the Ministry of Economy, Finance, and Recovery.

While not mandatory reporting, companies in France are required to establish **Equal Treatment Plans** to promote gender equality in the workplace. These plans outline specific actions and measures aimed at addressing gender-based discrimination, at promoting equal opportunities for men and women, and at achieving a gender balance in various aspects of employment. While the plans themselves are not necessarily publicly disclosed, companies may report their implementation and progress as part of their broader reporting on CSR or diversity initiatives. Monitoring these results is the responsibility of the Ministry of Labour, alongside Regional Labour Directorates and the Labour Inspectorate.

Danish companies, akin to other EU countries, with 35 or more employees are required to conduct annual **gender pay gap analyses**[57] and report the results to the Danish Equality Commission. This reporting includes information on the gender pay gap within a company, broken down by various criteria such as job category, age group, and full- or part-time status. Monitoring of this gender reporting obligation is overseen by the Danish Agency for Labour Market and Recruitment, the Ministry of Employment, and the Danish Equality Commission.

Public sector employers in Denmark, including government agencies, municipalities, and regions, are also required to report on **gender diversity**[58] in their workforce and in leadership positions. This reporting aims to ensure that public sector organizations promote gender equality and diversity in their recruitment, hiring, and promotion practices. The Ministry of Gender Equality is tasked with monitoring this reporting.

55. Rixain Law No. 2021-1774.
56. French Commercial Code.
57. Consolidation Act No. 899 of 9 June 2006 on Equal Pay to Men and Women.
58. Act on Gender Equality (2000).

In addition, larger companies in Denmark are required to develop and implement **Gender Equality Plans**[59] outlining specific actions and measures for promoting gender equality in the workplace. These plans are mandatory for companies with 35 or more employees and are intended to address gender-based inequalities and promote equal opportunities for men and women. The monitoring responsibility rests with the Ministry of Gender Equality and the Danish Equality Commission.

Danish law requires publicly listed companies to have a certain level of **gender representation on their boards of directors.** The Danish Companies Act requires that boards of listed companies with more than 50 employees consist of at least 40% of each gender (Reumert, 2023). One of the entities overseeing this reporting is the Danish Financial Supervisory Authority, along with NASDAQ Copenhagen.

Private companies in Denmark may also choose to voluntarily report on gender diversity metrics, such as the **representation of men and women**[60] at various levels of an organization, gender distribution in recruitment and promotion processes, and initiatives that support gender equality in the workplace. Such reporting can enhance transparency and accountability, and it can also demonstrate a company's commitment to diversity and inclusion. Business associations and industry organizations are tasked with monitoring this reporting.

59. Act on Gender Equality (2000).
60. Voluntary Code of Conduct for Diversity in Management and Board Recruitment.

ANNEX D. LITERATURE REVIEW OF THE POLICY OPTIONS

Policy Option 1: Gender Quotas on Supervisory Board Representation

Corporate board gender quota regulations are primarily concerned with the distribution of control over decision-making within a company. Supervisory boards, while non-executive, play a crucial role in governance by overseeing major strategic and financial decisions and monitoring managerial activities. According to one World Bank survey, only 21% of firms reported having female top managers in 2023 (The World Bank, 2023), indicating the significant underrepresentation of women in decision-making positions, including company boards. Thus, closing the gender gap in board representation is integral to achieving gender equality in economic decision-making.

To evaluate the qualitative impact of introducing a gender quota on company boards, the following criteria are employed:

1. Participation: This criterion assesses the direct impact on the gender composition of supervisory board members and the representation of women in decision-making positions. Additionally, it examines the indirect impact on the broader composition of company employees and the presence of women in leadership roles.
2. Resources: This criterion focuses on the distribution of crucial resources, such as remuneration, access to networking opportunities, and economic power, to determine the quota's effect.
3. Norms and values: This criterion evaluates the impact on the perceptions of gender roles and attitudes, and the behaviors of both women and men within a company. It also considers the influence on existing gender stereotypes.
4. Rights: This criterion explores the consideration of gender issues within the corporate governance framework of a company, with a specific focus on empowering women in decision-making processes and enhancing the recognition of their needs and rights.

