

CATALYSING EQUALITY

HOW VENTURE CAPITAL, PRIVATE EQUITY
FUND MANAGERS AND IMPACT INVESTORS
ARE APPLYING A GENDER LENS IN LATIN
AMERICA AND THE CARIBBEAN

July 2021

Prepared by:



International
Labour
Organization





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This paper presents an analysis of the situation of investment funds in the Latin American and Caribbean region. The content and information in this publication may be used as long as the source is acknowledged.

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About UN Women

The UN Women agency, based on the vision of equality enshrined in the Charter of the United Nations, works for the elimination of discrimination against women and girls, empowerment of women and achievement of equality between women and men.

UN Women contributes to a global and collaborative dialogue on financing gender equality and influencing discourse with relevant actors of the financial ecosystem, such as international financing institutions, private sector entities, and institutional investors. The development of innovative financing mechanisms and promotion of gender lens investments for Latin America and the Caribbean countries is being supported through the Investors for Equality's Initiative, unlocking private capital, and connecting key financial institutions.

This initiative is promoted by UN Women within the framework of "Win-Win: Gender Equality Means Good Business", a three-year programme jointly implemented by the International Labour Organization (ILO) and UN Women, funded by the European Union (EU). Aligned with the 2030 Agenda for Sustainable Development, the overarching objective of the Programme is to contribute to women's economic empowerment, gender equality and women's leadership by recognizing women's active role in growth and development and promoting the commitment of private sector enterprises and employers' organizations. Win-Win collaborates with employer and business membership organisations and their members across six countries including Argentina, Brazil, Chile, Costa Rica, Jamaica and Uruguay.

The UN Women/UN Global Compact-sponsored Women's Empowerment Principles (WEP) are central to the Programme and endorsed by thousands of companies worldwide to guide and promote their gender equality agenda.

About Value for Women

Value for Women (VfW) is a women-led global social enterprise that works closely with partners to design and implement research, technical assistance programs, evaluations, tools and blended capacity-building initiatives in Africa, Asia and Latin America focused on impact investing and the small and medium enterprise (SME) space. VfW helps organisations to advance gender inclusion. We believe that women are key drivers of economic and social growth, and that women's inclusion is essential for better business outcomes. We identify and test new solutions that foster inclusion whilst unlocking the powerful economic potential that women hold. Specifically, we support investors seeking business returns and social impact by providing research and technical advisory support in diverse sectors, such as finance, agriculture and clean energy.



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Executive Summary

This report, written by Value for Women (VFW) in partnership and with the support of UN Women's Win-Win Programme, summarises the findings of a rapid scoping study that was conducted between April 2021 and June 2021 to capture the state-of-the-field of investing with a gender lens in Latin America and the Caribbean (LAC). Through this report, we hope to create a baseline for gender lens investing (GLI) practices in LAC as well as increase GLI uptake across the region's investing ecosystem by sharing promising approaches from first movers.

To that end, the report aims to: (i) characterise gender lens activity in LAC, with a particular focus on venture capital (VC), private equity (PE) and private debt investors; (ii) shine a light on exemplary GLI practices for investors in the region to learn from and follow; and (iii) provide recommendations for **a framework that field builders could utilize going forward to assess funds on the extent to which they have integrated GLI practices.**

The focus on the VC/PE sector is particularly important because gender-lens investing is an untapped opportunity for impact funds and investment managers seeking to allocate capital to scale the most innovative solutions to LAC's challenges. This report highlights that the region is currently in a fast-evolving period for GLI, and many investors have moved from the "why" to the "how" in applying a gender lens in their investment process and activities.

The report summarizes information gathered from 29 surveys with investment fund managers and 15 key informant interviews with investing professionals, GLI experts, members of Development Finance Institutions (DFIs) and entrepreneurial ecosystem actors active in LAC.



Key Trends and Insights

Some of the key trends that emerged from the rapid scoping (detailed in the subsequent sections), include the following:

1. GLI is increasingly prioritised by investors. Yet, there are missed opportunities to set specific targets and recognise intersecting inequalities.

All but two respondents noted either having a gender strategy (59%) or being in the process of developing a gender strategy (34%). In contrast, only 41% had specific targets for women-led businesses in their portfolio.

A small fraction of investors are beginning to address gender inclusion using an intersectional lens. Notably, two funds are addressing how intersecting inequalities can affect black and indigenous peoples or the LGBTQIA+ community and are creating programs and financial products to address the diverse needs of populations experiencing intersecting inequalities.

2. Investment funds are increasingly providing targeted funds or investment vehicles for women-led businesses. Fewer are incorporating a gender lens in their decision-making or supporting portfolio businesses to apply a gender lens.

Almost half of the respondents (48%) note that they provide specific funds or investment vehicles for women-led businesses or to businesses with a gender lens.

A smaller percentage are incorporating gender factors in due diligence (41%) or supporting portfolio businesses in applying a gender lens in their business models (34%).

Additionally, there are growing examples of investment funds, including both experienced and nascent funds, investing in businesses that are promoting gender in the supply chain and providing products and services for women and girls.



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3. Interviewees see women investors and diversity within investment funds as a key ingredient for GLI, yet this is not being realised at the leadership and decision-making levels.

Women investors and business leaders are recognised as being instrumental in expanding GLI, and acting as positive role models and voices in often male-dominated spaces. Despite this, and even though the majority (56%) of the workforce below middle management in investment funds is women, women only comprise 37% of senior decision-making roles. Furthermore, only 34% of investors are taking specific actions to promote women.

Women make up a third (34%) of board/investment committees and just over a third (37%) of C-suite positions among surveyed investment firms, yet this is not reflected in ownership: only 24% are majority-owned by women.

4. More data is needed to build the evidence-base and benchmarks for GLI.

Whilst 90% of investors track data on the gender diversity of investees' leadership teams, only 41% sex-disaggregate data on the end clients or beneficiaries that are impacted by the businesses they support. Regarding the use of this data, only 38% of investors have done a gender analysis of the business performance of their investees, and even fewer have published these analyses.

A standardised tool is also needed to facilitate tracking, measuring and aggregating of GLI. In the absence of a standardised tool, a variety of tools exist that investors can leverage to monitor and measure GLI progress, as well as for investee identification.

5. Funds want more technical assistance and financial resources to be able to conduct GLI.

Whilst 52% of respondents have received gender lens advisory services, the vast majority of those (80%) have only received short-term or one-off training. The top two priorities for investors are to: (i) improve intentionality through the design of gender lens strategies (59%), and (ii) develop specific funds or investment vehicles tailored to women entrepreneurs (38%).



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6. There is a mismatch between investment vehicles available in the market and the financing needs of women-led businesses.

- Many funds tend to focus on the big tickets and 'unicorns', such as technology-backed startups where women are significantly underrepresented. Traditional financial products offered by financial institutions are often too expensive or inaccessible for many women-led SMEs.

- Some investors are recognising this as an opportunity to create innovative financing mechanisms and look beyond the traditional VC vehicles, such as Pro Mujer and Viwala.

7. Thinking outside the box can help build a stronger pipeline of investment-ready, women-led businesses in sectors where women are underrepresented.

- Funds highlighted that they lack a strong pipeline of investment-ready, women-led businesses, particularly in the technology and finance sectors. Business development services that focus on developing founder talent, mentorship, and fostering the next generation of women entrepreneurs and leaders are a promising trend.

- Some funds are extending this to consider other underrepresented groups, such as black and Indigenous peoples, and intersecting inequalities that result in starting on an unlevel playing field.

8. Investors in the region are conscious that GLI is not just a trend, and they want to be intentional and avoid pinkwashing.

- Pinkwashing and the need to go beyond equitable numeric representation of women on boards was repeatedly mentioned as a concern. According to key informants, machismo, privilege, and class structures prevail within both funds and businesses, and hinder systemic change.

- Most investment funds are taking some form of action to promote gender diversity within the firm, but there is still a long road ahead.



Recommendations

Investors need to understand their starting point on GLI. This can be done by assessing how they comply with the 2x Challenge - ensuring that the 2x Challenge is the floor not the ceiling - and from there, looking at GLI in the full investment process. Next, making a public commitment, such as signing the Women's Empowerment Principles, and backing it up with a specific strategy and targets is an important step that not only allows companies to showcase their commitment, but can also serve as a powerful launchpad for action. Finally, investors should get started and experiment! This can take the form of allocating capital to women-led and gender-forward businesses, applying a gender lens across the investment process or advancing gender diversity in the investment firm. Throughout this process, there is a need for funds to cultivate a deeper understanding of intersecting inequalities and adopt a broader definition of diversity, equity and inclusion.

Field Builders have a critical role to play in incentivising change in LAC. A key element is developing categorisation of gender lens investments to clearly assess intentionality and action (a recommended framework is included in the Recommendations section of this report). Additionally, field builders can foster transparency and better data collection and use for investment decision-making by making more gender data publicly available, in turn encouraging investors' own transparency about their GLI actions and outcomes. Finally, field builders can create incentives for GLI in LAC, from developing new blended finance and risk sharing mechanisms to recognising GLI leaders in the region and supporting first-time women fund managers.



Foreword

While we have made progress towards gender equality, no country has yet achieved it 100%. 2021 has been a particularly challenging year for women with the COVID-19 pandemic setting us back on the path of achieving gender equality, and threatening to erase the significant gains we have made.

Gender inequality is a pressing moral and social problem, but also an economic challenge. If women - who represent half of the world's working-age population - do not reach their full economic potential, the global economy will suffer.

The gender wage gap is well-known: women earn about 80 cents for every dollar earned by men. Lesser known is the gender gap in investment.

According to the International Finance Corporation, in 2019, only 7% of private equity and venture capital investment in emerging markets went to women-led companies, and just 11% of investment professionals in emerging markets private equity and venture capital were women.

However, women-founded companies generate more than twice as much return per dollar as companies founded by men. Investing in women is a powerful answer to making us better off, building us back better, and setting a direct path to poverty eradication and inclusive economic growth.

Women have transformative power, and they need access to large amounts of capital to achieve their full potential. That is why we firmly believe that investing in women is a fundamental ethical imperative and an excellent commercial opportunity.

I hope that this study, which presents important benchmarks and good practices, will support investment funds and their managers in incorporating a gender perspective in their investment decisions and their engagement with companies to implement it. Only by including women can we achieve economic recovery, and inclusive and sustainable development.

Maria Noel Vaeza

UN Women Regional Director for the Americas and the Caribbean



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INTRODUCTION



Introduction

Why did we write this report?

This report was written by Value for Women (VFW) in partnership and with the support of UN Women's Win-Win Programme and summarizes the findings of a rapid scoping study that was conducted between April 2021 and June 2021 to capture the state-of-the-field in Latin America and the Caribbean (LAC) of investing with a gender lens. In particular, the report focuses on understanding what venture capital (VC), private equity (PE), and private debt investors in the region are doing to invest with a gender lens. We look at gender lens investing through three entry points: (i) providing capital to women-led and gender-forward businesses, (ii) applying a gender lens across the investment process, and (iii) advancing gender diversity in the investment firm.

Through this report, **we hope to create a baseline** for gender lens investing (GLI) practices **in the region and promising approaches** that will increase the uptake of strategies across the investing ecosystem in LAC. To that end, the report aims to: (i) characterize gender lens activity in the LAC region, (ii) shine a light on exemplary GLI practices for investors in the region to learn from and follow, and (iii) provide recommendations for a framework that **field builders could utilise going forward to assess funds on the extent to which they have integrated GLI practices.**

This report summarises information gathered from investment funds and entrepreneurial ecosystem stakeholders in LAC. It includes information from 29 surveys and key informant interviews (KIIs) with 15 investing professionals, GLI experts, members of Development Finance Institutions (DFIs) and entrepreneurial ecosystem actors. The focus on the VC/PE sector is important because gender equality should be front and center for those seeking to allocate capital to scale the most innovative solutions in LAC for the future. This report highlights that many investors in LAC have moved from the “why” to the “how” in applying a gender lens in their investment process and activities.

Objectives

The objectives of this report are to:

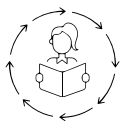


Raise awareness of key players in GLI landscape particularly those using gender lens impact indicators and measuring profitability;



Recognise investment funds that have made internal and external changes as a commitment to gender equality;





Develop a methodology for ranking/comparing investor gender lens practices, and support investors in understanding how companies in their portfolios are performing on WEPs-related issues.

The report is organised as follows: the initial sections provide an overview of the GLI landscape in LAC and summarize the findings from the analysis of the companies, including good practices and exemplary case studies, challenges and learnings. The final section provides recommendations for organisations seeking to strengthen the GLI ecosystem in LAC and for investors.

Key Research Questions

1) GLI adoption: To what extent have public and private funds in Latin America and the Caribbean adopted gender lens investing practices?

a) What are the strategies they have employed to promote gender equality?

2) GLI leaders: Who are the leaders in gender lens investing in the region, and what have they accomplished and learned in the process?

3) Challenges:

- a) For funds that have started their gender lens investing journey, what do they need to deepen their work? What actions should they prioritise?
- b) For funds not yet on their gender lens investing journey, what do they see as the challenges or barriers to getting started?

4) Recognition: Moving forward, what is the best framework and methodology for grading public and private funds on their progress in gender lens investing?

Target audience

The report targets the following key audiences, particularly in LAC:

1. Investors - both General Partners (GPs) and Limited Partners (LPs)
2. DFIs and international and multilateral agencies
3. Entrepreneurial Intermediaries seeking to promote gender equality
4. Organisations and women's business groups seeking to promote gender equality.



That said, the report provides insightful learnings and inspiring practices for stakeholders around the globe. It serves as a tool to raise awareness of GLI practices and foster peer- to- peer learning for other regions.

Methodology

To achieve research objectives, Value for Women conducted primary and secondary research. Primary data research tools encompassed an investor survey and key informant interviews. Secondary research included conducting a desk review.

Investor Survey

The **investor survey** used the Value for Women [Gender Smart Nexus](#), a comprehensive instrument for assessing funds' GLI actions across three entry points for GLI. These dimensions include:

- 1) Investing activity and capital allocation;
- 2) Investing process and further engagement with investees including technical assistance (pre and post investment);
- 3) Activities to promote gender equality within the investing firm.

Specifically, the survey yields data facilitating assessment of the funds' activities to date, strengths and gaps related to GLI. To promote participation, the investor survey was disseminated through various investor networks and in partnership with UN Women, the Inter-American Development Bank (IDB), Aspen Network of Development Entrepreneurs (ANDE) and other regional and country-specific partners. The survey was directly distributed to 71 fund managers, angel networks and investors, as well as nine investor and social entrepreneurship networks. A total of 29 fund managers completed the survey. Investors received individualised reports of their performance.

Key Informant Interviews

To complement and nuance the findings of the investor survey, Value for Women conducted 15 **key informant interviews** with fund managers and gender lens investing experts.

Desk Research

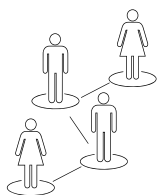
Value for Women carried out desk research, consisting of a comprehensive review of secondary sources in order to map the state of gender lens investing in Latin America and the Caribbean, with an emphasis on the Win-Win target countries



(Argentina, Brazil, Chile, Costa Rica, Jamaica and Uruguay). This involved reviewing Value for Women's 2019 report Impact Investing with a Gender Lens in Latin America and the sources used therein, in addition to identifying additional relevant activities and publications (both those focused on Latin America as well as global landscapes that feature Latin American examples), such as recent reports from Project Sage, IDB Invest, Gender Smart Summit and the International Finance Corporation (IFC).