Given that the primary aim of the quota is to enhance the presence of women on boards, this aspect should be incorporated into the **participation criterion** of the assessment. Despite the mandatory nature of the proposed quota, which is anticipated to effectively enhance women's representation on boards, it remains crucial to emphasize its positive impact in this regard.

According to data from the European Institute for Gender Equality (EIGE), legislative quotas stipulating the minimum share of women and men on boards in Belgium, Germany, France, Italy, Austria, and Portugal have resulted in an average share of 37.6% for women on boards. In contrast, in countries without quotas, the representation of women on boards stands at 24.3%. Before the introduction of quotas, the share of women on boards in the six quota-implementing countries increased by an average of 0.9 percentage points per year. However, after the implementation of quotas, this figure surged to an average increase of 3.0 percentage points per year. Conversely, progress in countries without legally binding quotas has stagnated at just 0.7 percentage points per year (EIGE, 2020).

Gender quota laws serve the indirect objective of promoting inclusivity and diversity within corporate environments by ensuring female representation on boards of directors, but also within various leadership positions across organizations. In Italy, the impact of mandatory gender quotas on boards of directors revealed direct increases in female representation and "positive spillover effects," including greater female presence in top executive roles and on the boards of non-targeted firms. Despite no direct requirements for additional female executives, the presence of women in the top positions of listed and state-participated firms increased notably, suggesting institutional and informal pressures encouraging such imitation of mandated companies together with a larger pool of qualified women for directorship positions. The results indicate the significant and positive impact of gender quota laws on the percentage of women on boards in regulated companies; with a remarkable 21% increase compared to non-listed, non-participating firms from 2010 to 2017. Furthermore, the model highlights a notable improvement (increasing by 3%) in the presence of women in top board positions (Pistoresi, Poma, & Rinaldi, 2022).

Similarly, a study by Kirsch and Wrohlich (2020) reveals a positive correlation between the presence of women on supervisory boards and subsequent representation on management boards in Germany. This suggests that statutory gender quotas for supervisory boards effectively increase female representation, leading to a trickle-down effect on executive boards. Despite these advancements, the causality between the increase on supervisory board diversity and on executive board diversity remains unproven, with interviews indicating the underutilization of opportunities to influence executive board appointments for gender diversity.

These studies suggest the potential for positive spillover effects, signaling a cultural shift towards increased gender balance in boards of directors and top positions – one which is driven by the implementation of gender quota regulations. It also reflects broader societal changes and underscores the importance of sustained political and social pressure, alongside innovative organization, to effectively enhance female representation in upper management.

The literature indicates that gender quotas on corporate boards have a positive impact on **resource allocation**, particularly in terms of remuneration, networking opportunities, and economic power. Despite the implementation of quotas for women's representation on boards throughout the EU and the increasing presence of women in managerial roles, a persistent gender gap persists in managerial pay. However, this phenomenon is particularly pronounced in countries that lack mandated quotas for female board representation. The gender gap in managerial pay is observably smaller in countries with quotas, indicating a reduced level of discrimination. This suggests that quotas may have influenced organizational cultures and practices, leading to more equitable compensation structures within managerial positions. The findings of recent research (Maume, Heymann, & Ruppanner, 2019) shows that the gender pay gap in managerial positions was approximately half as large in countries with quotas compared to those without such mandates.

Additionally, a study on the impact of gender quota laws in Norway (Bertrand, Black, Jensen, & Lleras-Muney, 2017) reveals several noteworthy findings. Firstly, it was observed that women appointed to corporate boards following the quota implementation exhibited higher levels of qualifications compared to their predecessors. This suggests that the quota policy may have contributed to elevating the capability of female representation in corporate governance. Furthermore, the implementation of the quota policy results in a tangible reduction in the gender pay gap within corporate boards. This finding underscores the potential of quota policies to mitigate gender-based disparities in earnings at the highest ranks of organizational decision-making. However, while the quota policy demonstrated success in enhancing gender diversity on corporate boards, and narrowing the gender pay gap therein, its impact on the broader female workforce was less pronounced.

Moreover, research examining executives of non-profit organizations (Lee, 2023) found a correlation between gender diversity on governing boards and CEO compensation. Analyzing data from organizations with the GuideStar Platinum Seal of Transparency, this study reveals a positive link between women's representation on boards and female CEO compensation until women comprised 82% of the board. Conversely, a negative association exists between women's representation and male CEO compensation. This suggests gender diversity on boards affects the compensation differently based on the CEO's gender, potentially narrowing the gender pay gap among non-profit organizations.

Additionally, the impact of affirmative action programs, specifically binding gender quotas and non-binding gender targets, on director networks and board positions held by individual directors based on their gender has been explored (Burzynska & Contreras, 2020). Using data from 25,127 unique directors across 2,435 public firms across 32 European countries from 2000 to 2017, the research analyzes personal, professional, and network characteristics to assess this relationship. The results indicate that prior to the implementation of affirmative action programs, women directors benefited less from their networks compared to their male counterparts, indicating a gender gap in network benefits. However, after the introduction of binding gender quotas, this gap narrowed between women and men. Overall, the findings suggest that binding gender quotas enhance the effectiveness of director networks in hiring women, and they may contribute to leveling the playing field in the achievement of top managerial positions.

In conclusion, these studies underscore the positive impact of quotas in addressing women's access to and inclusion in corporate networks, thereby promoting gender diversity in leadership roles. In essence, gender quotas have influenced the distribution of crucial resources within organizations, leading to reduced gender pay gaps and enhanced opportunities for women in managerial positions.

The impact of women's representation on supervisory boards extends beyond the improved access to resources; it fosters a transformation in the norms and values associated with gender roles and perceptions that advances gender equality and creates role models. For instance, in Iceland, the implementation of board gender quota legislation stimulated increased gender diversity on corporate boards. One study (Arnardottir, Sigurjonsson, & Gabaldon, 2023) surveyed 244 board directors to explore post-quota perceptions of board function. Initially, male directors held more negative attitudes towards gender quotas, but these views gradually converged and became more positive over time. The research further reveals strong support for increased female board participation, thereby facilitating diverse viewpoints and improving decision-making processes. Female directors and those chairing a board particularly endorse the positive impact on corporate governance practices. However, male directors express more skepticism regarding the short-term effects on board dynamics. Overall, the study suggests that gender quotas have effectively increased female board representation and influenced corporate norms, aligning with policymakers' intentions.

Drawing on data from 19 European countries and encompassing 2,640 observations of firms, one study (Rahi, 2024) on women's power on corporate boards affirms a positive correlation between the presence of women on boards (WoB) and Corporate Social Performance (CSP). Employing both static and dynamic econometric models, the study's findings indicate that achieving a board composition of approximately 30% women yields a synergistic impact on corporate sustainability performance. This effect may stem from women's distinctive managerial style, operational approaches, and strategic decision-making. Notably, women board members exhibit a greater inclination towards stakeholder orientation, and facilitate the establishment of policies conducive to heightened sustainability performance. This study moreover suggests that for a positive impact of the gender quota on women's power, a minimum of 30% representation should be achieved. Hence, changing norms and values is contingent on achieving a critical mass of female representation.

These studies emphasize the transformative potential of gender quotas in reshaping corporate governance dynamics and advancing sustainability practices. By fostering greater gender diversity on boards, quotas not only enhance decision-making processes but also contribute to broader societal shifts towards equality.