Methodological Challenges, Constraints and Limitations

The study experienced a number of challenges, primarily related to dissemination and to the response rate. The survey was disseminated to almost 80 funds, investment networks, DFIs and capacity developers. Furthermore, the survey was promoted on social media platforms and through newsletters and emails disseminated through investment networks. The survey reached 29 funds, which fulfilled the sample criteria. Whilst this is not exhaustive of investors deploying GLI practices in LAC, the study aims to track progress achieved within the sample. That said, the study has limitations including that a notable number of the responding funds are “gender aware” and have made particular progress in their GLI journey. As such, results may be skewed in that sense and may not be as representative of the broad investing ecosystem in LAC. To mitigate or counterbalance that, the Value for Women team aimed to nuance findings through the insights gained from the KIIs and further high-level secondary data analysis of a broader sample of 17 leading funds that did not answer the survey.



Key Demographics from Respondent Sample

Of the 29 investment funds that participated in the survey:

- 83% have less than 50 employees and 32% have 9 or less.
- 48% have a woman CEO.
- Of those that revealed their Assets under Management (AUM), their average was US\$271 million, the minimum was US\$100K and the maximum was US\$3.5 billion.
- Excluding one outlier respondent with over 200,000 investees, the average number of companies in funds' portfolio was 79 companies, with a median of 18.5 companies.
- Half of the respondents shared the gender breakdown of their investment portfolios (52%) and of this sample, the average of women-led businesses was 53% - significantly higher than the average for the region.
- Funds and other ecosystem actors were headquartered in Bolivia, Brazil, Colombia, Ecuador, Guatemala, Mexico and Peru, as well as the United States and Europe.



Key Definitions

Women-led business definition

There are several definitions for women-led and women-owned businesses that are employed by international financial institutions and investors. However, defining a women-led business is difficult when dealing with small firms with multiple owners or decision-makers. Generally speaking, “women-owned” is used in literature and by international organisations to refer to firms where 50% or more of total share ownership belongs to women, whilst “women-led” is used for firms with women in key decision-making positions such as Chief Executive Officer (CEO), President or General Manager.¹

For the purposes of this report and in alignment with 2x Challenge criteria, Value for Women is defining a women-led business as one where at least one of the following is true:

51% of the entity is owned by one or more women; AND/OR the business is founded by a woman; OR the share of women in senior management is at least 20-30% (depending on the sector); OR women make up at least 30% of the Board or Investment Committee.

Gender-Forward business definition

Value for Women defines a “gender-forward business” as one that intentionally seeks to: 1) rectify gender inequalities by providing products and services that close gender gaps or meet the needs of women and/or girls; 2) Support gender diversity through internal policies and practices in the workforce; and 3) Strengthen inclusion and diversity across the value chain. According to this definition, a gender-forward business must have gender lens intentionality and meet at least one of the following criterion:

- The business has a mission or objective explicitly focused on promoting women’s well-being and/or gender equality (gender transformative); AND/OR
- The business has an explicit strategy targeting women, girls or gender equality.

Investor definition

Investors sampled for the purposes of this report are defined as investment fund managers and investing firms that a) make direct investments in companies, b) are actively investing in Latin America and the Caribbean; and c) invest a minimum of US\$25,000 in any one company using diverse instruments such as debt, equity, quasi-equity, guarantees or other instruments.² This narrowed definition enables us to focus on specific segments of the investing industry, employing a deeper dive on a subset of Investors. This study purposely excluded surveying traditional microfinance institutions, those principally investing in microenterprises (typically loan sizes under US\$2,000), organisations investing in project finance, and direct investments made by DFIs.

¹Piras, C., Presbitero, A., & Rabellotti, R. (2013). *Definitions Matter: Measuring Gender Gaps in Firms Access to Credit*. Washington, DC: Inter-American Development Bank.

² Loosely based on definitions from ANDE included in: ANDE and LAVCA. (2016). *The Impact Investing*.





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What Is Gender Lens Investing?

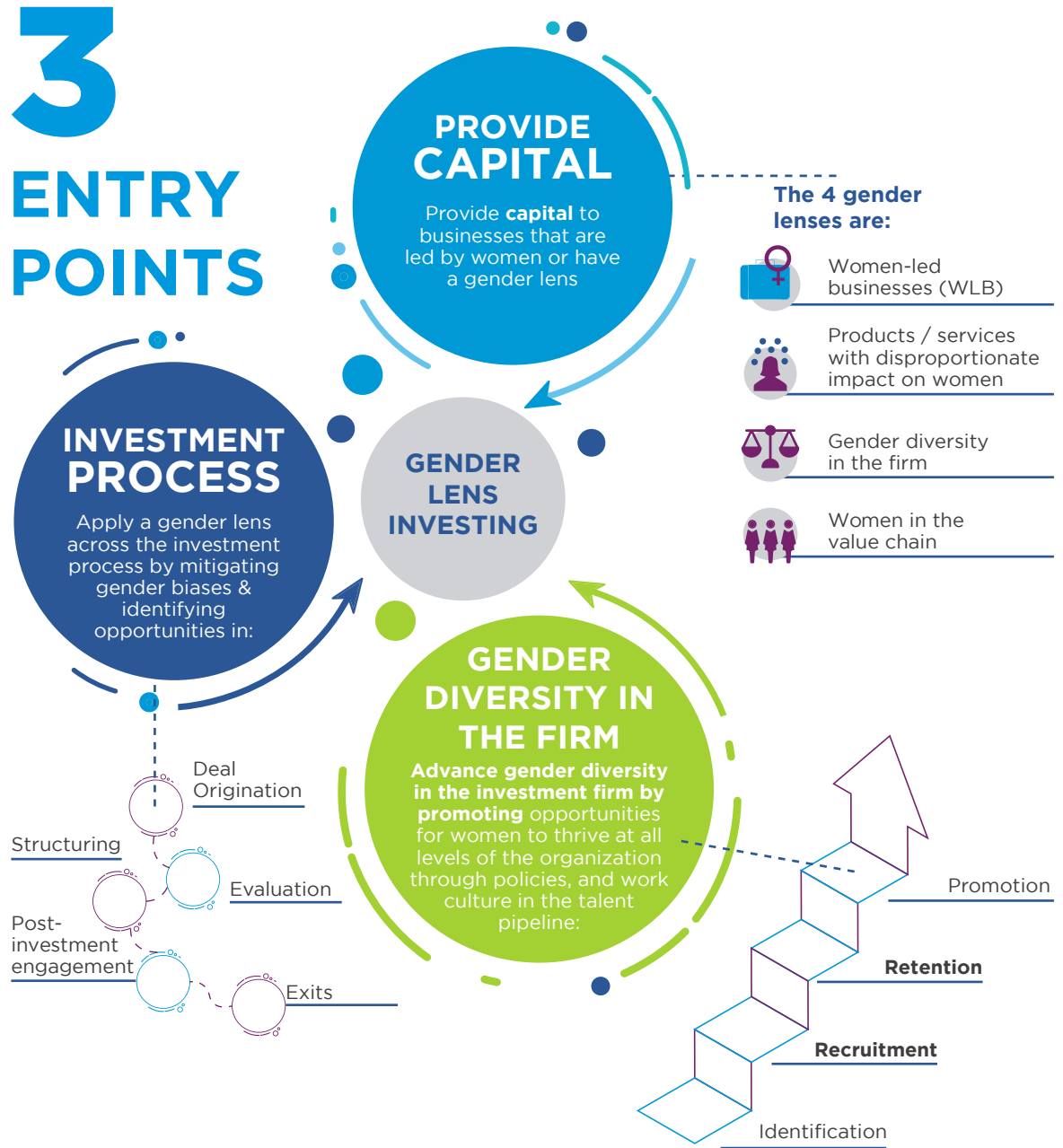
Gender lens investing is the deliberate incorporation of gender factors into investment analysis and decisions to improve social and business outcomes. More specifically, gender lens investing refers to the actions and processes that investors develop to intentionally invest in businesses and/or solutions that are: (i) led by women, (ii) provide products and services that intentionally seek to close gender gaps, or that are designed to meet the specific needs of women or girls, (iii) promote workplace equity by having internal policies and practices promoting gender diversity within the workforce, as well as strengthening the way business models reflect inclusion and diversity across operations, and/or (iv) provide specific support and opportunities for women and women-led businesses (WLBs) in their value chain (e.g. women sales agents, distributors and suppliers).³ The process of investing with a gender lens requires investment funds and firms to look internally, at their capacity to both invest with a gender lens and promote gender diversity within their own workforce, as well as externally, at how they can apply a gender lens to their investment decision making.

The Value for Women Gender Lens Investing Framework encapsulates the definition outlined above into three entry points for investors, outlined in Figure 1. Because there is no “one-size-fits-all” approach, investors can use these actions as a reference and adopt all or a hybrid depending on their starting points, motivations and objectives. Further to that, investors can add more elements incrementally to steadily increase their gender inclusion practices and gender impacts.

³ This definition can be found in the following resource: Value for Women (2020). “How to Invest with a Gender Lens.” Available at: <https://v4w.org/resource/impact-investing-with-a-gender-lens-a-how-to-guide-for-investors/>



Figure 1: Gender Lens Investing Framework⁴



⁴ For more information see: Value for Women (2020), "How to Invest with a Gender Lens" at: <https://v4w.org/resource/impact-investing-with-a-gender-lens-a-how-to-guide-for-investors/>

The Opportunity: Why Invest With a Gender Lens?

Gender Lens Investing Is Smart Investing

Businesses with more women in leadership show higher returns.⁵ A study by the IFC found that on average, **gender diverse firms in emerging markets, such as LAC, had a 13% higher internal rate of return (IRR) relative to the median.**⁶ Further, a study by Calvert Impact Capital with more than 160 borrowers from around the world found that on average, over 11 years, companies with the highest percentages of women in leadership positions (WLP) outperformed companies with the lowest percentages of WLP, as measured by Return on Sales (ROS), Return on Assets (ROA), and Return on Equity (ROE) ratios.⁷ Specifically, the study found that companies in the top quartile of WLP had 18.1% ROS, 3.9% ROA and 8.6% ROE compared to -1.09%, 0.3% and 4.4% respectively for companies in the bottom quartile of WLP.⁸

Gender diverse workforces improve business performance. Global evidence shows how gender diversity in the workplace across all levels and departments improves business performance and value as seen through a range of metrics, including: increased productivity and innovation, better decision-making, and higher employee satisfaction and retention.⁹ Gender-balanced teams (defined as having a male-to-female ratio of between 40% and 60%) can improve business metrics like employee engagement, brand awareness and client retention.¹⁰

⁵ See for example: Kumbuli, N., Moran, L., Pryce, J. (2018). *Just Good Investing: Why gender matters to your portfolio and what you can do about it*. Calvert Impact Capital.

⁶ International Finance Corporation (2019). *Moving Toward Gender Balance in Private Equity and Venture Capital*.

⁷ Kumbuli, N., Moran, L., Pryce, J. (2018). *Just good investing: Why gender matters to your portfolio and what you can do about it*. Calvert Impact Capital.

⁸ Kumbuli, N., Moran, L., Pryce, J. (2018). *Just good investing: Why gender matters to your portfolio and what you can do about it*. Calvert Impact Capital.

⁹ Morgan Stanley. (2016). *A Framework for Gender Diversity in the Workplace. and Putting Gender Diversity to Work*.

¹⁰ See for example: Woolley, A. et al. (2010). *Evidence from a Collective Intelligence Factor in the Performance of Human Groups*. *Science* 330.6004 (2010): 686-688. Available at: <http://science.sciencemag.org/content/330/6004/686.long>; Sodexo (2018). *Sodexo's Gender Balance Study 2018: Expanded outcomes over five years*. Sodexo Operations, LLC. Available at: https://www.sodexo.com/files/live/sites/sdxcom-global/files/PDF/Media/2018_Gender-Balance-Study_EN.pdf



Solutions That Solve Challenges That Disproportionately Impact Women Also Present an Important Investment Opportunity in the Region

Providing financial products and services to meet the needs of women in LAC is a billion-dollar opportunity. Access to finance continues to be a major constraint to micro, small and medium enterprise (MSME) growth, with the total credit gap for women-led MSMEs in LAC totalling US\$93 billion.¹¹ Closing the credit gap will help businesses and economies grow, whilst allowing impact investors to capitalise on this significant market opportunity.

Femtech, the term used to describe solutions for the health and wellness needs of women through technology,¹² represents an innovative and growing space to improve women's health outcomes and grow businesses serving their needs. According to Pitchbook, funds flowing into the global femtech sector in 2013 were around US\$100 million, and in 2019 had increased to US\$592 million.¹³ Developing and funding femtech, such as solutions that improve access to sexual and reproductive health services, and reduce the costs of sanitary products, has the potential to additionally impact other aspects of women's health and wellbeing.

The care economy presents a huge opportunity for investors and businesses that seek to redress market inefficiencies and gender inequalities related to paid and unpaid work linked to caring for children and adults. A recent study of seven emerging market economies demonstrated the size of the significant economic impacts of investing in the care sector. The study by the International Trade Union Confederation found that if 2% of GDP were invested in either the health or care sectors, it would generate increases in overall employment ranging from 1.2% to 3.2%, depending on the country, and would mean nearly 4.2 million new jobs would be created in Brazil and 63,000 in Costa Rica.¹⁴ Some investors and businesses are already creating business models that redress market inefficiencies in the care economy in particular.

¹¹ SME Finance Forum. MSME Finance Gap Database. Accessed: January 27, 2020. Available at: <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

¹² Definition adapted from the Cambridge Dictionary and Jaramillo, E. (2019). *Femtech in 2019: 13 Trends and Highlights in Women's Health Technology*. Forbes.

¹³ Olsen, D. (2018). *This year is setting records for femtech funding*. Pitchbook.

¹⁴ De Henau, J., Himmelweit, S. and Perrons, D. (2017). *Investing in the Care Economy – Simulating employment effects by gender in countries in emerging economies*. International Trade Union Confederation.