Certain research also indicates that increased gender diversity on corporate boards is associated with improved corporate social responsibility (CSR) performance, consequently benefiting stakeholders and society while advancing women's rights within companies. Numerous studies demonstrate how women's presence fosters CSR policies and enhances working conditions for women.

To address this specific issue, Latura and Weeks (2022) conducted a comparative analysis between Italy, which implemented a quota in 2011, and Greece, a country with no quota. Using a difference-in-difference methodology, they longitudinally examine corporate reports of publicly listed companies in both nations. Their findings reveal a significant (50%) increase in Italian companies' emphasis on gender equality issues post-quota, particularly in leadership and family care domains. This surge cannot solely be attributed to the proportion of women on boards, suggesting that quotas influence both men and women's perceptions of gender equality within organizations (Latura & Weeks, 2020).

Furthermore, while previous research has explored the influence of corporate governance mechanisms on CSR commitment, there have been limited investigations into the distinct relationship between board gender diversity and both CSR and corporate social irresponsibility (CSI). Drawing on social role theory and feminist ethics, Boukattaya and Omri (2021), utilizing data from French non-financial firms listed on the SBF 120 index from 2011 to 2016, posit a positive correlation between board gender diversity and CSR, and a negative correlation with CSI. Their findings substantiate the positive impact of board gender diversity on CSR, with women exhibiting a stronger effect in mitigating CSI compared to enhancing CSR. Additionally, Kirsch (2021) explores female directors' involvement in advancing gender equality within German stock-listed companies. Interviews with supervisory board members reveal multifaceted motivations, including a sense of belonging to the female social group and perceived responsibility towards women in the organization. Interestingly, the presence of other women on a board does not significantly influence female directors' actions, highlighting the importance of understanding the interplay between social identity and situational factors in shaping board behavior.

In conclusion, the studies discussed underscore the significance of gender diversity on corporate boards in promoting corporate social responsibility and advancing gender equality within organizations. Understanding the multifaceted motivations of female directors and the influence of quotas can thus inform strategies to enhance CSR practices and foster inclusive corporate governance.

Policy Option 2: Gender Reporting

Gender reporting plays a pivotal role in increasing women's participation in entrepreneurship by fostering transparency and accountability within companies. By requiring organizations to disclose data on gender representation, pay equity, and advancement opportunities, gender reporting highlights the existing disparities and challenges faced by women in the workforce. This heightened awareness prompts companies to reassess their practices and policies, leading to the implementation of initiatives aimed at promoting gender diversity and inclusion.

Gender reporting serves as a critical mechanism for identifying and highlighting the gender-specific barriers that hinder the participation and success of women in entrepreneurship (GEM, 2022). By quantifying disparities across different stages of the entrepreneurial lifecycle, stakeholders gain a comprehensive understanding of the areas where women are underrepresented or face unique challenges. This visibility is essential for initiating targeted interventions that are directed towards leveling the playing field.

Regular gender reporting not only raises awareness about existing inequalities but also promotes accountability among all stakeholders involved in the entrepreneurial ecosystem (GEM, 2022). It acts as a benchmark for measuring progress towards gender equality and holds governments, organizations, and institutions accountable for their part in addressing gender disparities. Through consistent monitoring and reporting, a continuous feedback loop is established, encouraging ongoing efforts to achieve and maintain gender equality in entrepreneurship.

Gender reporting also underscores the significant contributions of women to economic growth, particularly when they engage in high-growth and innovative entrepreneurial activities (OECD, 2021). Highlighting these contributions provides a compelling economic argument for greater investments into women's entrepreneurship. It demonstrates that supporting women entrepreneurs is not only a matter of equity but also a strategic economic imperative that can lead to broader economic development and prosperity.
Additionally, gender reporting often reveals disparities in access to finance between male and female entrepreneurs. Highlighting these disparities can prompt financial institutions and policymakers to develop targeted financial products and services that cater specifically to women entrepreneurs (GEM, 2022). This might include more favorable loan conditions, grants, or funding initiatives that are less reliant on traditional collateral models, those which women may lack compared to men.

Furthermore, gender reporting can reveal gaps in entrepreneurial skills and education among women. This information can be used to design and implement training programs tailored to the specific needs of women entrepreneurs, that which focus on areas such as business management, digital skills, and financial literacy (OECD, 2021). These programs not only improve skills but also boost confidence among women entrepreneurs, thus encouraging them to pursue and to succeed in entrepreneurial endeavors.

Moreover, women often face challenges in accessing entrepreneurial networks which are crucial for business growth. Gender-focused reporting can expose these challenges and lead to the creation of networking groups, mentorship programs, and collaborative platforms aimed specifically at women (OECD, 2021). These networks can provide support, advice, and opportunities for partnerships and collaborations, each of which enhance women's ability to succeed in competitive business environments.

By improving women's access to resources such as capital, training, and networks, gender-focused reporting empowers women economically (GEM, 2022). Critically, economic empowerment is a fundamental right that enhances women's independence and overall well-being. It allows women to make decisions that affect their lives, contributing to greater equality in business and in society.
Gender reporting significantly impacts women's rights by promoting transparency, accountability, and equity within organizations. When companies are required to report data on gender representation, pay equity, and opportunities for advancement, it helps uncover systemic inequalities (OECD, 2021). This transparency allows for a better understanding of where women stand in the workforce and whether their rights are being upheld.

By shedding light on disparities, gender reporting can lead to tangible changes that advance women's rights. For example, if reports reveal a gender pay gap, companies may be pressured to rectify this injustice by ensuring equal pay for equal work (OECD, 2021). Similarly, if there are discrepancies in promotions or leadership positions, companies may implement policies to provide equal opportunities for women to advance in their careers.

Gender reporting can also challenge traditional gender stereotypes by showcasing women in a variety of roles and industries. When companies actively promote gender diversity and inclusion, it can help break down barriers and shift societal perceptions about the types of careers and industries that are suitable for women (GEM, 2022). This can create a more supportive environment for women who are interested in pursuing entrepreneurship.

Regular dissemination of gender-specific data helps shift cultural perceptions over time (GEM, 2022). When society at large can see the progress being made by female entrepreneurs, or conversely, the challenges they disproportionately face, it can lead to a broader cultural shift towards valuing and supporting women's business ventures as much as men's.

Gender reporting can be also used as an educational tool to inform new generations about the importance of gender equality and inclusiveness. It can inspire educational institutions to incorporate gender studies into their curricula, encouraging young people to question traditional gender roles and to value diversity and equality (OECD, 2021). As gender-focused reporting encourages shifts in norms and values, it sets new standards of conduct and interaction within the business world and beyond. This can lead to a more respectful and inclusive approach to interactions and decision-making, which ultimately benefits not only women but every member of society.

ANNEX E. RESULTS OF THE SENSITIVITY ANALYSIS

Table E1. Present Value of the Costs for Enterprises

PV of Costs for Enterprises		2025	2026	2027	2028	PV of Costs
Scenario 1: Large Joint-Stock Enterprises	Lower Bound	23,485	14,727	13,852	13,028	65,092
	Central Value	**24,632**	**15,897**	**15,390**	**14,899**	**70,819**
	Upper Bound	25,115	16,527	16,313	16,102	74,056
Scenario 2: Large Enterprises	Lower Bound	259,440	188,063	204,485	222,341	874,328
	Central Value	**269,083**	**200,482**	**224,056**	**250,403**	**944,024**
	Upper Bound	274,084	208,004	236,782	269,543	988,413