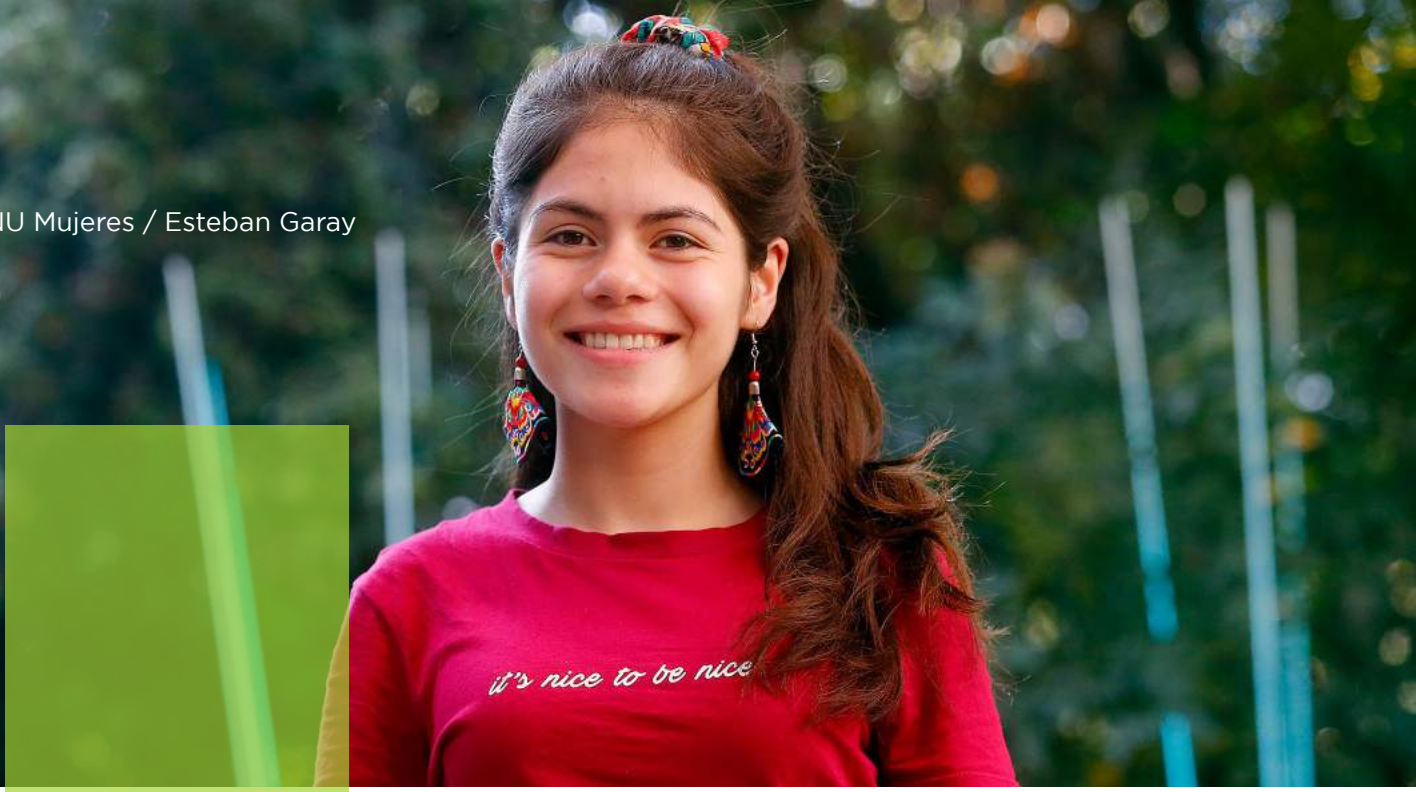
CATALYSING EQUALITY

As the nature of work changes, women in LAC stand to lose more jobs than men and are more vulnerable to economic shock. Globally, women are likely to be disproportionately impacted by disruptions in declining jobs, such as administrative and service roles. According to the World Economic Forum (WEF), in the lead up to 2022, an estimated 75 million jobs might be lost and 133 million gained in some of the largest advanced and emerging markets. As the nature of jobs changes, women stand to lose five jobs for every job gained globally, compared to three jobs lost for every one gained for men overall¹⁵, with gender gaps likely to widen over time if current trends prevail. This presents an opportunity for investors seeking to invest in solutions that upskill women in order meet the skills shortages of the future.

To that end, **targeting women entrepreneurs with scalable, high-growth, innovative businesses that often lack sufficient financing remains a largely untapped opportunity.**

¹⁵ World Economic Forum (2017). *Accelerating Gender Parity in the Fourth Industrial Revolution: An Agenda for Leaders to Shape the Future of Education, Gender and Work*. WEF. Available at: http://www3.weforum.org/docs/WEF_EGW_White_Paper_Gender_Parity_4IR.pdf





The Challenge: Catalysing Growth of Gender Lens Investing in LAC

Significant Progress On Gender Lens Investing in LAC in Providing Microfinance and, Increasingly, Credit for Women-Led SMEs Can Provide a Foundation for New Investment Opportunities

In LAC, the microfinance industry, which primarily provides financial services to women, is highly mature and there are a number of players that have been providing financial solutions for women for decades, such as Pro Mujer, Compartamos Banco, Banco Sol and others. These actors are increasingly moving beyond providing just credit solutions to offering a host of financial solutions from savings to insurance, and more and more are going digital.



CATALYSING EQUALITY

There is significant traction in LAC around developing value propositions for the missing middle - women-led SMEs. Of the 52 global members of the Financial Alliance for Women, a network of financial organisations dedicated to championing the female economy, 16 (31%) are based in LAC.¹⁶ Banks like BhD Leon (Dominican Republic), Banco Estado (Chile), Itau Unibanco (Brazil) and G&T Continental (Guatemala) are leading the way in this regard, backed by multilateral development banks (MDBs) such as the IFC and IDB Invest. For example, through advisory services and by investing in financial intermediaries, the IDB Invest Women Entrepreneurship Banking (weB) programme promotes access to financial and non-financial services for women-led businesses in LAC, including training, networking and mentorship. With US\$800 million in investments and US\$5 million in technical assistance, as of 2019, the programme had successfully supported 20 banks in 12 countries in developing and marketing products and services for women-led businesses.¹⁷ Similarly, as of 2018, the IFC's Banking on Women programme had supported 10 investment projects for financial institutions in the region worth US\$685 million and provided advisory services to multiple clients.¹⁸

Institutional investors and MDBs are also incentivising the flow of capital to women-led MSMEs through gender bonds. As a subcategory of social bonds, gender bonds are an emerging vehicle for companies committed to reducing gender inequality. The proceeds go into one of the three tiers of gender lens investing mentioned earlier, supporting women-led companies, companies that promote gender equality in the workplace or companies that develop products and services targeting women.¹⁹ For example, since 2019, IDB Invest has structured and subscribed the issuance of four bonds of this type. Banistmo in Panama in 2019 was the first in Latin America followed by Davivienda and Banco W in Colombia, and Caja Arequipa in Peru in 2020.²⁰

¹⁶ Value for Women assessment of publicly available data from: Financial Alliance for Women (2021). Our Members. Accessed June 12, 2021. Available at: <https://financialallianceforwomen.org/members/>

¹⁷ IDB Invest (2019): *Gender Lens Investing: How Finance Can Accelerate Gender Equality in Latin America and the Caribbean*, available at: <https://www.idbinvest.org/en/publications/report-gender-lens-investing-how-finance-can-accelerate-gender-equality-latin-america>

¹⁸ IFC (2018). Banks' Focus on Women in Latin America Boosts Business for All. Available at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/banking-on-women-lac#:text=Across%20Latin%20America%20and%20the,of%20%24685%20million%20of%20investment

¹⁹ Financial Alliance for Women (2019). *The Growing Power of Gender Lens Investment*. Available at: <https://financialallianceforwomen.org/news-events/the-growing-power-of-gender-lens-investment/>

²⁰ IDB Invest (2021). *IDB Invest Issues First Gender Bond to Finance Projects Supporting Women in Latin America & the Caribbean*. Available at: <https://idbinvest.org/en/news-media/idb-invest-issues-first-gender-bond-finance-projects-supporting-women-latin-america>



In the FinTech space, there seem to be more women leading in LAC than in other global regions, pointing to the possibility of more gender diversity in the near future. A study by the IDB found that around 35% of FinTech companies in Latin America have one woman founder on the founding team. This number is above the 7% global average for women's participation in FinTech founding teams. Most of the companies with women founders are in Brazil, Colombia and Mexico.²¹

In the Venture Capital, Private Equity and Impact Investing Field, Gender Lens Investing Is Growing, but Still Small

Private market investments including seed capital, PE funds and VC are witnessing exponential growth in the LAC region, notably in Brazil, Mexico and Colombia. In 2017, VC investments surpassed US\$1 billion in Latin America.²² In 2020, VC deals reached a record number of 488 deals amounting to US\$4.1 billion, in spite of the COVID-19 pandemic.²³

Gender lens investing in LAC is modest but growth has accelerated significantly in the last few years. A global analysis of VC and PE funds by Project Sage 3.0 found that prior to 2018, there were no funds tracked with a gender mandate whilst in 2019, there were approximately 22 funds in LAC deploying capital with a gender lens.²⁴

Beyond investing in women-led businesses, there is also a need for the field to apply intersectional gender lenses for black, indigenous and LGBTQIA+ entrepreneurs and investors. Indigenous and Afro-descendants make up a significant portion of the population in Latin America. In Brazil, Colombia, Ecuador, Panama, Peru and Uruguay combined, Afro-descendants represent 38% of the total population.²⁵ Further, Indigenous peoples represent 8% of the total population of Latin America but more than 40% of the population in countries like Bolivia

²¹ IADB (2018). *FINTECH Latin America 2018*. Available at: <https://publications.iadb.org/publications/english/document/Fintech-Latin-America-2018-Growth-and-Consolidation-final.pdf>

²² IDB Invest (2019). *Gender Lens Investing: How Finance Can Accelerate Gender Equality in Latin America and the Caribbean*. Available at: <https://news.crunchbase.com/news/with-brazil-lea-ding-the-way-vc-investment-in-latin-america-has-mo-re-than-doubled/>

²³ Bloomberg (2021). *Latin American Startups Had Record Venture Capital Deals in 2020*. Available at: <https://www.bloomberg.com/news/articles/2021-03-16/latin-american-startups-had-record-venture-capital-deals-in-2020>

²⁴ Biegel, S. and Hunt, Sandi M. (2020). *Project Sage 3.0: Tracking Venture Capital, Private Equity and Private Debt with a Gender Lens*. The Wharton Social Impact Initiative and Catalyst at Large.

²⁵ Freire, G.; Diaz-Bonilla, C.; Schwartz Orellana, S.; Soler Lopez, J.; Carbonari, F. (2018). *Afrodescendientes en Latinoamérica: Hacia un marco de inclusión* [Afro-descendants in Latin America: Towards a Framework of Inclusion]. World Bank, Washington, DC.



and Guatemala.²⁶ Yet, based on anecdotal data, both these groups represent a small fraction of businesses receiving investment in the region. Whilst data on LGBTQIA+ populations and VC is scarce both globally and in LAC specifically, in the United States, according to Backstage Capital, only 1% of deals go in favour of LGBTQIA+ founders.²⁷

There Is a Significant Investment Opportunity in Women-Led Businesses...

Only 6% of total VC and PE deals and 5% of funding in LAC go to WLBs. Additionally, the median VC and PE funding received by WLBs in LAC is US\$0.5 million compared to US\$12 million for businesses led by men.²⁸ Closing the credit gap will help businesses and economies grow, whilst allowing impact investors to capitalise on this significant market opportunity.

...and in Gender-Forward Businesses

A 2019 study by Value for Women found that **only 11% of social enterprises that were part of impact investing portfolios in LAC had as their main objective to achieve social impact with a gender lens.**²⁹ Whilst few, these enterprises seek to close gender gaps, empower women or redress social issues that disproportionately impact women. Specifically, they work to redress market failures in domestic services, women's health and job intermediation services.

Yet, if women are not at the decision-making table then current gender gaps may continue

There are very few women in VC and PE investment decision-making in LAC. The percentage of VC/PE companies with gender-balanced senior leadership teams amounts to 20% in the region.³⁰ In Mexico, a study by the Mexican

²⁶ World Bank Group (2015). *Indigenous Latin America in the Twenty-First Century: The First Decade*. World Bank. Available at: <https://openknowledge.worldbank.org/handle/10986/23751>

²⁷ Graham, Jack (2020). Out in tech: *LGBT+ entrepreneurs struggle for funding*. Reuters. March 25, 2020. Available at: <https://www.reuters.com/article/us-tech-rights-funding/out-in-tech-lgbt-entrepreneurs-struggle-for-funding-idUSKBN21C330>

²⁸ International Finance Corporation (2019). *Moving Toward Gender Balance in Private Equity and Venture Capital*.

²⁹ Value for Women (2019). *A Landscape Report: Impact Investing with a Gender Lens in Latin America*. For the purpose of this report, the enterprises with gender inclusive business models have at least one of the following characteristics: 1) mission/vision mention gender equality, 2) have a public commitment to promote gender equality, 3) services or/and products disproportionately impact women. This data was gathered from publicly available data from investor and investee websites as well as through the Crunchbase and Pitchbook databases.

³⁰ International Finance Corporation (2019). *Moving Toward Gender Balance in Private Equity and Venture Capital*.



Association of Private Equity (AMEXCAP) found that 22% of member investment funds did not have any women in their investment teams and 76% of funds did not have any women senior investment professionals. Further, only 9% of investment professionals in the industry in Mexico were women.³¹

Key Trends: How Are Investors Investing With a Gender Lens?

The following is an analysis of key GLI trends in LAC, identified through the 29 investor surveys analysed. Value for Women acknowledges that the trends represent a subset of investors interested in or active in promoting GLI, effectively providing an illustrative sample of first movers and what they are doing at this moment in time. Yet, the evidence gathered both from respondents and the expanded sample demonstrates that there are still ample opportunities for investors to invest in women-led and/or gender-forward businesses, redress gender biases in decision-making, and take steps to improve the gender diversity of investment teams (Please see In Focus: *Identifying Gender Commitments From Expanded Sample of Leading VC/PE Funds in LAC* below). Additionally, by over-representing GLI leaders, the respondent sample of investors spotlights where the GLI landscape in LAC has evolved to today and shines a light on what GLI means in the LAC region specifically.

Gender Lens Investing Commitment and Strategy

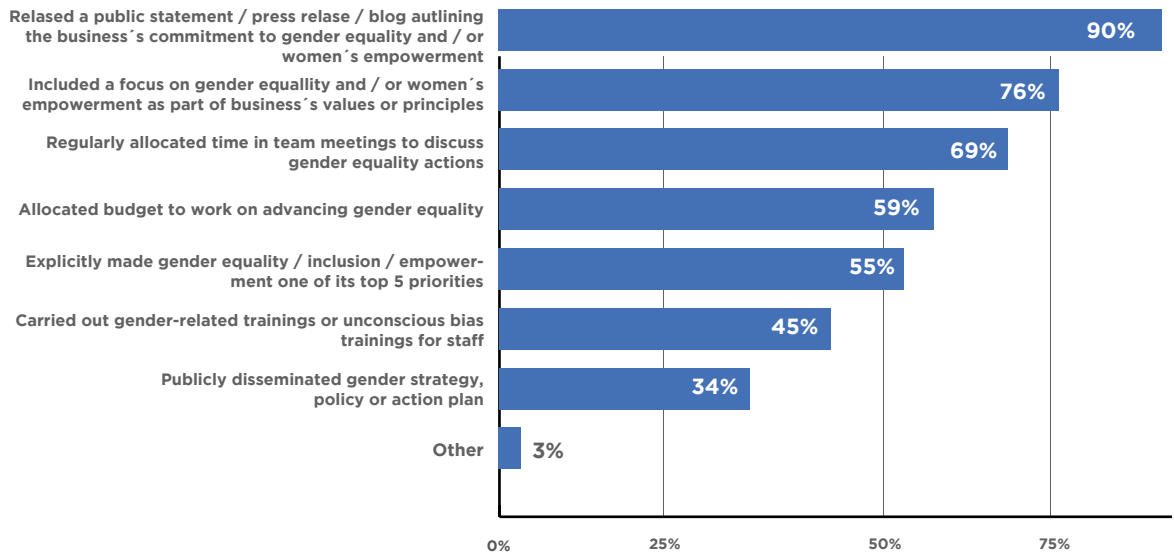
Gender lens investing is increasingly prioritised by investors and not relegated to secondary status. Figure 2 notes how responding investors are taking different actions to implement and prioritise a gender lens in their organisations. Among respondents, 76% have incorporated gender equality or women's empowerment as part of their core values or principles, and 55% have made gender one of their top 5 priorities. Further, 59% allocate a budget to reflect on and invest in advancing gender equality. Not only are investors backing up their gender priorities with appropriate allocations in their budget, but they are also taking actions such as regularly allocating time in team meetings to these issues (69%) and conducting gender-related capacity building (45%). With that said, key informant interviews and desk research show that the budget and resources allocated to gender varies within this group of investors.

³¹ AMEXCAP (2020). Estudio de diversidad e inclusión en capital privado [Study on Diversity and Inclusion in Private Equity]. Available at: <https://amexcap.com/wp-content/uploads/2021/02/EDIC-AMEXCAP.pdf>



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Figure 2: Measures taken to advance gender equality or women's empowerment



N=29. Please indicate if your organisation's leadership has taken any of these measures related to advancing gender equality and/or women's empowerment. (Check all that apply)

Investors are committing publicly and developing strategies to invest with a gender lens but fewer have specific targets. All but two respondents noted having either a gender strategy (59%) or being in the process of developing a gender strategy (34%). Similarly, all but three respondents noted that they had published statements, blogs or press releases outlining these commitments. Despite this, less than half (41%) have specific targets for the number of women-led businesses in their portfolio.

In Focus: Identifying Gender Commitments From Expanded Sample of Leading VC/PE Funds in LAC

Whilst some GLI investors in the region may not have answered our survey, our hypothesis is that the fund managers and investors that are active in LAC and did not respond are likely not as aware of gender lens investing, and hence taking less action on this front. To validate this hypothesis, the study team created an “expanded sample” of investors in LAC that included the survey respondents and an additional 17 top fund managers in VC/PE in the region. Of these 17 investors, only two had explicit commitments or initiatives on gender lens investing publicly available (one of these was NXTP Labs, a leading gender lens investor in the region). Using publicly available data and survey responses for the expanded sample of 46 investors, the following key insights were gathered:

- **37% of the expanded sample investors were taking some sort of action** to promote a gender lens in their investments or workforce;
- **30% of the expanded sample are applying a gender lens** in the investment process;
- Women are **underrepresented in senior investment and management roles**, particularly as partners.

Providing Capital With a Gender Lens

Just under half of the respondents noted that they provide specific funds or investment vehicles for women-led businesses or to businesses with a gender lens (See Figure 3). This does not mean that other respondents or investors in the region are not providing financing for women-led businesses or businesses with a gender lens, but they may not have specific funds to do so.

All survey respondents adhere to the 2X Challenge (Please see In Focus: The 2x Challenge below). Of respondents, 72% are women-led or women-owned, using 2x Challenge categories, however this hides significant differences: 48% of investee businesses have a woman CEO whilst only 24% are owned by a majority of women (51% or more).



In Focus: The 2x Challenge

The 2X Challenge is a global commitment from the G7’s DFIs and other DFIs to collectively mobilize US\$3 billion. These investment commitments aim to provide women in emerging markets with improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access.

This initiative defines a women-led business as follows:
 51% of the entity is owned by one or more women; AND/OR the business is founded by a woman;
 OR the share of women in senior management is at least 20-30% (depending on the sector); OR women make up at least 30% of the Board or Investment Committee.

Additionally, the following criteria are considered to verify if an organisation is aligned with the 2X Challenge:

Entrepreneurship	
1A	Share of women ownership is 51%+
1B	Business founded by a woman (Yes/No)
Leadership	
2A	Share of women in senior management is 20-30%+
2B	Share of women on the Board or IC is 30%+ 2x Challenge thresholds for sectors are: Low: Infrastructure, Power, Telecoms (>20%); Medium: Financial Services, Manufacturing, Agribusiness & Food, Professional Services, Consumer Services (>25%); High: Healthcare and Education (>30%)
Employment	
3A	Share of women in the workforce is 30-50%+
3B	One ‘quality’ indicator beyond compliance (Yes/No) “Quality” indicator beyond compliance is a policy or program, beyond those required for compliance, addressing barriers to women’s quality employment (e.g. wage inequity, lack of child care, discrimination / harassment), with evidence of implementation or a commitment to implement.
Consumption	
4	Product or service specifically or disproportionately benefits women

In Focus: Innovating Through New Financial Models for Women-Led Businesses To Thrive - Pro Mujer

With broad geographic reach in LAC and over 30 years of experience, Pro Mujer is constantly evolving its work on GLI. The organization takes an integrated approach to reach women entrepreneurs in all aspects of their lives, including holistic services that improve education, healthcare, training, safety and belonging, and to date has trained more than 101,000 women entrepreneurs. In recent years, Pro Mujer has leveraged this experience to design financial products with a gender lens for early stage SMEs.

Pro Mujer recognizes the need to challenge the status quo and test new financial products. As Maria Cavalcanti (CEO, Pro Mujer) explained, “We need to have innovative mechanisms being funded. We get a lot of feedback from DFIs that this is great, but no one wants to take that risk, so Pro Mujer will take that risk.”

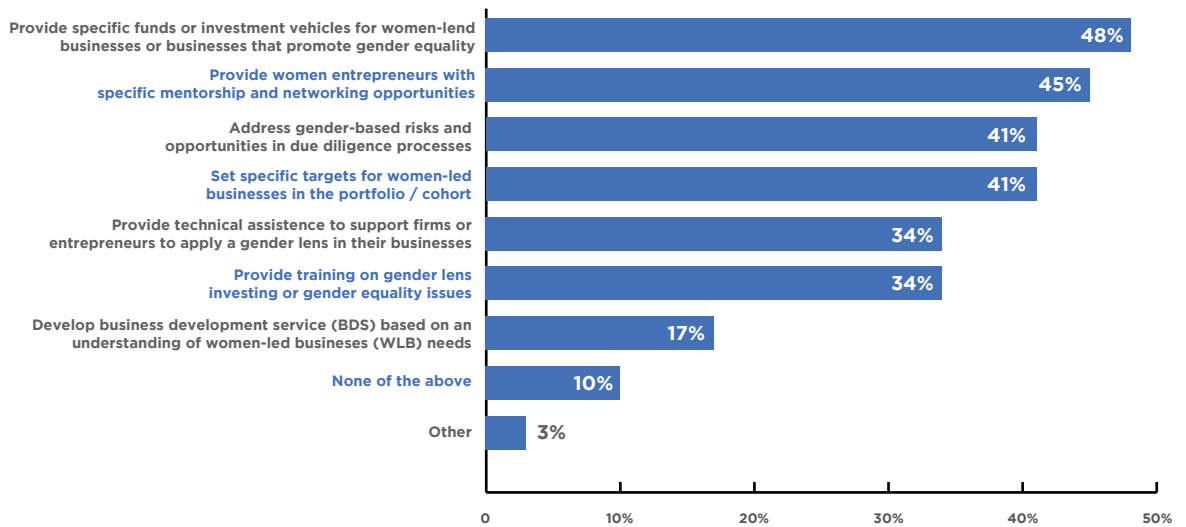
Harnessing this extensive experience, Pro Mujer is now moving to become a catalytic investor in LAC and to home in on the missing middle. To achieve this, Pro Mujer has partnered with Deetken Impact to create the ILU Women’s Empowerment Fund. Originally setting out to raise US\$25M, the ILU Fund has now surpassed this target at US\$30M, and is set to raise more. This fund takes an intentional approach to applying multiple gender lenses and ensures that investee companies demonstrate a commitment to these as a criterion of receiving capital. Thus far, the ILU fund has reached 22 companies and is working with these companies to apply a gender lens across products and services, internal operations and policies, and their own value chain.

Pro Mujer is also exploring what additional investment vehicles they can employ to bring greater capital into the LAC region.



CATALYSING EQUALITY

Figure 3: The types of activities investors in LAC are doing on GLI



N=29. Does your organisation employ any of the following activities with regards to the businesses you invest in or support? (Check all that apply.)

What Investors Are Doing To Apply a Gender Lens Across the Investment Process

Investors are conducting a variety of activities to support women entrepreneurs and redress gender biases across the investment process (Figure 3).

Whilst investors have gender lens investing strategies, few are incorporating gender factors in due diligence. Since due diligence is a key part of the investment decision-making process and precedes the investment committee decisions, it is a vital point for including questions to understand how the business thinks about gender diversity within the firm and within its business model. Even asking one or two questions about what the business is doing to apply a gender lens can both communicate the importance of the issue to the potential investee and create a space for further discussion once the deal is closed. Furthermore, investors at this point in the process can collect data on the gender diversity of the leadership team and workforce to help inform decisions (See *In Focus: Assessing Gender Inclusion in Due Diligence- Root Capital* below).

In Focus: Assessing Gender Inclusion in Due Diligence - Root Capital

Promoting gender equality is core to Root Capital's mandate to help improve rural livelihoods and the organisation has a long history of doing so, including through efforts such as the Women in Agriculture Initiative (WAI). One of Root Capital's first activities under the WAI was to identify the type of businesses to seek out and invest in to generate positive impact for women. As part of this process, Root Capital created definitions for women-led and gender-inclusive businesses which were both good proxies for gender inclusion and easy for the investing team to validate. These definitions formed the basis of a "Gender Scorecard", a series of metrics that Root Capital included as part of its due diligence Social & Environmental Scorecard tool.

Currently, after a process of piloting, rolling out and improving the Gender Scorecard, Root Capital uses this tool for:

- 1. Company-level due diligence and selection of investees** to measure whether businesses are women-led and/or gender-inclusive, and to inform the business' overall Expected Impact Rating, which is used for loan-level decision-making to prioritize high-impact investments;
- 2. Portfolio-level performance monitoring**, including tracking percentages of women-led and gender-inclusive businesses across Root Capital's global, regional and country-level portfolios to measure overall portfolio performance on gender inclusion;
- 3. Needs assessment for gender-inclusive services** to understand gaps and needs within client businesses;
- 4. Impact measurement to track changes** in the gender composition and performance among client businesses as well as to report portfolio impact to the 2x Challenge and other donors and investors.

For more details on the Root Capital GLI journey, please see the Root Capital and Value for Women report: *Pursuing Gender Equality Through Investment in Rural Communities: A Case Study of Root Capital's Gender Lens Investing Journey and Learning*.³²

Investors are starting to support portfolio businesses in applying a gender lens in their business model. Alphamundi is an excellent example of an impact investing fund that created a technical assistance facility both to support investees in applying a gender lens and to build the evidence base for gender lens investing. Additionally, NESST developed a similar model through which it ensures that a proportion of funds are allocated to providing technical assistance to investees to overcome gender

³² Root Capital and Value for Women (2021). *Pursuing Gender Equality Through Investment in Rural Communities A Case Study of Root Capital's Gender Lens Investing Journey and Learning*. Available at: <https://rootcapital.org/resources/pursuing-gender-equality-through-investment-in-rural-communities-root-capital-case-study/>



inclusion challenges. This technical assistance model is currently being formalised further to include a suite of ten training modules on gender inclusion, spanning all business functions.

In Focus: Engaging Investees To Apply a Gender Lens - AlphaMundi

AlphaMundi - an impact investing advisory firm (the AlphaMundi Group) - in conjunction with a nonprofit sister organization (the AlphaMundi Foundation), is achieving exemplary progress in providing comprehensive technical assistance to their investee companies. AlphaMundi recognises that gender inclusion and diversity goes beyond only investing in companies that are women-led, women-owned or providing products and services geared towards women and girls. AlphaMundi is promoting gender equity as a core business principle with enterprises agnostic of product or service orientation, including those led by men. In a new pilot programme funded by USAID's Office of Gender Equality and Women's Empowerment Hub and supported by Value for Women, AlphaMundi is collaborating with nine investees - including fintech companies and agritech small and growing businesses (SGBs) across LAC and Africa - to embed a gender lens in their internal and external business operations.

To achieve this, AlphaMundi takes a data-driven approach that starts by conducting an assessment which is then used to support the company in developing a gender strategy while applying a comprehensive gender lens. Such gender strategies encompass internal workforce changes (e.g. gender inclusive recruitment processes and the creation of inclusive workplaces) and external strategies (e.g. supporting women in the value chain and refining product and service offerings to better serve women consumers).

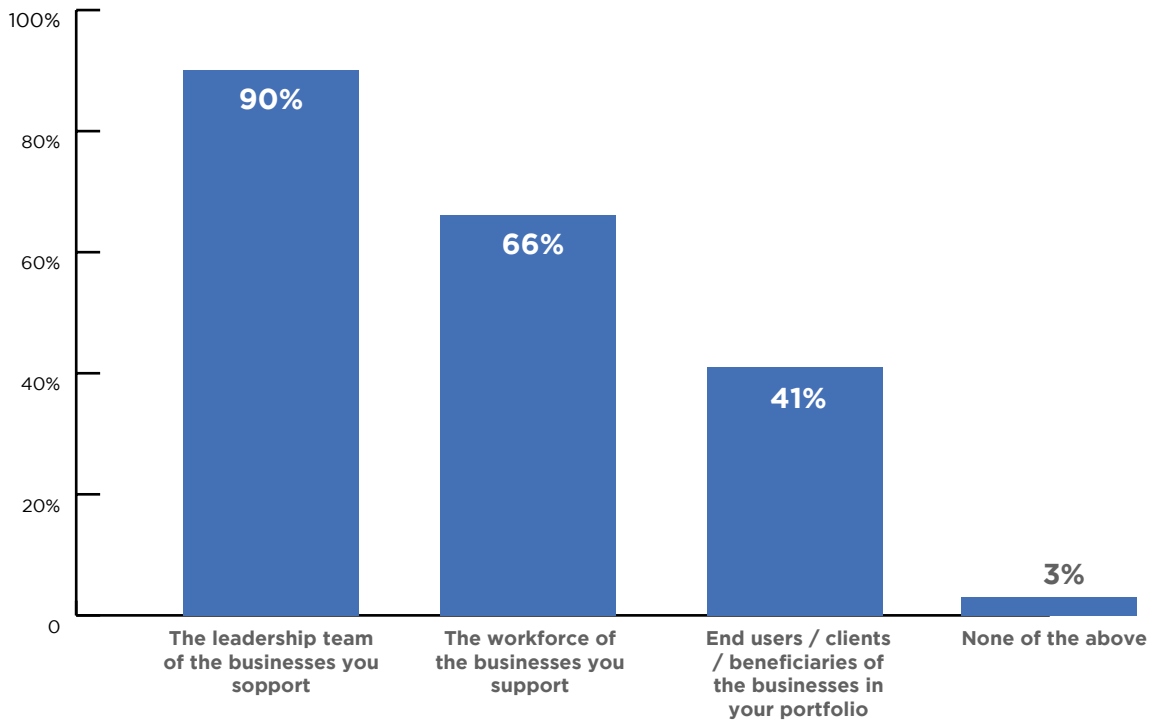
As part of their pursuit of promoting evidence-driven results, AlphaMundi is measuring the impact of this type of engagement through a consortium of six likeminded impact investors called Gender Smart Enterprise Assistance Research Coalition ([G-SEARCH](#)). Through [G-SEARCH](#), AlphaMundi will collect and analyse data on all SMEs to which they are providing technical assistance in order to demonstrate impact and present the business case for gender-smart strategies across early and growth SMEs in emerging markets.