Sources: Geostat; Authors' calculations

Table E2. Present Value of the Costs for Public Administration

PV of Costs for Public Administration		2025	2026	2027	2028	PV of Costs
Scenario 1: Large Joint-Stock Enterprises	Lower Bound	8,015	1,336	1,291	1,248	11,890
	Central Value	**8,162**	**1,441**	**1,433**	**1,425**	**12,460**
	Upper Bound	8,313	1,553	1,589	1,626	13,082
Scenario 2: Large Enterprises	Lower Bound	20,924	15,330	16,443	17,637	70,333
	Central Value	**21,676**	**16,499**	**18,192**	**20,058**	**76,424**
	Upper Bound	22,457	17,751	20,118	22,801	83,126

Sources: Geostat; Authors' calculations

ANNEX F. QUANTITATIVE IMPACT ASSESSMENT ON GENDER QUOTAS

Table F1. Literature Summary – Post and Byron (2015), Meta-Analysis: 140 Studies, 35 Countries

	Indicator	Sign of Effect	Effect Size	The Number of Independent Effect Sizes Included in Each Analysis
Female Board Representation	Accounting Returns	Positive and Significant	0.05	109
	Market Performance	Not Significant	-	78
Female board representation and accounting returns are more positive for firms in countries with stronger shareholder protections				
Female Board Representation	Board Monitoring	Positive and Significant	0.05	27
	Board Strategy Involvement	Positive and Significant	0.09	4
Female board representation and board monitoring, as well as board strategy involvement, are more positive for firms in countries with stronger shareholder protections				

Sources: Various sources; Authors' calculation

Table F2. Literature Summary – Quantitative Impact of Women's Representation on Boards – Part 1

Quantitative Impact of Women's Representation on Boards
Herrera-Cano and Gonzalez-Perez (2019), Meta-analysis – 40 Studies, 28 Countries
• 19 positive impacts (mostly EU countries); 10 negative impacts; 11 insignificant impacts • Return on Assets (ROA) and Return on Equity (ROE) – no significant impact and • Tobin's – no significant impact Same outcome as Pletzer, Nikolova, Kedzior, and Voelpel (2015), Meta-analysis – 20 Studies, 3,097 Companies: no significant impact
Wu, Furuoka, and Lau (2022), Meta-analysis – 44 Studies, 2010-2019
There is a significant positive correlation between Board Gender Diversity (BGD) and Corporate Social Responsibility (CSR)
García-López, Pacheco-Olivares, and Hamoudi (2024), Meta-analysis – 27 IBEX 35 Companies, 2018-2021
• If the proportion of women on the board increased by 1%, the Price-Earnings Ratio (P/E) would decrease on average between 0.03times and 37.85. This confirms an increase in profitability • The increase of one female executive director on a board of directors would reduce a company's P/E by an average of 0.24 to 4.24 times

Sources: Various sources; Authors' calculations

Table F3. Literature Summary – Quantitative Impact of Women's Representation on Boards – Part 2

Quantitative Impact of Women's Representation on Boards
Sondergeld and Wrohlich (2023), German Linked-Employer-Employee – Data from 2004-2018
• An increase in the share of women in first-level management decreases the adjusted Gender Pay Gap (GAP) by 1.2 percentage points
Maume, Heymann, and Ruppanner (2019)27 European Countries
• The gender gap in managerial pay was about half as large in countries with a quota than countries without a mandated quota for female representation on boards • Discrimination against female managers was reduced from accounting for the entirety of the pay gap in no-quota countries to 65% of the pay gap in with-quota countries • Quotas define fair and equal treatment at the apex of organizations, and expectations for fair and equal treatment diffuse across all employers • Quotas raise the pay of all managers (including men) and reduce the gender gap in managerial pay
Matsa and Miller (2011)EU Commission
• A 10% increase in female non-executive board members increases female top management compensation share by 6% • A 10% increase in female board members (both executive and non-executive), increases female top management compensation share by 14% • A 10% increase in female non-executive board members increases the female top manager share by 4% • A 10% increase in female board members (both executive and non-executive) increases the female top manager share by 7%

Sources: Various sources; Authors' calculations