Whilst almost all investors track data on their internal workforce gender diversity composition, few sex-disaggregate data on the end clients or beneficiaries that are impacted by the businesses they support. Figure 4 notes how most (90%) respondents track sex-disaggregated data on the leadership of the businesses they support, a relatively easy task, but significantly fewer track sex-disaggregated data on the workforce (66%) and clients/beneficiaries (41%) of the companies in which they invest. An interesting point to note is that the majority of organisations collecting sex-disaggregated data on the businesses they support are at least doing some basic gender analyses that can help build the social and business case for gender lens investing (See Figure 5). However, this does not necessarily mean that the data has been used to make investment decisions.



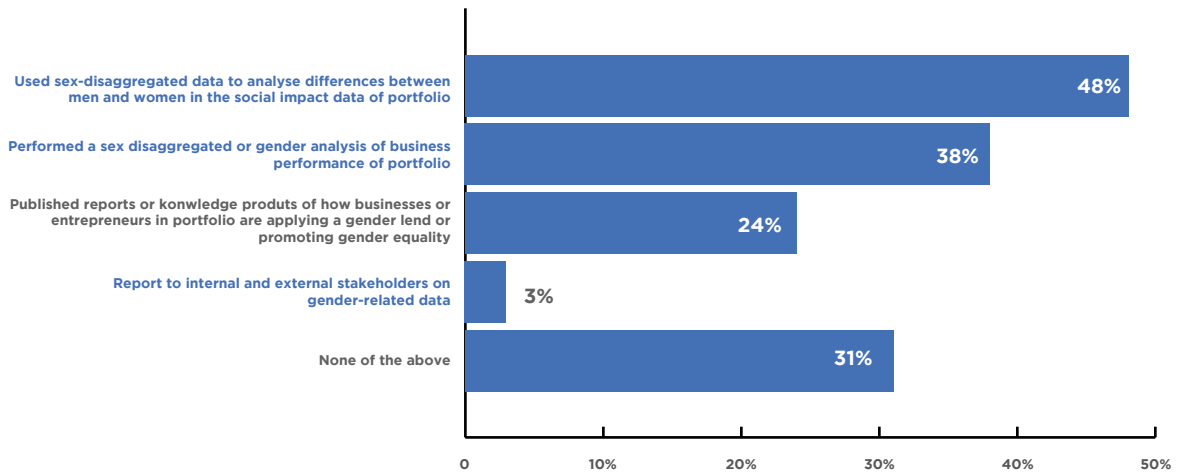
CATALYSING EQUALITY

Figure 4: Sex-disaggregated data collection by investors in LAC



N=29. Does your organisation formally collect sex-disaggregated data on (Check all that apply)

Figure 5: Use of sex-disaggregated data by investors in LAC



N=29. Has your organisation done any of the following? (Check all that apply)

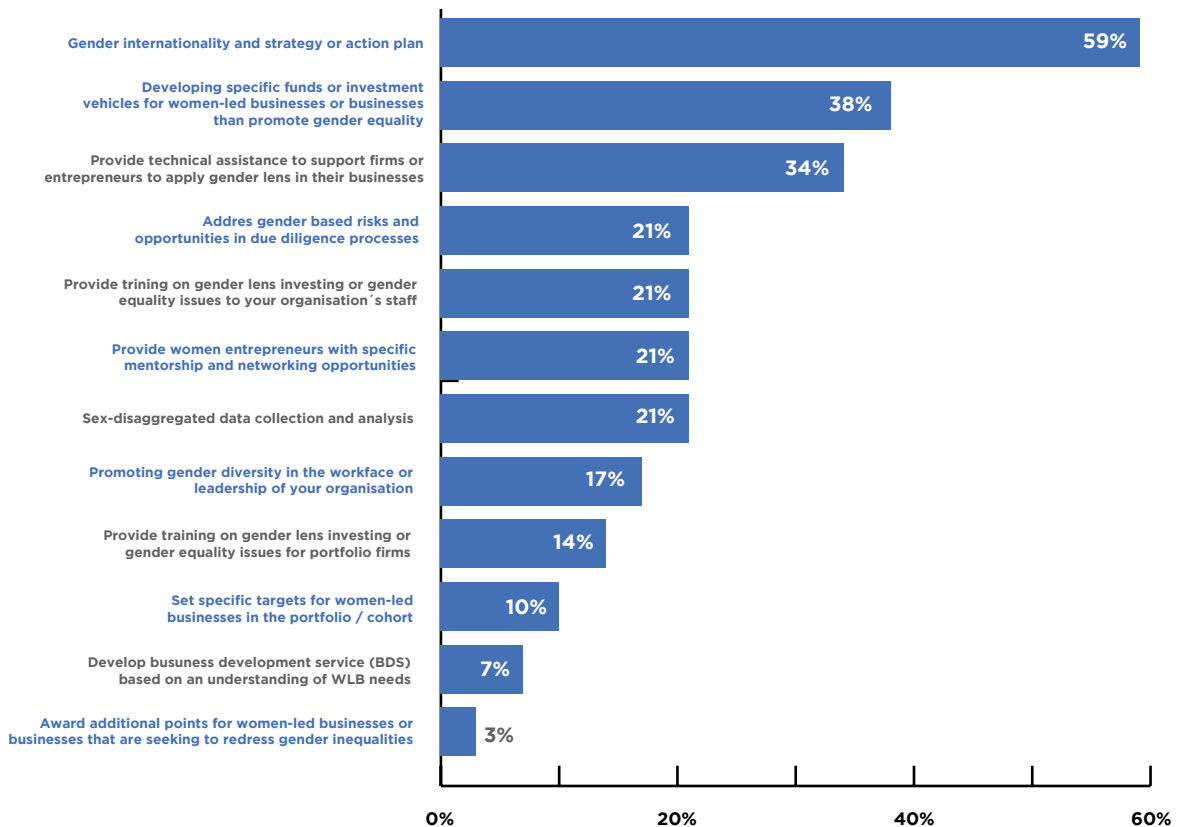
CATALYSING EQUALITY

Whilst some investors have done a gender analysis of the business performance of their investees, few have published these analyses. Publishing these findings, which could be as simple as writing a blog post, is important because it provides more data points for like-minded investors and improves transparency in the field. Even if sample sizes are small or results may not point to a business case for GLI, the process of analysing and publishing data can help both the investors and their peers to better understand the issues.

What Support Do Investors Want for Their Gender Lens Investing Work?

Investors want support on a variety of issues, but particularly in defining and deepening their gender strategies and developing financial products tailored to women entrepreneurs. The top two priorities for investors are to improve intentionality through gender lens strategies and to develop specific funds or investment vehicles tailored to women entrepreneurs (Please see Figure 6). Whilst many investors have a strategy already in place, they may want to formalise that strategy or, as described by key informants, deepen and formalise their approach, including thinking about different financial vehicles.

Figure 6: Top priorities for investors applying a gender lens moving forward



N=29. Please select the top 3 priorities for your organisation with regards to promoting gender equality and inclusion. (Select only three)

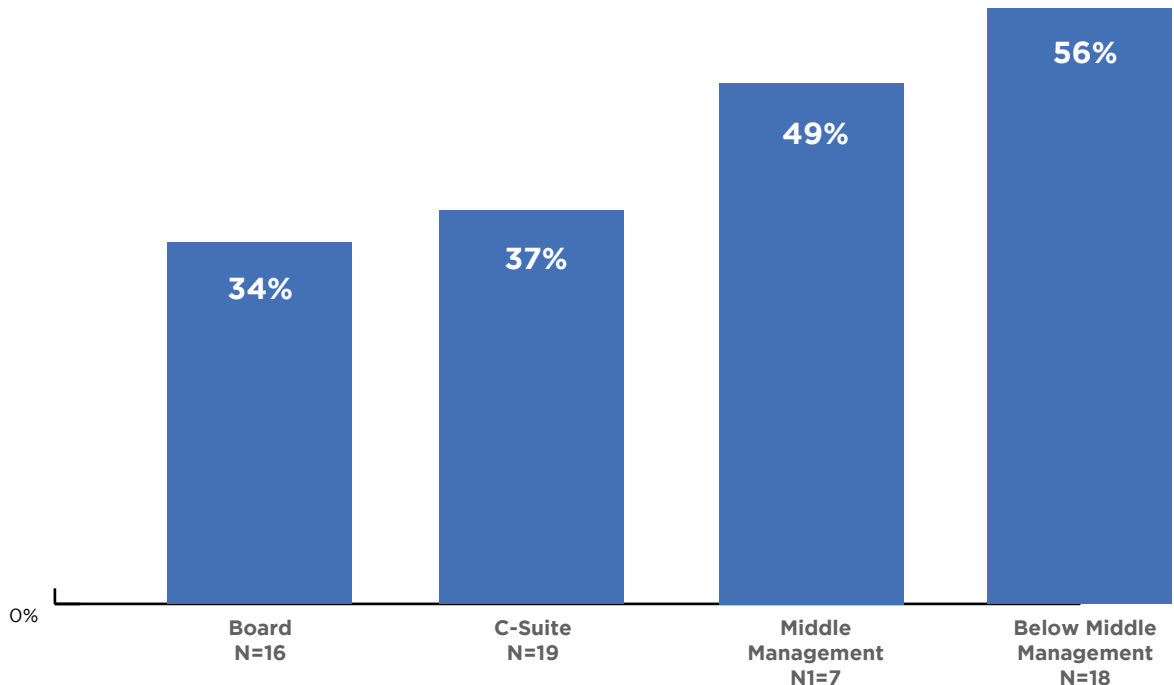
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The majority of investment funds have not received gender lens advisory services. Furthermore, whilst 52% of respondents have received gender lens advisory services, the vast majority of those (80%) have only received short term / one-off training. Only a small percentage (10%) of all investment funds have received longer term gender lens advisory support.

Walking the Talk: Gender Diversity Within Investment Funds

Whilst women make up more than half of the non-managerial workforce in investment funds, only a third of the senior decision-making roles are held by women. Even within the respondent sample that over-represents investment funds interested in GLI, women only make up a third (34%) of board/investment committees and just over a third (37%) of C-suite positions (Please see Figure 7). Women are particularly underrepresented in COO (28%) and CFO (24%) positions, more so than in the CEO (48%) role.

Figure 7: Women's participation in the workforce and leadership of investment funds - Total (% of women in each category)



N=[Varies for each category]. Please review the following staff categories of your business and indicate the number of employees who are women and men.

CATALYSING EQUALITY

Although the sample of respondents is taking a wide variety of actions to invest with a gender lens, few investment firms are majority-owned by women.

Only 24% of the sample organisations have 51% or more ownership by women and 69% have less than 20% ownership. This means that whilst women may be in management positions or on boards, they hold a minority stake in the ownership of these funds.

Figure 8: Women's participation as leaders, owners and decision-makers in investing funds

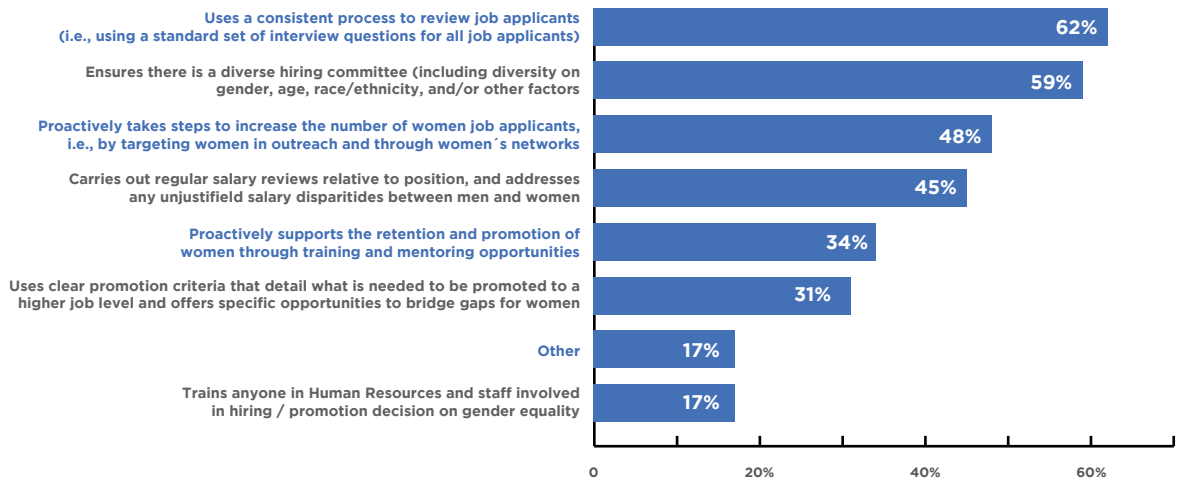
Indicator	%
Women's ownership at least 51%	24%
Women's ownership between 20% and 50%	7%
Women's ownership below 20%	69%
At least 20% of senior management positions are held by a woman/women	41%
Chief Executive Officer (CEO) / President / General Manager is a woman	48%
Chief Operating Officer (COO) is a woman	28%
Chief Financial Officer (CFO) is a woman	24%
At least 30% of the board of directors is composed of women, where a board exists	55%
At least 30% of senior management (C-suite) executives are women	48%
One of the business founders or partners is a woman	52%
None of the above	10%

Half of investors are taking specific actions to recruit and promote women.

Given the lack of women in senior and investment leadership, it is of note that only 48% of respondents are taking proactive steps to increase the number of women job applicants and 34% are taking proactive measures to support the retention and promotion of women employees. Hence, most of the activities being taken to promote gender diversity in firms are focused on reducing bias in talent management. For example, **investors are taking a variety of actions that reduce bias in the recruitment process.** 62% of respondents use a consistent process to review job applications with a gender lens and 59% ensure the diversity of the hiring committee when selecting job applicants (Please see Figure 9).

CATALYSING EQUALITY

Figure 9: Internal Company practices to promote gender inclusion



N=29. Does your organisation currently undergo any of the following practices to promote gender inclusion? (Check all that apply)

Moving From Commitment to Action

The trends outlined above demonstrate that this sample of first mover investors are putting their commitments and GLI strategies into action. In particular, four salient points stand out:

- **There are a significant number of actions being taken to outline strategies and develop financial services for women-led businesses or businesses with a gender lens.** Notably, almost half of the respondents have specific targets associated with these lenses.
- Despite this, **a minority of respondents are integrating a gender lens into investment decision making** or supporting investees in applying a gender lens, thus limiting the impact of the commitments.
- **Summary analyses looking only at leading venture capital investors in the region, using publicly available data, manifest that a wider sample of these investors are lacking** publicly available gender lens investing commitments, highlighting significant room for improvement.
- The **survey data speaks only to actions and not outcomes**, a point further discussed in the Key Insights section below. The next step for field builders is to analyse which actions lead to better outcomes.





Key Insights: What Did Investors Tell Us?

This section encompasses qualitative insights gleaned from the surveys and 15 key informant interviews conducted with fund managers and other GLI experts within the LAC ecosystem. The insights demonstrate major as well as emerging trends. Major trends refer to commonalities seen in more than five funds, whereas emerging trends are those where fewer than four funds indicate the tendency. These latter trends, despite being nascent, are worth highlighting, so that the investment ecosystem can further support and monitor them. Their uptake would contribute to the adoption of a more comprehensive approach to - and the overall growth of - GLI.

Among the insights, we found that several impact investors are pursuing GLI as a core feature of their mission and strategy. Many are doing this by investing in women-led businesses, incorporating a gender lens in their investment cycle and promoting gender diversity within their companies. Furthermore, there are growing examples of gender-forward investments and of funds that are focusing on businesses with products and services that benefit women and girls. Investors also recognise that promoting women as investors and business leaders is crucial to further developing GLI. Yet, despite these and other efforts to promote gender diversity within fund and firm management, there is a long way to go to reach gender parity within the investment cycle. Finally, when it comes to tracking and measuring GLI efforts, some funds are using tools, but the sector lacks a unified benchmarking system.



Strategy and Commitment



•TREND•



•EMERGING TREND•



A number of impact investors in LAC have opted to invest with a gender lens as a core differentiator. These impact investing funds are leading the way through promoting gender from the inside-out. Intentionality about investing with a gender lens is an integral part of the mission, strategy and investment cycle of these funds.

“We bring a gender lens to all of our work, in particular through our support of organizations that focus on women, who are important agents of change as health and economic decision-makers.”

- Nancy Swanson, [Linked Foundation](#)

Fund maturity or growth stage is not a determining factor for being a leader in this space. Both existing and new funds are turning to GLI as they recognise the business case, whilst GLI veterans are stepping it up a notch, such as NESsT, Pro Mujer and Linked Foundation. These veteran funds are now taking a more comprehensive approach by looking at aspects such as gender inclusive procurement, the digital divide, and capacity building on GLI for other stakeholders in the ecosystem.

“Pro Mujer is one of the few that has intentionality from the initial stage. The language, the name, the vernacular we use is for women...We’re [currently conducting a GLI review] with our partners, service providers and we are getting ready to do it with our investors. We want to partner with people who can further the gender lens aspect. It’s bigger than just the investment piece, it’s a different way of doing things.”

- Maria Cavalcanti, [Pro Mujer](#)



Some newly formed funds are building gender into their DNA from the get-go. As part of an evolving ecosystem, some of the new generation of funds are integrating gender from day one, often doing so by setting fund allocation targets for women and underrepresented groups, as part of their investment strategy and thesis. To that end, three new funds from México - Viwala, Nazca (see In Focus: Making the Investment Case and Building the Pipeline of Women’s Talent - Nazca) and Amplifica Capital - highlighted that their focus on gender is driven by research on both the business case of GLI and the rates of gender inequality in LAC.



“Our mission is to close the gap that exists for women and underrepresented groups...when we started out, we designed what we believed was a perfect financial product. But when we opened the doors, no women entrepreneurs entered. ... We realised we had made a number of errors as we weren’t adapting ourselves to what women need. So we made a multitude of changes, which we continue to adapt with a lot of trial and error, from a complete rebrand of Viwala’s image to creating distinct financial products.”

- Karla Gallardo, [Viwala](#)

In their pursuit of GLI, these funds are ensuring that their investment package is comprehensive and tailored to women. For example, this includes creating new financial products linked with additional business development services tailored to the needs of women-led businesses. In one case, Viwala, a financial institution targeted at SGBs, opted for a revenue-based financing option which reaches smaller businesses in the missing middle where generally WLBs are concentrated, consequently helping WLBs, which are typically smaller, leapfrog over this structural barrier.

“With more women, you get better results...what is the actionable conclusion to this? It’s to invest in more women.”

- Hector Sepulveda, [Nazca](#)

Providing Capital With a Gender Lens



The focus of funds continues to be on two gender lenses: (i) investing in women-led businesses, and (ii) to a lesser extent, gender diversity in the workforce. Yet there is new awareness of and interest in applying additional gender lenses. Most funds are applying two of the four gender lenses, whilst some funds are also homing in on other aspects of inequality and opportunity creation, such as addressing the impact of products and services on women and girls. One fund is building upon the gender diversity in the workforce lens to increase the number of women investors and the support they receive.

“We are motivated by the WEF’s gender gap in economic participation... we look for women leaders and products for women and the third category is to look for businesses of men only and how we can work [to create] diversity within those businesses.”

- Anna Raptis, [Amplifica Capital](#)



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For a number of funds³³, a key investment criterion is that businesses be gender-forward, with funds specifically allocating capital to enterprises that offer products and services designed by and for women. These funds are addressing the disconnect that can occur between those designing the products and services and the end user, which can have stark consequences such as on women's reproductive health. These funds are demonstrating increased awareness that women must be engaged as designers of products and services destined for their use and that meet their needs. Please see In Focus: **Targeted capital to solve women's health** - Linked Foundation for detail on how the Linked Foundation is doing this through a more tailored approach to GLI.

“Women aren’t getting what they need in terms of access to reproductive health. We think a lot of that is related to whether women are at the table and who is making decisions. Not only at a policy level, but in the actual institutions that are serving women. We believe this is true around the world and this is making us think more deeply about [investing in products and services for and by women].”

- Nancy Swanson, [Linked Foundation](#)

Funds like Linked Foundation and Pro Mujer are going further, delving into how to balance the scales within supply chains. Pro Mujer is applying a fresh perspective on GLI through gender-inclusive procurement of partners and providers.

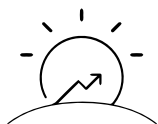
³³ AlphaMundi, Amplifica Capital, IMPAQTO, Linked Foundation, Nazca, NESsT, Pro Mujer and Viwala all discussed this lens as part of their investment approach.

In Focus: Targeted Capital To Solve Women's Health - Linked Foundation

Linked Foundation, a private foundation committed to developing and scaling social enterprises that improve the health of communities throughout Latin America and the United States, is taking **a holistic approach to GLI**. Since its inception 15 years ago, Linked Foundation has had a clear commitment to promoting gender equality and, after recently expanding this concept, today their model now takes into consideration the three GLI entry points.

The most recent initiative of the Linked Foundation, in partnership with New Ventures, is called Empodera360 and focuses on providing comprehensive technical assistance to 10 women's health ventures, both women- and men-run. To promote gender inclusion internally and externally to these ventures, the technical assistance starts with comprehensive screening and a gender diagnostic, examining factors such as workplace equity, safety and policies, and even looks at women as consumers/patients and in the supply chain. The technical assistance then targets capacity building, impact measurement and financial readiness. The aim is to subsequently complement this with financing opportunities from what is set to be the first women's health fund in Latin America.

Empodera360 is driven by a recognition of the intersection of inequalities faced by women. It will run over the next year and hopes to influence the development of products and services that more closely align with women's health needs.



Investors are broadening the definition of inclusion. Evidence of this is that some funds have LGBTQIA+ issues on their radar, but this is the exception not the rule. Two funds reported broadening their gender lens to include LGBTQIA+ communities, creating programs and financial products that respond to the diverse needs of populations experiencing intersecting inequalities. Viwala has one portfolio of women-led or women-impacting businesses and another portfolio specifically focused on businesses either led by people from or having an impact on the LGBTQIA+ community, offering revenue-based credit options and non-financial initiatives (Please see In Focus: *Innovative Financial Mechanisms for Women-Led, Gender-Inclusive and LGBTQIA+ Businesses - Viwala* below).

To build diversity within their existing portfolio companies, We Impact is in the early stage of developing a three-month summer job placement and skills development programme for women from underrepresented groups including LGBTQIA+. This strategy aims to deepen diversity and inclusion in the technology sector, imperative for full and complete tech adoption by market segments.



“It’s an opportunity for the startup - even if their founder is a woman - to learn and to bring this learning into the technology sector...providing these startups with real contact with diversity and a way of developing leadership with a focus on diversity.”

- Lícia Souza, [We Impact](#)

In Focus: Innovative Financial Mechanisms for Women-Led, Gender-Inclusive and LGBTQIA+ Businesses - Viwala

Viwala is a spinoff of New Ventures Group Mexico, spearheaded in collaboration with Pro Mujer in 2018. Viwala is setting the stage for innovative financing and gender diversity with a clear intention to create revenue-based loans and other financial products to serve Mexico’s missing middle - SMEs that have limited access to finance - whilst closing the gap for women and other marginalised groups. Of note is that in response to the low access that many members of LGBTQIA+ communities have to conventional financial systems, Viwala has recently launched a line of products for the LGBTQIA+ community and particularly trans women.

Viwala has the following three portfolio areas:

1. Women-led businesses and/or businesses providing services and products disproportionately benefiting women and/or girls.
2. Businesses led by a member of the LGBTQIA+ community and/or ones providing products and services benefiting this community.
3. Businesses which generate a social or environmental impact.

So, how do they do this?

Seeking impact whilst accepting that this may take time, Viwala has designed revenue-based credit products to take into account the needs of small businesses in the missing middle. Credit amounts are smaller and terms are adapted according to the investees’ monthly revenue, which must reach approximately US\$12,700 annually for the women and LGBTQIA+ portfolios. Viwala has also created a unique and streamlined approval process, including a fast-track assessment through a short interview followed by proposal co-design and guarantee-free credit approval.

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As part of this broadening definition of inclusion, **a few respondents have started to also talk about diversity and inclusion as investing in black and Indigenous peoples.** While a few of the funds engaged for this study mentioned applying a gender lens to intersecting inequalities affecting black and Indigenous peoples in LAC, multiple funds brought up the growing recognition of the need to move toward a broader understanding of equality i.e. one that accounts for factors such as privilege, class, race and ethnicity, in addition to, and sometimes separate from, gender. For example, IDB Invest discussed how recent global movements for racial justice, such as Black Lives Matter, have broadened discussions at the investment fund level around diversity, privilege and racial equity. One concrete example they shared from their portfolio is a fund in Colombia that is offering internships, coupled with mentorship, for Afro and Indigenous groups. In Brazil, We Impact's summer job programme, previously mentioned, will also address racial diversity and inclusion.

“What is happening in the world of venture capital and since a year and a half ago, everything that happened with George Floyd, was a catalyst for these themes. The leading companies in finance are talking about racial equity.”

- Stephanie Oueda Cruz, IDB Invest

Applying a Gender Lens Across the Investment Process



Whilst no unified tool is used across the board to track and measure GLI, investors are leveraging their own personalized tools to measure GLI. Funds that have GLI as an integral part of their mission and approach are using a number of different tools that help them identify investees and for monitoring and measuring GLI progress. Linked Foundation and AlphaMundi use existing diagnostic assessments from Value for Women and Acumen (which apply criteria and screening across internal and external processes of the business) at the initial identification of new businesses. IDB Invest is using the WEPs Gap Analysis Tool³⁴ in their GLI processes. Other GLI champions, such as NESsT and Pro Mujer's Ilu Fund, have developed their own GLI frameworks and scorecards. The nascent state of the GLI field makes the lack of a standardised tool understandable. However, this complicates tracking and aggregating.

³⁴ For more information, please see: <https://weps-gapanalysis.org/>



“We institutionalised gender as part of the due diligence process... we require a complete diagnostic assessment before any company is presented to the IC (investment committee) and then we review and discuss the results of the assessment together. This assessment provides a really helpful door-opener to start the conversation on gender.”

- Christine Roddy, [AlphaMundi](#)

“We had focus groups with women impacted by our investments, assessed our portfolio and with this, we created a gender framework. We also changed our indicators, so that now we have sex-disaggregated information about gender diversity in portfolio companies as well as other impact areas like quality of life and work in terms of gender.”

- Nicole Etchart, [NESsT](#)

Moreover, based on a comprehensive analysis of NESsT’s portfolio and to bridge the gap between theory and practice, NESsT is currently developing learning modules on GLI to support their portfolio businesses in their journey to more inclusive practices.

Gender Diversity in the Investment Firm



Women investors and business leaders are seen as those driving the growth of GLI.

Both women investors and women business leaders are recognised as being instrumental in expanding GLI whereby they act as positive role models and voices in often men-dominated spaces, encouraging more GLI. Consequently, funds see developing women investors as directly correlated with increasing gender lens investment. Despite this, women often remain underrepresented in fund and business leadership. For example, Honey Island, a Brazilian fund where only 3 out of 24 limited partners (12.5%) are women, identified the need for more women investors as a key challenge to succeeding in GLI.

“If you only have men on investment boards and in angel networks, there is a greater feeling of connection between investors and the men entrepreneurs that go and pitch. So I think this highlights an opportunity to increase women investors in angel networks and investment committees.”

- Mosi Mosquera, [IDB Lab](#)

To overcome the underrepresentation of women in investment committees and investment roles, **some funds are creating spaces for women to collaborate through networks, events and co-working spaces.** For example, Nazca, Ignia and Amplifica Capital run or participate in networking events for women investors. In



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Mexico, various women investors got together to create [“Mujeres Invertiendo”](#) to promote the participation of women in investment teams and in turn, influence more investment in women-led businesses. These platforms are seen as vital for first-time women fund managers who may lack business networks, and for women interested in becoming fund managers, but facing barriers to entry (for example, limited knowledge of financial sector terminology, processes and financial mechanisms). There is a need to further support women investors, and funds are calling for increased collaboration and sharing of ideas and resources in this area.

“We need to create communities of women investors and investors interested in GLI. The big CEOs have executive forums, mastermind groups - they are constantly talking to each other, asking questions and feedback. But everyone is fighting their own battle in Mexico, Argentina, Colombia, Ecuador. They don’t talk to each other, they don’t sit at the same table to see what is and isn’t working.”

- Daniela Peralvo Lupera, [IMPAQTO](#)



Most funds are taking action on gender internally, but there is still a long road ahead. The funds engaged demonstrated clear commitments to gender diversity internally, particularly through the presence of women in investment decision-making roles. Women are leading the majority of these funds and are confident that they are walking the talk through promoting gender inclusion in their team and policies. These women-led funds understand the business case for diversity and have taken conscious steps to ensure women’s representation internally.

“While our Board, senior management team, and staff are well balanced in terms of gender, we are starting to think more intentionally about how to change the culture and diversity of our Loan Committees, which have historically been predominantly male. We’ve made significant progress on this front in the past year, and today, our MFI Loan Committee and SGB Loan Committee consist of 50% and 33% women, respectively. But there is more work to be done, especially as we are doubling down on our commitment to investing in women as a strategic lens for our work”

- Camilla Nestor, [MCE Social Capital](#)

“Every time there is an available position in the industry, few women apply for these positions. We want more women to apply. We see the value in diverse teams.”

- Paula Delgadillo, [ColCapital](#)

There is still much work to be done to ensure that funds go beyond simply counting women to ensure that they are turning their commitment into concerted action both internally and within their investment portfolio. These actions can

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range from raising awareness of GLI and getting more women into decision-making roles to equipping them with the information, tools and decision-making power to make needed changes. A number of funds highlighted that they want to apply a gender lens not just at the board or executive level, but throughout other business functions.

Some funds highlighted the importance of deconstructing unequal gender norms within their own team in order to most effectively expand this to their investment portfolio. One fund is conducting capacity building to tackle negative gender norms and biases internally.

“We train ourselves, so that we understand what it is to be gender inclusive. We need to create an awareness building programme to understand that culture isn’t an excuse. To work on prejudices, biases in the team. Not only men, but women too. How do we turn into an organisation where all of us are allies?”

- Nicole Etchart, NESsT

Challenges and Roadblocks

Despite the progress, those seeking to advance GLI in LAC face multiple challenges. These include gaps pertaining to stakeholders’ capacity, access to support and tools to promote GLI in practice and the evidence-backed business case of GLI. Additionally, funds often have a narrow interpretation of GLI, which fails to address intersecting inequalities within the LAC region. This challenge is further exacerbated by the frequent mismatch between investment vehicles/portfolios, and the needs of women and other underrepresented groups, resulting in the needs of the latter not being met. Each of these challenges is detailed below.

LAC funds need guidance (technical assistance) and tools to effectively invest with a gender lens and to measure impact. Despite the motivation, funds struggle to promote GLI in practice, due to gaps in knowledge and technical skills. Although most funds still have progress to make on gender inclusivity in their internal practices, a number of funds voiced the need for technical assistance predominantly for businesses within their portfolio rather than for their own company. Such technical assistance is seen as vital for investment readiness, impact measurement and ongoing business development of investees.



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The main challenge in deepening GLI work is the “lack of resources to train and develop the internal capacity of investee companies in order to apply a gender lens properly.”

- Ximena Trujillo, [Inversor](#)

Although funds recognise the need for technical assistance to guide their GLI journey, designated financial resources and human capital for this are an obstacle. Multiple funds identified that there is a gap in resourcing specifically for technical assistance, and requested this support.

“We have a small team so time and resources are a challenge, since the resources and time that go to deepening our gender lens investing activities compete with other important activities in the organisation.”

- Justin Schwartz, [IMPAQTO](#)



In Focus: DFI Initiatives Are Helping To Incentivize Adoption of GLI Amongst Investment Funds

In October 2018, IDB Invest and the United States International Development Finance Corporation (DFC) created Fund Mujer, a gender-focused fund for LAC for up to US\$200 million. The fund seeks to close gender finance gaps by investing in companies led by women and that generate jobs or products for women. Fund Mujer builds on the IDB Group's ongoing Women's Entrepreneurship Banking initiative, as well as supports companies that are 2X Challenge aligned. In parallel, IDB Invest has been working with the fund managers in whom it invests to sensitise them by, among other things, rolling out UN Women's WEP's Gap Analysis tool, and engaging them on gender lens investing issues.

Furthermore, over the past two years, IDB Invest has been supporting the creation of gender bonds that help catalyse more funds towards investments in women-led businesses. With the support of the Women Entrepreneurs Financing Initiative (We-Fi), an international alliance that aims to unlock financing and access to markets for companies led by women, IDB Invest structured and subscribed a gender-focused Social Bond issued by Banco Davivienda SA (Davivienda) - a deal worth US\$100 million. IDB Invest will grant the issuer of the gender bond a US\$300,000 bonus over a period of five years if certain outcomes, such as expanding the women-led business portfolio, are achieved.

These combined initiatives are bringing in more gender lens capital to the region and incentivising investors in LAC to apply a gender lens.

There is a need to further build the business case of GLI through data from pioneering champions. Key informants noted the gap in the evidence base demonstrating the investment and business case for promoting GLI. Lacking solid evidence, a few funds voiced leaders' reticence or fear to further adopt GLI and promote diversity.

“How are we going to be able to show impact and measure gender inclusion and intersectionalities? How can we build the case? I believe it, but we have to build it. I don't have this case, I don't have it documented. We need a resource to be able to capture it well.”

- Nicole Etchart, NESsT

To circumvent the evidence gap, some funds are gathering their own data, which is often not publicised across the broader GLI ecosystem. For example, Nazca, We Impact, Pro Mujer and AlphaMundi shared unique portfolio data collection methods used to build the case for GLI. (For more information on how they are doing this, please check out the In Focus on Nazca and AlphaMundi.) That said, many of these strategies are nascent and, as mentioned, are not broadly shared.



“We don’t have data in Brazil like in the US showing that women-led enterprises lead to better returns...when we started in Brazil, there was no data on gender and technology. So we did a broad mapping to obtain data. Then, we developed our acceleration and business development services programme targeted at women to develop their leadership potential.”

- Lícia Souza, [We Impact](#)

Some key informants mentioned the need to have gender lens industry benchmarks and an evidence base to promote peer learning and achieve the much-needed demonstration effect. Generally, these comments were related to developing the business case and a need for data and tools to measure GLI. Funds such as Kiva, AlphaMundi and Nazca recognise the need for sex-disaggregation throughout the investment process and are working towards this. For more information on how they are institutionalising data, see the previously mentioned *In Focus Engaging investees to apply a gender lens - Alphamundi* and *Making the investment case and building the pipeline of women’s talent - Nazca*.

There is an opportunity to take this a step further and develop the business case for GLI, based on quantitative sex-disaggregated evidence, and demonstrate that there are not necessarily financial return trade-offs that need to be made to adopt a gender lens. At the same time, whilst the business case and evidence-building is essential to developing the field of GLI and further motivating, inspiring and encouraging adoption, caution is needed to ensure that the impact case is not left behind nor that GLI investments are held to a higher standard than other businesses, firms or funds.

“We need to create a payment mechanism for gender progress. It could be like a ranking score from 1-20 where businesses are assessed and given a number, and then are given a set of clear recommendations, like baby steps. Then for each baby step, we could tie benefits, including the cost of credit, for each step in the right direction.”

- Karla Gallardo, [Viwala](#)

There is a mismatch between investment vehicles available in the market and the financing needs of women-led businesses. Respondents noted that many funds tend to focus on the big tickets and ‘unicorns’ such as technology-backed startups where women are significantly underrepresented. Additionally, traditional financial products offered by financial institutions are often too expensive for many women-led SMEs, and the terms and criteria for investments and loans, such as collateral requirements, may limit the access of women-led SMEs to these products.



“Our challenges include finding enough investors aligned with our GLI lens that are willing to take the increased risks in emerging markets plus currency/foreign exchange exposure, and accept that concessionary returns are often necessary to drive higher impact ...this limits our ability to work in certain markets at scale.”

- Rachel Lewis, [Kiva](#)

Recognising this gap, a few, relatively novice investors such as Viwala and IMPAQTO are tailoring their support to meet the needs of the missing middle. These funds are using revenue-based or blended finance products to best meet the needs of women-led businesses or businesses that are growing, but do not have the same growth outlook that traditional VC firms look for. For an example of how credit is being placed in innovative ways, please see *In Focus: Innovative financial mechanisms for women-led, gender-inclusive and LGBTQIA+ businesses - Viwala*

“You can’t be a VC fund if you want to invest in small businesses, because VC funds are extremely expensive and it’s a lot of work to maintain this model. So we decided to be a financial institution, not a fund, as it’s more flexible. More revenue-based, we were needing more flexibility.”

- Karla Gallardo, [Viwala](#)

Fund managers highlighted that they lack a strong pipeline of investment-ready women-led businesses, particularly in the technology sector. Multiple funds, particularly those focusing on high-impact technology businesses, want to invest in more women-led businesses, yet are struggling to find an investment-ready pipeline that coincides with the ticket size.

A key challenge is “finding technology-leveraged startups that have at least one woman as a co-founder, and that have a significant stake in the company.”

- Claudia Salazar, [EWA Capital](#)

One contributing factor is that funds often use investment criteria that few women-led businesses meet. For example, Honey Island invests in B2B technology businesses in the South of Brazil, and struggles to find startups in that region that fit this profile. They mentioned that around 10% of the entrepreneurs they speak with are women and currently, just one of their investees is women-led of a total portfolio of 14 businesses.

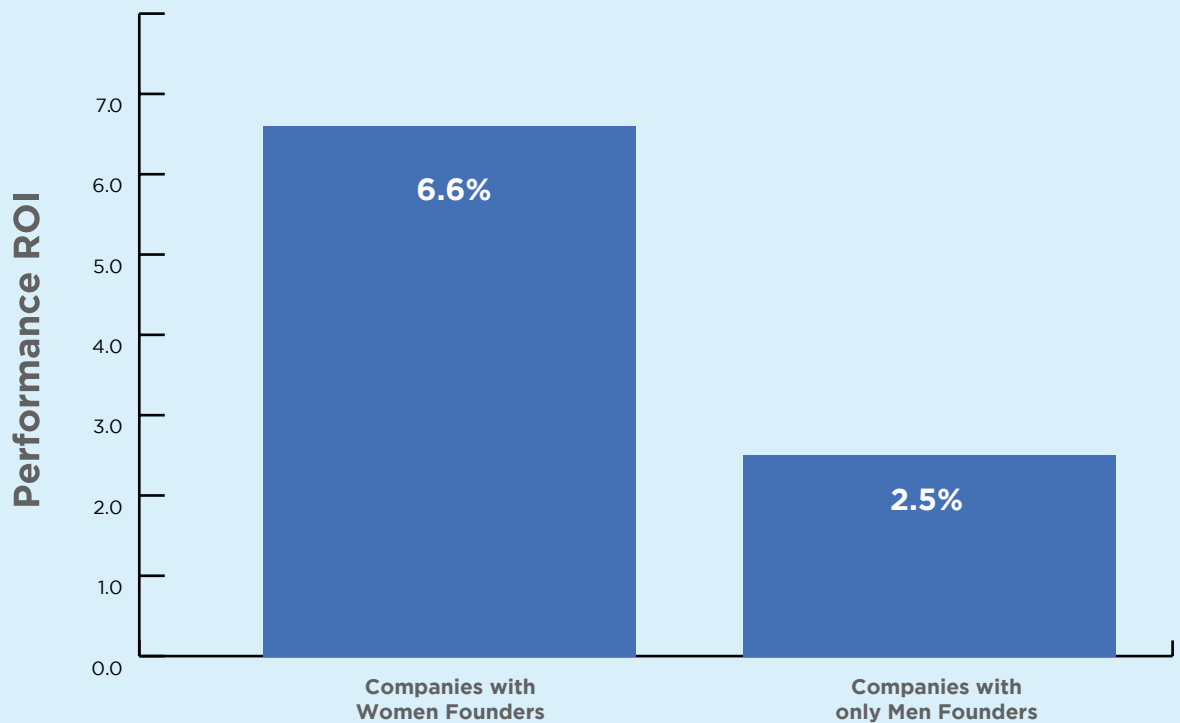
The challenge of deal flow of high potential women-led businesses has led one fund in particular to examine how to develop the pipeline. Nazca is focusing on increasing the number of women entrepreneurs in the pipeline who have innovative ideas and great potential. Please see *In Focus: Making the Investment Case and Building the Pipeline of Women’s Talent* - Nazca below for more information on how they are making this happen.

“The idea is to see how we can catch women before they take the jump to become entrepreneurs, how we can then cultivate entrepreneurship among women so that there are more women-led businesses.”

- Hector Sepulveda, [Nazca](#)

In Focus: Making the Investment Case and Building the Pipeline of Women’s Talent - Nazca

A VC fund in Mexico founded in 2013, Nazca invests in high-growth potential, technology-enabled businesses. To achieve this, Nazca focuses on generating actionable and data-driven insights on which to base their decision making and strives to develop evidence for investing with a gender lens in their portfolio. In 2021, Nazca did a comparative analysis of their investment portfolio, which demonstrated that whilst only 19% of their portfolio was women-led businesses, these businesses outperformed those with no women in leadership. As seen below, women-led businesses in Nazca’s portfolio have an average ROI of 6.6 compared to 2.5 for those led by men. This clear business case for GLI further motivated Nazca to increase the number of women-led businesses in their portfolio whilst focusing on pipeline development.



Recognising the lack of investment-ready women-led businesses, Nazca is currently creating a Founder Talent initiative focused on developing this pipeline. The initiative consists of identifying women with strong leadership potential, and providing them with a support network whilst building their capacity and offering a suite of value-added services. Still in its nascent stage, the programme will create pathways for women at the pre-entrepreneur ideation stage and will support their progression up until they launch their business. Thus far, Nazca has identified career paths and personality traits, and is harnessing knowledge from partners in different countries such as Colombia, Peru and Chile.



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The challenge of building a strong pipeline also serves as a reminder to not restrict GLI to investing in WLBs. As evidenced in the other gender lenses, taking a comprehensive approach to GLI and the untapped opportunities it provides can include investing in businesses that are supporting women in the value chain, developing products and services that disproportionately benefit women or taking existing high-impact investments, and making them gender-inclusive. To that end, AlphaMundi and Pro Mujer are both integrating a gender lens throughout their internal business practices and also supporting investees to do the same.

Pinkwashing³⁵ and the need to go beyond equitable numeric representation of women on boards was repeatedly mentioned. Within funds, tokenism is witnessed whereby some funds are including women on boards without a concerted commitment to address gendered barriers throughout the business functions, the investment process, investees and their value chains.

“The 30% club arrived to LAC and beyond, being the trendy thing to be part of...many business partners are like ‘You have to be part of that’. But they haven’t understood gender 100%.”

- Stephanie Oueda Cruz, IDB Invest

“It’s not about having two women, it’s not about having ten women, it’s about women sitting in the decision-making space...just having women doesn’t necessarily make us inclusive.”

- Maria Cavalcanti, Pro Mujer

In LAC, *machismo*³⁶, privilege and class structures prevail within funds and businesses, and hinder systemic change. This is particularly the case in fund and business senior leadership whereby class, race and privilege intersect. For example, some funds perceived fund leadership and the financial sector as a “boys’ club”, particularly dominated by white, privileged men. Looking and sounding distinctly different from a potential investor, coming from a starkly different background, or not aligning with an investor’s mental image of an entrepreneur can create distance between the entrepreneur and the potential investor, hindering dealmaking. When relationships are built in spaces not welcoming to women, or at times not accessible to women with families, further barriers are put up. For some sectors, such as technology and finance, machismo was identified as a factor that may affect the pipeline of women-led businesses.

³⁵ For the purpose of this report, we refer to pinkwashing as the appropriation of gender equality concepts for self-interest or/and marketing purposes, without real commitment to systemic change.

³⁶ Machismo is a Spanish term that refers to a culture of toxic masculinity or misogyny.



“There are certain challenges still in Bolivia...it’s a culture reluctant to adopt new practices. For example, in the banks with 3000 employees, having even three women managers is difficult. It’s a challenge to just come and demand certain equity on the payroll.”

- Carlos Ramirez Vacaflor, [Alianza Safi](#)

“Broaching the issue of diversity within the industry can be difficult given the lack of diversity. So how do you break down this barrier?”

- Stephanie Oueda Cruz, [IDB Invest](#)

Investors in LAC recognise that a major cultural shift and change in perception of intersecting inequalities must occur internally for the ecosystem to become more diverse and inclusive. Capacity building around gender norms and intersectional inequalities within funds is vital to promoting GLI and to achieving a diversified investee pipeline. Promisingly, some funds demonstrated a clear motivation to seriously examine how we can shift inequality from the inside-out and are planning to focus on shifting attitudes, behaviours and knowledge within their teams to do so.

“I want [Pro Mujer] to be the organisation that dismantles the misogynistic system of Latin America.”

- Maria Cavalcanti, [Pro Mujer](#).



Towards More Gender Inclusion and Diversity in the LAC Investing Landscape

Based on the findings and insights from this study, this section offers recommendations for:

- **Fund managers and impact investors** who provide VC/PE and growth/catalytic capital for businesses in LAC;
- **Field builders:** Actors, specifically multilateral development organisations, seeking to catalyse the flow of capital with a gender lens.

These recommendations also build on previous UN Women and Value for Women experience, studies and publications.

Recommendations for Investors in LAC

Investors in LAC have an opportunity to deepen their impact on gender equality in the region whilst improving investment results. They can also benefit from the wide array of investors in the region that are leading the way and sharing their experiences. Note that these recommendations are not meant to be linear, since each investor GLI journey is unique, but rather to provide some guidance based on the report findings.



Understand Your Starting Point

Investors in LAC should assess how they are doing compared to their peers in the region and, specifically, how they comply with the 2x Challenge. **The 2x Challenge**, however, **is just the minimum standard** that investors and their investments must meet to be considered a gender lens investment/investor. The criteria in the 2x Challenge are meant to help standardise tracking and monitoring of GLI investments rather than assess intentionality or actions across all categories or be a guide for action. For this reason, it is important that the 2x Challenge be the floor and not the ceiling when it comes to GLI.

To fully integrate a gender lens into investment decision-making, **investors need to look at the full investment process and use the findings in this report, as well as tools like the [Gender Smart Nexus or WEPs Gender Gap Analysis Tool](#)** to benchmark themselves against their peers.

Get Started and Experiment

Increasingly, not having a response to “how are you promoting gender equality?” is going to hinder investors as they raise new funds. **Do not fear perfection, you have to start somewhere.** There are multiple entry points in the GLI journey, outlined above, and there is ample room to be a trailblazer at the country and regional level. Additionally, with many investors leading the way on gender, DFIs and other LPs will also be looking at other aspects of diversity and inclusion, such as class, sexuality, disability, race and ethnicity - all salient issues in the region.

Investing with a gender lens may require an investor to make trade offs but these can be minimized. For example, in order to invest in more women-led businesses, investors may have to change their sourcing practices, like reducing the importance of referrals and focusing on engaging new women’s networks. While these require a different way of working and additional time from investment associates, these changes can be done for a relatively low cost (Please see Figure 10 below).

Publicly Commit To Investing With a Gender Lens

Making a public commitment, such as signing the WEPs (*Please see In Focus: The Women’s Empowerment Principles* below) allows companies to showcase their commitment and can serve as a powerful launchpad for action



In Focus: The Women’s Empowerment Principles

The WEPs³⁷ are a set of seven principles offering guidance to businesses on how to promote gender equality and women’s empowerment in the workplace, marketplace and community. They are a global framework offering an opportunity to look at and stimulate private sector action in a transparent way that accelerates aligned progress towards achieving gender equality across LAC.

Established by the UN Global Compact and UN Women, the WEPs are informed by international labour and human rights standards, and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women’s empowerment. They are also **a primary avenue for private sector delivery on gender equality dimensions of the 2030 Agenda for Sustainable Development**. By unlocking the potential of women and girls, a substantial positive impact is made on business productivity, families and communities.

WEPs



PRINCIPLE 1
GENDER-EQUAL CORPORATE LEADERSHIP



PRINCIPLE 2
GENDER EQUALITY IN THE WORKPLACE



PRINCIPLE 3
EMPLOYEE AND HEALTH SAFETY



PRINCIPLE 4
EDUCATION AND TRAINING FOR WOMEN



PRINCIPLE 5
ENTERPRISE AND SUPPLY CHAIN DEVELOPMENT



PRINCIPLE 6
EQUALITY THROUGH COMMUNITY ADVOCACY



PRINCIPLE 6
MEASURE AND REPORT PROGRESS

³⁷ For details on the WEPs, please see: <https://asiapacific.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2020/11/201022wepsbrochure%20ffvwepsorg.pdf?la=en&-vs=5332>

Learn How To Apply an Intersectional Gender Lens to the Investment Process

Investors in LAC can use the Value for Women framework to apply an intersectional gender lens across the investment process (See Figure 11 below). The framework provides specific actions that can be taken at each stage of the investment process. For more information on this framework, please see Value for Women’s [How to Invest with a Gender Lens: A guide for investors in emerging markets](#).

Furthermore, based on this report’s findings, a few additional recommendations have been included here, outlined in the table below (Figure 10). **To address systemic inequality, there is a need for funds to adopt an intersectional approach to gender lens investing and a broader definition of diversity, equality and inclusion.** This requires cultivating a deeper understanding of intersecting inequalities and taking into account factors such as: gender, privilege, class, sexuality, disability, race and ethnicity, thus going beyond a binary definition of inequality.

Figure 10: Additional recommended actions for investors in LAC

Indicator	New Recommended Actions for Investors in LAC
Deal Origination and Screening	Go to the source and create inclusive women founder and talent initiatives or programs that seek to encourage women from diverse groups working in key industries (e.g. finance, technology, consumer goods, energy) to join venture or social/growing businesses.
Evaluation and Due Diligence	Diversify the investment selection committee by including women and other underrepresented groups such as black and Indigenous peoples, as well as people from LGBTQIA+ communities.
Structuring and Negotiation	Develop financing options to meet the needs of LGBTQIA+, black and Indigenous entrepreneurs , who may require different criteria and options than those required for WLBs, as well as take into account intersectionality with WLBs. Address gender and diversity in contracts / investment memos , so that gender commitments by investees are institutionalised.
Pre-Post Deal Engagement	Provide WLB and underrepresented groups with mentorship and networking opportunities.
Impact / Exit Measurement	Establish and implement mechanisms to regularly collect disaggregated data on underrepresented groups, including but not limited to: gender, race, ethnicity and sexuality, for investees and their clients.



Figure 11: Applying a gender lens across the investment process³⁸

Apply a **gender lens** across the investment process

Mitigate gender biases and identify opportunities in:



³⁸ For more information see: Value for Women (2020). How to Invest with a Gender Lens: A guide for investors in emerging markets.

Promote Gender Diversity and Inclusion Within the Investment Firm

In order to “walk the talk”, investors in LAC should take actions that promote diversity and inclusion within the firm. See Figure 12 below for specific actions that can be taken based on Value for Women’s *How to Invest with a Gender Lens: A guide for investors in emerging markets*.

Figure 12: Gender diversity in the firm³⁹

Gender diversity in the firm

Promote opportunities for women to thrive at all levels of the organization through policies, and work culture in the talent pipeline:



³⁹ For more information see: Value for Women (2020). *How to Invest with a Gender Lens: A guide for investors in emerging markets*.

Recommendations for Field Builders | How Can We Best Catalyse and Assess Investment Funds in Their Progress Towards GLI?

Field builders in LAC, whether it be UN Women, DFIs like FinDev Canada, and the Development Finance Corporation (DFC) that were pivotal in supporting the launch of the 2x Challenge or investors with a gender lens themselves (particularly limited partners), should consider aligning on how to best assess GLI intentionality and action. Many interviewees referenced the 2x Challenge when talking about GLI and the different lenses they employ. This relatively recent initiative has not only helped to put GLI on the map, but also moved the conversation from being just about investing in women-led businesses to a wider perspective that thinks about women as leaders, employees, customers, and value chain actors.

The opportunity outlined in the recommendations below is to build on the 2x Challenge and important initiatives like the WEPs in order to deepen the work of investors in LAC to provide capital to women-led and gender-forward businesses.

Define Gender Lens Investment Categories for Intentionality and Action

In order to improve GLI benchmarks and incentivise change in LAC, it is recommended that GLI field builders develop categorisation for gender lens investments based on Value for Women's three GLI entry points (please see Figure 1) and Project Sage's GLI criteria.

Project Sage is an initiative led by the Wharton School of Social Impact and Catalyst at Large, that tracks VC, PE and private debt funds with a gender lens. Since 2017, Project Sage has been tracking funds with a gender lens based on a categorisation that ranges from funds that have a specifically quantified metric driving a gender lens analysis of all investments, to those that use a gender lens, but do not publicly mention it (Please see Figure 13 below). While the Project Sage categories are not designed to define or rank funds by impact the categorisation provides a helpful way to track specific actions.⁴⁰ That said, the categorisation does provide a way to track specific actions.

⁴⁰ Suzanne Biegel and Sandi M. Hunt (2020). *Project Sage 3.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens*. Wharton School of Social Impact and Catalyst at Large.

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Figure 13: Project Sage Gender Criteria Framework⁴¹

Indicator	Description	Description
Quantified Gender Mandate	Positive screen with quantified thresholds on gender-related metrics as part of stated investment criteria. This does not mean that all investments meet the criteria, but simply that a specifically quantified metric drives their gender lens analysis of all investments.	We ensure over 50% of the founding team is female.
Gender Mandate	Positive screen on gender-related metrics as part of stated investment criteria. This does not mean that all investments meet the criteria, but simply that one or more specific gender metrics drive their gender lens analysis of all investments.	We make sure the founding team includes women.
Gender Consideration	Gender as one factor of analysis.	We consider the gender of founding team members.
No Gender Lens	A gender lens is not applied.	[There is no action being taken publicly]

Taking Project Sage’s categories and combining them with the entry points of Value for Women’s GLI Framework, we propose a LAC-specific Gender Lens Investing Roadmap as outlined in Figure 14 below, which includes how the percentages may look for the expanded LAC sample.

⁴¹ Suzanne Biegel and Sandi M. Hunt (2020).



Figure 14: GLI Roadmap for LAC investors & expanded sample

Entry Point	Category for Each Investor ^{*42}		
	Quantified Gender Mandate / Gender Mandate ⁴³	Gender Consideration	No Gender Lens
Providing Capital With a Gender Lens	33%	2%	65%
Applying a Gender Lens in the Investment Process	28%	2%	70%
<i>Deepening Capacity of Portfolio Women-Led / Gender-Forward Portfolio Companies</i>	0%	30%	70%
Gender Diversity Within the Firm	13%	20%	67%

**Percentages denote the percentage of the sample that meets each criteria category.*

Based on the study findings above, **GLI field builders can seek to move more investors into the Gender Consideration and Gender Mandate categories**, with the 2x Challenge continuing to mark the minimum standard for a gender lens investment. In particular, field builders can **support and incentivise investors to add a gender screen in each of the GLI entry points**, so that more investors start including gender considerations and specific mandates in their firms and investment decision-making.

Foster Transparency and Better Data Collection & Use for Investment Decision Making

Make more gender data publicly available. Investors can publish gender analyses of their portfolio, and businesses can publish data on the gender composition of their corporate governance and management structures to improve transparency and incentivise greater gender diversity in the leadership of these firms. Field builders can incentivise more firms to take action by fostering an environment

⁴² Percentages based on survey responses and publicly available data for the expanded sample.

⁴³ For simplicity in this sample, the two categories have been joined but can be separated out with larger samples.

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that facilitates publicly communicating gender lens actions and commitments. As more data becomes available to benchmark and build the evidence base for GLI, investors will start **feeling the need to be more accountable and transparent about their GLI actions and outcomes**. The more field builders – particularly large LPs and DFIs – inquire about fund managers’ and GPs’ GLI practices, the more gender issues will be institutionalised.

Create Incentives for GLI in LAC

Develop new blended finance and risk-sharing mechanisms to support gender lens investors seeking to provide finance to the “missing” middle, women and underrepresented groups. Fund managers (GPs) in the region are seeking out more mechanisms to be able to share risks with LPs. Current modalities being employed for women-led businesses can be used as models for intersectional financial platforms that provide risk-sharing mechanisms for investing in black, Indigenous and LGBTQIA+ entrepreneurs, as well as gender-forward businesses.

Define key market drivers in the region that can trigger greater uptake of gender-smart practices in businesses, and create events and knowledge products to disseminate and sensitise ecosystem intermediaries on these market opportunities. The Financial Alliance for Women, the IDB Group, and the World Bank Group have published multiple studies that have helped quantify the market for women’s financial services in Latin America. The same should be done for other areas such as the Care Economy and Women’s Health.

Recognise GLI leaders in the region by using contests or awards similar to those being employed by UN Women with the WEPs in Brazil, Ecuador and Uruguay. Naming leaders will help to disseminate good practices and incentivise investors to take more action.

Support first-time women fund managers. This may involve modifying LP investment criteria on size and return expectations to allow for new players to enter the investment landscape in the region.

Build Partnerships and Share What Works

Build partnerships and collaborate with investors, investor business networks, accelerators and incubators solely or partially focused on women and gender inclusion in order to share knowledge and lessons learned as well as feed the investment pipeline.

Develop **GLI roadmaps at the country level in LAC** to identify key gaps, challenges and opportunities for SMEs, investors and ecosystem actors. In particular, country-level reports can help to provide more specific pathways and recommendations



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for entrepreneurial ecosystem intermediaries, rooted in context and based on more focused data, research and analysis.⁴⁴

Identify what works to support the growth of gender-forward businesses. There is fairly extensive information about what types of business development support programs work to support the growth of women-led microenterprises and SMEs (e.g. short basic training may change business behaviours, but does not have an impact on business outcomes). However, there is very little literature on what works to support the growth of gender-forward businesses, or in other words, businesses that are focused on gender equality and issues disproportionately impacting women.

Make Women Visible

Make women social entrepreneurs and investors visible to challenge the common biases of investors around the difficulty of finding women at the helm of social enterprises. Investors can do this by profiling women entrepreneurs in their websites, blogs and articles, as well as by ensuring women are speakers at key industry events.

⁴⁴ Value for Women (2019). A Landscape Report: Impact Investing with a Gender Lens in Latin America.



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In Conclusion - Three Pieces of Advice From GLI Champions in LAC

The authors hope that this report will increase the uptake of GLI strategies amongst investment organizations active in LAC. In particular, investors should learn from and build on the actions of GLI champions highlighted above, and so we conclude the report with some advice. We asked pioneering funds to share key advice for those investors that are just getting started on their GLI journey, and they had three main pieces of advice, outlined below.

1. BE INTENTIONAL AND MAKE A COMMITMENT.

Funds with exemplary work in GLI have made a strong commitment to change. They see GLI as a journey, and understand and accept the amount of work needed within their fund and businesses.

“Investors need to construct this change. When you invest in women-led businesses, then you have to also support them and not expect them to just be good or have impact because they are women... you can’t just expect to invest the money and have a magic transformation. There is a responsibility to support them...you have to want to do this and have intentionality. You can’t just say ‘we looked and didn’t find anything that met criteria”

- Lícia Souza, [We Impact](#)

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2. TAKE THE JUMP!

Pioneer funds see GLI as an area full of opportunity on multiple levels, and hence are urging new investors to pursue it. This requires adopting a new mindset, a paradigm shift and taking risks.

“Don’t let the perfect be the enemy of the good.”

- Christine Roddy, [Alphamundi](#)

“You have to begin, you have to do it. Any step is positive, don’t feel that you have to do everything tomorrow. Start with the low hanging fruit.”

- Nicole Etchart, [NESsT](#)

“Entrepreneur capital is a high-risk instrument, you have to take risks - write reasonably-sized checks and undertake well-considered due diligence.”

- Anna Raptis, [Amplifica Capital](#)

AND FOLLOW IN OTHERS’ FOOTSTEPS...

Funds call on others to build on the impactful GLI work pursued by pioneers and to follow and learn from role model businesses and funds.

“You can do it. Gender lens is real and there is a movement that you can participate in via the Gender Smart Investing Summit that is dedicated to unlocking the deployment of gender-smart capital at scale. There are many investors, influencers, nonprofits and companies that are using a gender lens and seeing the results.”

- Nancy Swanson, [Linked Foundation](#)





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